HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 7A Relief for Persons Whose Primary Residences Were Damaged by a Named Tropical System
SPONSOR(S): Murzin
TIED BILLS: **IDEN./SIM. BILLS:** SB 8A

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee	10 Y, 0 N, w/CS	Monroe	Diez-Arguelles
2) Fiscal Council		Monroe	Kelly
3)			
4)			
5)			

SUMMARY ANALYSIS

This bill provides for reimbursement from the General Revenue Fund for a portion of the ad valorem taxes paid on homesteaded property which was damaged by a named tropical system in 2004.

- In order to qualify for relief, the property must have been granted a homestead exemption for the 2004 tax year.
- The property owner must submit an application for reimbursement to the county property appraiser on or before March 1, 2005.
- The application must state that the property was uninhabitable for a period of 60 days or more and include any supporting documentation.
- Property owners who were living in uninhabitable structures due to a lack of alternative living quarters are eligible for reimbursement.
- Giving false information for the purpose of claiming this reimbursement is a first degree misdemeanor and punishable by a year in jail and/or a $5,000 fine.
- The property appraiser must determine how long the property was uninhabitable, prorate the taxes by the number of days the home was uninhabitable, and determine the amount of reimbursement due. The reimbursement will be capped at $1,500.
- The property appraiser must submit a list, via a web application, to the Department of Revenue by April 1, 2004, of persons entitled to reimbursement and the amount of reimbursement due.
- Before issuing checks, the Department of Revenue must compare the total amount of reimbursement due to the amount appropriated for relief and reduce the reimbursements, if necessary, to ensure that the total reimbursements granted do not exceed the appropriation.
- The Department of Revenue shall forward undeliverable checks to the local property appraisers for further delivery attempts.
- $20 million dollars is appropriated from the General Revenue Fund to the Administrative Trust Fund of the Department of Revenue for the purpose of providing these reimbursements.
- $50,000 is appropriated from the General Revenue Fund to the Administrative Trust Fund of the Department of Revenue to cover the mailing costs and administrative expenses of this bill.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

1. Reduce government?	Yes[]	No[]	N/A[X]
2. Lower taxes?	Yes[]	No[]	N/A[X]
3. Expand individual freedom?	Yes[]	No[]	N/A[X]
4. Increase personal responsibility?	Yes[]	No[]	N/A[X]
5. Empower families?	Yes[]	No[]	N/A[X]

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

NOTE: The Speaker of the House has adopted new House Principles to guide members in evaluating legislation during the 2002-2004 Legislature. These principles are:

Provide limited government,
Ensure lower taxes,
Safeguard individual liberty,
Promote personal responsibility,
Empower families, and
Maintain public security.

B. EFFECT OF PROPOSED CHANGES:

<u>The 2004 Hurricane Season</u>

During the 2004 hurricane season Florida was hit by 5 storms (Tropical Storm Bonnie and Hurricanes Charley, Ivan, Frances, and Jeanne). As a result all 67 counties in the State of Florida were included in at least one of four federal disaster declarations and all 67 counties sustained some type of property damage. Tropical Storm Bonnie was incorporated under the federal declaration for Hurricane Charlie.

Each storm is described below:

Tropical Storm Bonnie made landfall on Thursday, August 12, 2004, around 2 p.m., near the mouth of the Aucilla River with 40 mph sustained winds. The greatest impact from this storm was tornadoes in the Jacksonville Area.

Hurricane Charley made landfall on Friday, August 13, 2004, around 3:45 p.m., at Cayo Costa and Gasparilla Island at the entrance of Charlotte Harbor as a Category 4 hurricane (145 mph sustained winds). The greatest impact from Hurricane Charley was a 10-mile wide swath of destruction from Charlotte and Lee counties northeastward through Volusia and Flagler counties.

Hurricane Frances made landfall on Sunday, September 5, 2004, around midnight, at Sewall's Point just east of Stuart in Martin County as a Category 2 hurricane (105 mph sustained winds). The greatest impact was the Hurricane force winds that extended outwards 85 miles from Frances' 50-mile wide eye. Rainfall over a widespread region in the peninsula resulted in significant flooding.

Hurricane Ivan made landfall on Thursday, September 16, 2004, just after 3 a.m., just west of Gulf Shores in Baldwin County, Alabama as a strong Category 3 hurricane (130 mph sustained winds). The greatest impact was storm surge and waves that devastated barrier islands of the western panhandle and Baldwin County. Almost 30 tornadoes touched down in the Panhandle, Big Bend, and South Georgia.

Hurricane Jeanne made landfall on September 25, 2004, just before midnight, again near Sewall's Point on the southern end of Hutchinson Island in Martin County as a Category 3 hurricane (120 mph sustained winds). Moderate wind damage and flooding were the main impacts to areas already damaged by Hurricane Frances.

Property Taxes

Property Taxes are levied on January 1st of each year. The taxes are based on the value of the property on that date. Then, after the tax roll showing all the values within the county is prepared, budgets are adopted setting local millage rates, and the taxes due are calculated, final tax bills are sent out on approximately November 1. As a result, property owners who had their home severely damaged or destroyed during these storms, have recently received the 2004 tax bills on their property.

Reimbursements

This bill provides for checks to be sent to qualifying homeowners to reimburse them for a portion of the 2004 ad valorem taxes which were levied on their property. The amount of the reimbursement will be based on the length of time the property was uninhabitable in 2004. These reimbursements will be limited to $1,500 per homeowner and will be paid for out of a $20 million dollar appropriation contained within this bill.

Specifically, in order to qualify for a reimbursement the property must have been damaged by storms. The property owner must submit an application for reimbursement on or before March 1, 2005. In order to qualify for a reimbursement the property must have:

- Received a homestead exemption on the 2004 tax roll,
- Been damaged by a named tropical system during 2004, and
- Been uninhabitable for at least 60 days as a result of that damage.

Property owners are asked to submit any documentation they have to show that the property was uninhabitable as a result of the storms. Property owners who were living in an uninhabitable structure due to a lack of alternative living quarters are still eligible for this reimbursement.

Providing false information for the purpose of receiving this reimbursement is a first degree misdemeanor and punishable by up to one year in jail and /or a fine of up to $5,000.

After receiving the applications and supporting documentation, the Property Appraiser will determine if the property owner qualifies for reimbursement and the total number of days the property was uninhabitable. The property appraiser will also calculate the amount of the reimbursement. Each reimbursement will be an amount equal to the total ad valorem taxes levied on the property for the 2004 tax year, multiplied by a ratio equal to the number of days the property was uninhabitable after the damage occurred in 2004 divided by 366 (2004 was a leap year), but not to exceed $1,500.

Thus, a homeowner whose tax bill was $3,000 and whose home was uninhabitable for one-third of the year (122 days out of 366) would qualify for a $1,000 reimbursement. However, a homeowner whose tax bill was $6,000 and whose home was uninhabitable for the same 122 days would receive the maximum reimbursement of $1,500 instead of the $2,000 reimbursement to which he would otherwise be entitled. (See D. Fiscal Comments)

The property appraiser will then compile a list of those persons qualifying for reimbursement and the amount of reimbursement due. This list must be submitted to the Department of Revenue by April 1, 2005, via a web application. The Department of Revenue will issue a check to qualifying persons.

Before issuing any checks, the Department of Revenue must determine if the total amount of the reimbursements exceeds the $20 million dollars appropriated for these reimbursements. If the claims do exceed the funds appropriated, the Department of Revenue must reduce all reimbursement amounts by a sufficient percentage so as not to exceed the appropriation.

The Department of Revenue will forward undeliverable checks to the local property appraisers for further delivery attempts.

Finally, $50,000 is appropriated to the Department of Revenue to cover mailing and administrative expenses associated with this bill.

C. SECTION DIRECTORY:

Section 1 creates the reimbursement program, which is outlined in the "Effect of Proposed Changes" section of this analysis.

Section 2 provides that the Department of Revenue shall forward undeliverable checks to the local property appraisers for subsequent delivery attempts.

Section 3 contains a $50,000 appropriation to cover the mailing and administrative cost associated with this bill.

Section 4 contains the $20 million dollar appropriation to pay for the reimbursements.

Section 5 provides that the bill shall take effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None

2. Expenditures:

   The bill includes a $20 million dollar appropriation from the General Revenue Fund to the Administrative Trust Fund of the Department of Revenue for the purpose of providing reimbursements.

It also includes a $50,000 appropriation to the Department of Revenue to cover mailing and administrative expenses associated with this bill.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None

2. Expenditures:

   None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill provides for a direct reimbursement to homeowners whose homes were damaged by the named tropical systems of 2004. These payments are limited to $1,500 per homeowner.

D. FISCAL COMMENTS:

The bill limits reimbursements to a maximum of $1,500.

To provide some perspective, this limitation will apply to properties whose market value exceeds approximately $335,000.

This example assumes that the property is uninhabitable for one-third of the year and that the property tax rate applicable to the property is 20.24 mills (the statewide average millage rate.)

Given these assumptions, the total taxes on the property for 2004 are $4,500 ($1500 x 3), and the taxable value of the property is $222,332 (4500 ÷ .02024).

In order to arrive at fair market value, or what the property would sell for, three values must be added to the taxable value of $222,332. These values are:

1) The value of the homestead exemption ($25,000), bringing the value to $247,332;
2) An assumed value for the save our homes differential ($37,500 equates roughly to the statewide average differential), bringing the value to $284,832.
3) An additional factor to account for the fact that the property appraisers' just value excludes transaction costs of up to 15% that are present in the market value. Adjusting for this value yields a fair market value of $335,096 ($284,832 ÷ .85.)

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On December 14, 2004, The Finance and Tax Committee passed seven amendments to this bill. The first four amendments were designed to make the Department of Revenue, instead of the Chief Financial Officer, the agency responsible for administering the reimbursement program.

Amendment 1 directed property appraisers to submit the list for reimbursements to the Department of Revenue via a web application developed by the Department. The Department of Revenue will then be responsible for issuing the reimbursement checks.

Amendment 2 replaced “Chief Financial Officer” with “Department of Revenue” in three additional locations.

Amendment 3 specified that the checks will be issued from the Administrative Trust Fund of the Department of Revenue rather than from General Revenue.

Amendment 4 was a conforming amendment which provides for the funds to be deposited in the Administrative Trust Fund of the Department of Revenue.

Amendment 5 added two new sections to the bill. First, it specifies that the Department of Revenue shall forward all undeliverable checks to the appropriate Property Appraiser for further delivery attempts. Second, it provides an additional $50,000 appropriation to the Department of Revenue for software development, postage, and other expenses necessary to administer the reimbursement program.

Amendment 7 specified that the application should include an estimate of the numbers of days the property was uninhabitable after the storm damage occurred.

Amendment 8 specified that the only the days the property was uninhabitable after the storm damage occurred should be used to calculate the reimbursement amount.