

STORAGE NAME: h1965.fpr.doc

DATE: April 16, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FISCAL POLICY AND RESOURCES
ANALYSIS**

BILL #: HB 1965 (PCB FPR 01-07)

RELATING TO: Ad Valorem Taxation; Tangible Personal Property

SPONSOR(S): Committee on Fiscal Policy and Resources and Rep. Wallace

TIED BILL(S):

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

(1) FISCAL POLICY AND RESOURCES YEAS 12 NAYS 0

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I. SUMMARY:

This proposed committee bill amends the Florida Constitution to authorize, subject to enactment of a general law, a property tax exemption for all tangible personal property in this state that is held by the same owner and that has a total cumulative value up to \$5,000. The exemption would not apply if the total cumulative value of the qualified property exceeds \$5,000, and the exemption would not apply to tangible personal property held for sale as stock in trade and livestock.

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 type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" 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:

Article VII of the Florida Constitution governs finance and taxation. Section 9, Art. VII, State Constitution, provides that counties, school districts, and municipalities shall, and special districts may, be authorized by law to levy ad valorem taxes, except ad valorem taxes on intangible personal property. The constitution specifically prohibits the levying of a *state* ad valorem tax on real estate or tangible personal property (s. 1, Art. VII, State Constitution).

The Constitution further requires that, by general law, regulations be established for the just valuation of all property for ad valorem taxation. Tangible personal property held for sale as stock in trade and livestock may be valued for taxation at a specified percentage of its value, may be classified for tax purposes, or may be exempted from taxation (s. 4, Art. VII, State Constitution).

Section 3, Art. VII, State Constitution, provides for various exemptions from taxation, including for:

- Property owned by a municipality and used exclusively by it for municipal or public purposes;
- Household goods and personal effects to a value fixed by general law but not less than \$1,000, for every head of a family residing in Florida; and
- Property to a value fixed by general law but not less than \$500, for every widow or widower or person who is blind or totally and permanently disabled.

In addition, a county or municipality may, subject to general law and the provisions of Section 3 of Article VII, grant community and economic development ad valorem tax exemptions to new businesses and expansions of existing businesses, as well as historic preservation ad valorem tax exemptions to certain owners of historic properties.

Under s. 192.011, F.S., the ad valorem tax is administered by each county property appraiser. The Department of Revenue provides administrative oversight and assistance to property appraisers in assessing and collecting the ad valorem tax (s. 195.002, F.S.). Section 192.042,

F.S., states that real property shall be assessed on January 1 of each year. Improvements or portions not substantially completed on January 1 shall not be assigned a value. Tangible personal property also shall be assessed on January 1 of each year, except that no value shall be assigned to construction work in progress until it is substantially completed. Intangible personal property shall be assessed in accordance with ch. 199, F.S.

Section 192.001, F.S., defines tangible personal property for ad valorem taxation purposes as all goods, chattels, and other articles of value . . . capable of manual possession and whose chief value is intrinsic to the article itself (s. 192.001(11)(d), F.S.). Inventory and household goods are expressly excluded from this definition (*Id.*).

C. EFFECT OF PROPOSED CHANGES:

This proposed committee bill proposes an amendment to s. 3, Art. VII of the State Constitution, authorizing an exemption from ad valorem taxation for all tangible personal property in Florida held by the same owner up to a total cumulative value of \$5,000. The exemption, which must be provided by general law, does not apply if the total value of all qualifying tangible personal property held by the owner exceeds \$5,000. The resolution provides that the exemption does not apply to tangible personal property held for sale as stock in trade and livestock. The exemption is in addition to any other exemptions granted to tangible personal property under s. 3, Art. VII, State Constitution.

The amendment would be submitted to the voters in November 2002, and it provides for the amendment to take effect January 1, 2003. The joint resolution includes a ballot statement, as required by s. 101.161, F.S.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The proposed committee bill has not yet been reviewed by the Revenue Estimating Conference. However, in reviewing a similar proposal during the 1997 session, the Revenue Impact Conference estimated that such an exemption would represent a

reduction in local property taxes of \$33.2 million in the 1999-2000 local fiscal year if local government millage rates were unchanged.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Taxpayers owning less than \$5000 worth of taxable tangible personal property would be exempted from the ad valorem tax on said property and would not have to file a tangible personal property return.

D. FISCAL COMMENTS:

None

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This Proposed Committee Bill is an amendment to the Constitution. As such the consequences of Article VII, Section 18 need not be considered.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This Proposed Committee Bill is an amendment to the Constitution. As such the consequences of Article VII, Section 18 need not be considered.

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

This Proposed Committee Bill is an amendment to the Constitution. As such the consequences of Article VII, Section 18 need not be considered.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

None

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

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VII. SIGNATURES:

COMMITTEE ON FISCAL POLICY AND RESOURCES:

Prepared by:

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