

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 23 w/CS Property Tax Exemption/Disabled Veteran

SPONSOR(S): Sansom

TIED BILLS: None.

IDEN./SIM. BILLS: CS/SB 202

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Veterans' & Military Affairs (Sub)</u>	<u>8 Y, 0 N</u>	<u>Smith</u>	<u>Cutchins</u>
2) <u>Local Government & Veterans' Affairs</u>	<u>17 Y, 0 N w/CS</u>	<u>Smith</u>	<u>Cutchins</u>
3) <u>Finance and Tax</u>	<u>19 Y, 0 N w/CS</u>	<u>Monroe</u>	<u>Diez-Arguelles</u>
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

Current law provides exemptions from ad valorem taxation for disabled United States veterans and their surviving spouses. For example, any real estate that is owned and used as a homestead by a veteran who was honorably discharged with a service-connected total and permanent disability is exempt from taxation.

Current law also provides a \$5,000 reduction in the taxable value of property to any resident, ex-service member who has been disabled to a degree of 10 percent or more while serving during a period of wartime service or by misfortune. This committee substitute extends this \$5000 property tax exemption to the un-remarried surviving spouse of a disabled ex-service member who, on the date of the disabled ex-service member's death, had been married to the disabled ex-service member for at least five years. When added to the \$500 widows exemption, this bill increases the total property tax exemption available to qualifying spouses to \$5,500.

This committee substitute also provides a total property tax exemption to certain veterans who, while citizens of the United States, served as members of the armed services of a nation that was an ally of the United States. The criterion for this exemption requires that the veteran be verified as having been honorably discharged with a service-connected total and permanent disability, and is a permanent resident of this state on January 1 of the tax year for which exemption is being claimed or was a permanent resident of this state on January 1 of the year the veteran died.

The Revenue Impact Conference estimated the fiscal impact to be \$1.1 to \$1.3 million in FY 2005-06 for all local governments levying property taxes. Therefore, the bill is exempted from the constitutional mandates restriction because of its insignificant fiscal impact.¹

¹ Revenue Impact Conference on January 23, 2004.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | 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. EFFECT OF PROPOSED CHANGES:

Current law provides exemptions from ad valorem taxation for disabled veterans. For example, any real estate that is owned and used as a homestead by a veteran who was honorably discharged with a service-connected total and permanent disability is exempt from taxation. This exemption is also available to the surviving spouse of such a veteran.

Current law also provides a \$5,000 reduction in the taxable value of property to any resident, ex-service member who has been disabled to a degree of 10 percent or more while serving during a period of wartime service or by misfortune.

Exemption to Surviving Spouses

This committee substitute extends the \$5000 property tax exemption to the un-remarried surviving spouse of a disabled ex-service member who, on the date of the disabled ex-service member's death, had been married to the disabled ex-service member for at least five years. When added to the \$500 widows exemption, this bill increases the total property tax exemption available to qualifying spouses to \$5,500.

Total and Permanent Disability Exemption

This committee substitute also provides a total property tax exemption to certain veterans who, while citizens of the United States, served as members of the armed services of a nation that was an ally of the United States. The criterion for this exemption requires that the veteran be verified as having been honorably discharged with a service-connected total and permanent disability, and is a permanent resident of this state on January 1 of the tax year for which exemption is being claimed or was a permanent resident of this state on January 1 of the year the veteran died.

Fiscal Impact

The Revenue Impact Conference estimated the fiscal impact to be \$1.1 to \$1.3 million. If the fiscal estimate is less than \$1.74 million, the bill is exempt from the constitutional mandates restriction.

C. SECTION DIRECTORY:

Section 1: creates subsection (20) of s. 196.012, F.S., to define an "ex-service member" as "any person who has served as a member of the United States Armed Forces on active duty or state active duty, a member of the Florida National Guard, or a member of the United States Armed Forces Reserve."

Section 2: amends subsection (1) of section 196.081, F.S., to provide a total exemption to a veteran who, while a citizen of the United States, served as a member of the armed services of a nation that was an ally of the United States, was honorably discharged with a service-connected total and permanent disability, and for whom a letter from the government, or that government's veterans service agency, in whose armed services the veteran served has been issued certifying that the veteran is totally and permanently disabled, if the veteran is a permanent resident of this state on January 1 of the tax year for which exemption is being claimed or was a permanent resident of this state on January 1 of the year the veteran died. Subsection (2) is amended to provide a conforming reference.

Section 3: amends s. 196.24, F.S., to grant the \$5,000 property tax exemption to the un-remarried surviving spouse of a veteran who is otherwise entitled to the exemption. To obtain the exemption, the un-remarried spouse must have been married to the veteran for at least 5 years. This exemption for the un-remarried surviving spouse would be in addition to the \$500 property tax exemption available to all resident widows and widowers in this state, pursuant to s. 196.202, F.S.

In addition, the exemption is restricted to ex-service members who were discharged under honorable conditions. This will exclude members who separated from the services with a bad conduct or dishonorable discharge.

Section 4: provides that this act will take effect July 1, 2004.

II. 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: This bill may have a negative fiscal impact on local governments.
2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If enacted into law, certain surviving spouses of certain veterans will benefit from reduced ad valorem taxes. This reduction in the property tax base will result in a corresponding shift in property tax burden to other property owners.

D. FISCAL COMMENTS:

County Property Appraisers will be responsible for processing applications for the unremarried surviving spouse of a disabled ex-service member who is otherwise entitled to the exemption.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision appears to apply because by increasing the reduction in taxable value from \$500 to \$5,000 for surviving spouses of certain ex-service members, the bill reduces municipalities' and counties' property tax base, thereby reducing their revenue-raising authority. Pursuant to subsection (b) of section 18 of Article VII, Florida Constitution, a general law, reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate. However, laws of insignificant fiscal impact are exempted from this requirement.

The Revenue Impact Conference estimated the fiscal impact to be \$1.1 to \$1.3 million. If the fiscal estimate is less than \$1.74 million, the bill will be exempt from the constitutional restriction. Therefore, the bill is exempted from the constitutional mandates restriction because of its insignificant fiscal impact.

2. Other:

None.

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS: In line 58 of the Committee Substitute, the reference to "section 1" should read "subsection (1)(a)".

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

The Subcommittee on Veterans' & Military Affairs recommended one amendment on March 3, 2004. The amendment modifies the requirement that the unremarried surviving spouse had been married to the disabled veteran for at least 20 years to at least five years.

The Committee on Local Government & Veterans' Affairs adopted a substitute amendment to the amendment and passed the bill on March 10, 2004. The substitute amendment to the amendment grants a property tax exemption to the un-remarried surviving spouse of a disabled ex-service member who, on the date of the disabled ex-service member's death, had been married to the disabled ex-service member for at least five years. The amendment also provides the exemption for veterans for certain members of the Armed Forces of a nation allied with the United States under certain circumstances.

The Committee on Finance and Tax adopted one technical amendment to the Committee Substitute, which corrected a citation, and passed the bill as a Committee Substitute on March 30, 2004.