

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 2298
 SPONSOR: Senator Haridopolos
 SUBJECT: Method of Fixing Millage
 DATE: March 17, 2004 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cooper	Yeatman	CP	Favorable
2.	_____	_____	FT	_____
3.	_____	_____	AGG	_____
4.	_____	_____	AP	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill changes calculation of the “rolled-back rate” (the millage rate that will provide the same ad valorem tax revenue for each taxing authority, when applied to the same property that was taxed in the previous year) by deleting the exclusion of the value of new construction and renovations.

This bill amends s. 200.065 of the Florida Statutes.

II. Present Situation:

Truth In Millage (TRIM)

Chapter 200, F.S., governs the method of fixing property tax millage by local taxing authorities. The “Truth in Millage” (TRIM) guidelines set the method for establishing annual millage rates for local governments, set dates for the required public budget hearing, specify budget advertising requirements, and regulate other important components of the annual ad valorem tax cycle. Taxing authorities must comply with all aspects of the notice requirements or be required to repeat the hearing and notice process. Noncompliance may subject a taxing authority to forfeit state funds.

The TRIM provisions were originally enacted in 1980¹ and have changed little since. These provisions were part of a comprehensive property tax administration package aimed at bringing property assessments to the constitutionally mandated levy of “just valuation.”² TRIM was designed to:

¹ Ch. 80-174, L.O.F.

² See *Walter v. Schuler*, 176 So. 2d 81 (Fla. 1965). Also see *Truth or Consequences: Florida Opts for Truth in Millage in Response to the Proposition 13 Syndrome*, Florida State University Law Review, Volume 8, Number 4, Fall 1980.

- Inform taxpayers that increases in assessments did not necessarily result in higher taxes;
- Focus on the local government budgetary process rather than on the assessment and review process performed by the property appraisers and value adjustment board;
- Increase awareness of the importance of the budget process in the development of millage rates; and
- Encourage taxpayer involvement in the local budgetary process.³

To accomplish these objectives, s. 200.065, F.S., requires each taxing authority to hold two public hearings when establishing operating expenditure requirements and millage rates necessary to fund the proposed budget for the next fiscal year. Taxpayers are informed of their opportunity to attend budget hearings through two notices. Except for school districts, notice of the first hearing on the tentative budget and proposed millage rate is mailed to each property owner by the county property appraiser in August. The second hearing to adopt a final millage rate and budget is advertised in a newspaper of general circulation in the county.⁴

An important component in the TRIM process is the method for establishing the “rolled-back” millage rate. The “rolled-back” millage rate is the millage rate which,

“...exclusive of new construction, additions to structures, deletions, increases in the value of improvements that have undergone a substantial rehabilitation which increased the assessed value of such improvements by at least 100 percent, and property added due to geographic boundary changes, will provide the same ad valorem tax revenue for each taxing authority as was levied during the prior year.”⁵

The rolled-back rate is important because it is used in the advertisements for budget hearings and in the Notice of Proposed Property taxes mailed annually to each property owner.⁶ Each taxing authority must show in the advertisements and notices a comparison of the millage rate proposed for the current budget year with the rolled-back rate.

For example, if the previous year’s tax base increased, and the taxing entity determines that it needs the same amount of revenue as it collected last year, the rolled-back rate will be lower than the previous year’s millage rate. If the taxing entity decides it requires more revenue than it collected in the previous year, the proposed millage rate will be higher than the rolled-back

³ These conclusions were published in *“Truth in Millage” Overview and Analysis*, an Interim Report prepared by the Senate Finance, Taxation and Claims Committee, December 10, 1991. Others have noted that TRIM prevents local governments from “riding” normal assessment increases without increasing millage rates, thus increasing property tax revenue without appearing to raise taxes.

⁴ See *Effects of Delayed Property Value Adjustments as They Relate to TRIM Rollback Advertising*, a study prepared by the Florida Department of Revenue, January 15, 1996.

⁵ s. 200.065(1), F.S. However, the “rolled-back rate” concept was first required in the 1963 “Just Value Act.” See ch. 63-250, s. 8, 1963 Florida Laws 600.

⁶ Section 200.069, F.S., specifies the manner of the notice of the proposed property taxes to property owners. The notice shows the taxpayer’s property taxes in the preceding year, his taxes for the current year if no budget changes are made, and his taxes for the current year under the proposed budgets and millage rates of the taxing authorities. The notice discloses the date, time, and location of public hearings on the local government’s proposed budgets and taxes. It also encourages the taxpayer to participate in the budget process.

millage rate, and the difference between these two rates must be advertised as a tax increase – even if the proposed millage rate is lower than last year’s actual millage rate.

III. Effect of Proposed Changes:

Section 1 amends s. 200.065(1), F.S., to change the method for calculating the “rolled-back millage rate,” the millage rate that will provide the same ad valorem tax revenue for each taxing authority, as was levied during the prior year. Specifically, it deletes the exclusion of the value of “new construction, additions to structures, deletions, increases in the value of improvements that have undergone a substantial rehabilitation which increased the assessed value of such improvements by at least 100 percent...” from the calculation of the rolled-back rate.

Consequently, the rolled-back rate in taxing districts with a growing tax base due to new construction, would raise less revenue, per capita, every year. In order to fund public services at the same per capita level, local governments would have to advertise annual tax increases.

Section 2 provides that this act will take effect July 1, 2004.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This bill would require that the value of new construction, etc., be included in the calculation of the rolled-back millage rate. Consequently, the rolled-back rate in taxing districts with a growing tax base due to new construction, would raise less revenue, per capita, every year. In order to fund public services at the same per capita level, local governments would have to advertise annual tax increases.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
