

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB1805      PCB FT 05-06      Property Tax Administration  
**SPONSOR(S):** Finance & Tax Committee  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1796

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.: Finance & Tax Committee	8 Y, 0 N	Monroe	Diez-Arguelles
1) Fiscal Council	13 Y, 0 N	Monroe	Kelly
2)			
3)			
4)			
5)			

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### SUMMARY ANALYSIS

This bill makes two changes to the process of reviewing and approving property tax rolls.

First, the bill provides that if the Department of Revenue finds a problem with the Sales Qualification Study, the Department shall issue a post-audit notification of defects under s. 195.097, F.S., instead of issuing a review notice under s. 193.1142(4), F.S. This change will allow the process of approving the tax roll to go forward and allow the Department and the Property Appraiser more time to solve the process defect that is causing the errors in qualification decisions.

Second, this bill would amend the provisions of s. 195.096(2)(c), F.S., regarding the statistical reliability of ratio studies. Currently, the statute requires that "the department must use a representative or statistically reliable sample" and that they shall "assure the representativeness of ratio samples". The Department maintains that by their terms, neither of these standards is achievable. Thus, this bill instructs the Department to "enhance" rather than "assure" the representativeness of the sample, and requires them to do statistical and analytical reviews in order to document the degree of reliability of their samples.

These sections were cited by the Auditor General in their report on the Department's ad valorem tax program issued August 16, 2000, and these changes are based on the Auditor General's recommendations.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

This bill does not appear to implicate any of the House Principles.

#### B. EFFECT OF PROPOSED CHANGES:

##### Sales Qualification Study

As a part of developing a tax roll, property appraisers review individual sales and “qualify” those that are “arms-length” transactions (i.e., those sales where the parties involved are not affected by undue influence from family, business, financial, or personal factors). Such “qualified” sales provide a good indication of market value.

As part of its in-depth study process, s. 195.0095(2), F.S., requires the Department Of Revenue to draw a random sample of all sales within a county to determine whether those sales were properly qualified or disqualified by the property appraiser. If more than 10 % of sales qualification decisions do not fall within applicable criteria, the statute states that Department Of Revenue must issue a review notice pursuant to s. 193.1142(4), F.S., requiring the property appraiser to satisfactorily explain or remedy the problem before approval of the assessment roll.

This bill amends s. 195.0095(2), F.S. to state that if the Department finds that more than 10% of the sample sales were improperly qualified or disqualified, the Department must follow the procedures in s. 195.097, F.S. and issue a post-audit notification of defects instead of issuing a review notice under 193.1142(4), F.S. This change will allow the process of approving the tax roll to go forward and allow the Department and the Property Appraiser more time to solve the process defect that is causing the errors in qualification decisions.

##### Ratio Studies

The Department uses ratio samples to measure the assessment level of each tax roll. It is critical to accurately review that the sample used be representative. Currently, s. 195.096(2)(c), F.S. requires the Department to “use a representative or statistically reliable sample”. Under this bill, this language will be revised to require the Department to “maximize the representativeness and statistical reliability of samples”. In addition, it would require the Department to do statistical and analytical reviews and sale-qualification studies in order to measure the representativeness of its samples.

##### Auditor General's Report

The Auditor General's Report of August 16, 2000, reads in relevant part:

We recognize that the statutory requirement for the Department to issue a review notice within 30 days of a complete submission of an assessment roll by a county property appraiser (Section 193.1142(4), Florida Statutes) may adversely affect the Department's ability to modify its in-depth study upon a determination of sample nonrepresentativeness. There are several options available to the Department to address such concerns, including implementation of recommendations in their report for improving the in-depth study process. If the Department determines that compliance with the 30-day limitation presents an undue burden, the Department may wish to seek, in consultation with the Legislature, revisions of this requirement.

We again recommend that the Department evaluate the representativeness of its ratio study samples and include the establishment of specific and objective evaluative criteria in order to

demonstrate the Department's basis for verifying such representativeness. In those instances in which the Department identifies concerns as to the accuracy and validity of the values contained in any assessment roll resulting from sample nonrepresentativeness, the Department should pursue appropriate action as recommended by IAAO<sup>1</sup> to ensure that each sample is representative. We also recommend that the Legislature, in addition to requiring the use of representative or statistically reliable samples, consider amending Section 195.096(2)(c), Florida Statutes, to require that the Department document in its official records such representativeness or statistical reliability. The *IAAO Standard on Ratio Studies, 1999*, provides guidance for the documentation of representativeness or statistical reliability.

#### C. SECTION DIRECTORY:

**Section 1** amends s. 195.0095(2), F.S., to state that if the Department finds that more than 10% of the sample sales were improperly qualified or disqualified, the Department shall follow the procedures in s. 195.097, F.S., and issue a post-audit notification of defects instead of issuing a review notice under 193.1142(4), F.S.

**Section 2** revises the provisions of s. 195.096(2)(c), F.S., regarding the statistical reliability of ratio studies in order to address concerns raised by the Auditor General.

**Section 3** provides an effective date of July 1, 2005.

## 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:

None

#### 2. Expenditures:

None

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

D. FISCAL COMMENTS:

None

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable.

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

**IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES**