

STORAGE NAME: h2197a.ft

DATE: April 12, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
EDUCATION INNOVATION
ANALYSIS**

BILL #: HB 2197 (PCB EI 00-08)

RELATING TO: Ad Valorem Tax Exemption for Charter Schools

SPONSOR(S): Committee on Education Innovation and Representative Melvin

TIED BILL(S): none

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) FINANCE AND TAXATION YEAS 9 NAYS 4
 - (2) EDUCATION APPROPRIATIONS
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

HB 2197 provides:

- An ad valorem tax exemption for facilities leased by charter schools.
- A pro rata tax cancellation of ad valorem taxes for charter schools that have a partial year's tax.

The Committee on Finance and Taxation adopted two amendments that are traveling with the bill. As indicated in the "AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES" section the amendments clarify language and make a change to the numbering scheme. These amendments make no change to the substance of the bill.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Ad Valorem Exemption

Schools are exempt from ad valorem taxes when, pursuant to s. 196.192(1), F.S., they are owned by any exempt entity and used exclusively for exempt purposes. An exempt purpose includes an educational purpose, pursuant to s. 196.012(1), F.S.; " 'Exempt use of property' or 'use of property for exempt purposes' means predominant or exclusive use of property owned by an exempt entity for educational, literary, scientific, religious, charitable, or governmental purposes." Educational institutions include state and private schools. Charter schools are public schools. Private facilities used for a public charter school (such as school-in-workplace) are exempt from ad valorem taxes. Traditional charter schools that are leasing facilities do not receive the exemption.

Pro Rata Cancellation

Taxable status is determined as of January 1st. If on January 1st, an institution meets the definition of educational institution, the institution must apply for an exemption by March 1st. If an institution does not apply by March 1st, its status as an educational institution is lost. Counties, school boards, and community college district boards, pursuant to s. 196.29, F.S., do not have to apply for the exemption annually. These entities may also request and receive a pro rata cancellation of the current year's taxes on newly acquired property.

C. EFFECT OF PROPOSED CHANGES:

Ad Valorem Exemption

HB 2197 provides an exemption from ad valorem taxes for facilities *used* to house charter schools if the charter has been approved by the sponsor and the governing board according to the charter school law. Charter schools can receive the benefit of ad valorem tax relief for those facilities they lease. The landlord is required to certify by affidavit that the lease value will be reduced to the extent of the exemption received. The property owner must disclose to the charter school the full amount of the benefits, and, as a result, the full

benefit from the exemption must go to the charter school through a credit against the lease payment.

Pro Rata Cancellation

The bill adds the charter school governing board to the list of entities (counties, school boards, and community college district boards) in s. 196.29, F.S., that may receive a pro rata cancellation of property taxes due on newly acquired property. A charter school may request a tax cancellation after the March 1st deadline.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Creates s. 196.1983, F.S., providing an exemption from ad valorem taxes for facilities used to house charter schools.

Section 2. Amends s. 196.29, F.S., providing a pro rata tax cancellation for property acquired by charter school governing boards.

Section 3. Amends s. 228.056, F.S., providing notice of certain tax exemptions.

Section 4. Provides an effective date of July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The charter school exemption from ad valorem taxes is estimated to reduce local ad valorem taxes by \$0.3 million in fiscal year 2000-01.

The pro rata cancellation of the real property taxes will not impact the schools when their taxable status was determined as of January 1, 2000, and they applied by the March deadline. It will impact newly created charter schools which will owe taxes for partial year. The number of schools which will be newly created is unknown.

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The ad valorem tax exemptions and pro rata cancellation provisions will reduce the local government's revenue raising authority. However, the amount of this reduction is insufficient to trigger the mandates provision of the Constitution.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Finance and Taxation met on April 11, 2000, and adopted two amendments which are also traveling with the bill. The first amendment, which responds to concerns expressed by the Department of Revenue, rewords one sentence to improve clarity. The second amendment changes the number scheme of the bill, also in the interest of clarity.

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VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Staff Director:

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