HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 537 CS Homestead Assessments
SPONSOR(S): Grant and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 1194

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee	7 Y, 0 N, w/CS	Monroe	Diez-Arguelles
2) Local Government Council	8 Y, 0 N	Camechis	Hamby
3) Fiscal Council		Monroe	Kelly
4)			
5)			

SUMMARY ANALYSIS

The bill provides that changes, additions, or improvements to homestead property rendered uninhabitable in one of the named storms of 2004 shall not be considered as changes, additions, or improvements to homestead property subject to assessment at just value unless:

- The square footage or a house which previously measured more than 1350 square feet is increased by 10 percent or more,
- The square footage of house which previously measured 1350 square feet or less is increased to more than 1500 square feet, or
- Repairs to the property are incomplete by January 1, 2008.

The Revenue Estimating Conference has estimated that the bill would reduce local revenues by $13.1 million on an annualized basis, assuming no change in millage rates by local governments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes – This bill will lower property taxes for certain individual who rebuild homestead property damaged during the named storms of 2004.

B. EFFECT OF PROPOSED CHANGES:

Background:

Article VII, s. 4 of the State Constitution requires that all property be assessed at its just market value for ad valorem tax purposes. Just value has been interpreted to mean fair market value.

Article VII s. 4(c) of the State Constitution, provides for a homestead property assessment increase limitation. The annual increase in a homestead property's assessed value is limited to 3 percent or the Consumer Price Index percentage change, whichever is lower, not to exceed just value. If there is a change in ownership, the property must be assessed at its just value on the following January 1. The value of changes, additions, or improvements to the homestead property is assessed as provided by general law. Section 193.155, F.S., implements this assessment limitation.

Section 193.155(4), F.S., provides that changes, additions, or improvements to homestead property are assessed at just value as of the first January 1 after the changes, additions, or improvements are substantially completed. However, paragraph (b) of s. 193.155(4), F.S., stipulates that changes, additions, or improvements do not include replacement of a portion of real property damaged or destroyed by misfortune or calamity when the just value of the damaged or destroyed portion as replaced has a just value that is not more than 125 percent of the previous just value of the damaged or destroyed portion. The value of any replaced real property or portion thereof, which is in excess of 125 percent of the just value of the damaged or destroyed property is deemed to be a change, addition, or improvement and subject to assessment.

Proposed Changes:

The committee substitute provides that, notwithstanding s. 193.155(4), F.S., changes, additions, or improvements to homestead property rendered uninhabitable in one of the named storms of 2004 are not considered as changes, additions, or improvements to homestead property subject to assessment at just value as provided in s. 193.155(4)(a), F.S., unless:

- the square footage or a house which previously measured more than 1350 square feet is increased by 10 percent or more,
- the square footage of house which previously measured 1350 square feet or less is increased to more than 1500 square feet, or
- repairs to the property are incomplete by January 1, 2008.

The committee substitute also includes language specifying that these provisions are retroactive and apply to the 2005 tax roll.

C. SECTION DIRECTORY:

Section 1. Allows homestead property owners impacted by the 2004 hurricane season to rebuild their damaged property without incurring higher property assessments under certain conditions; specifies that these provisions are retroactive and apply to the 2005 tax roll.

Section 2. Provides that this bill shall take effect upon becoming law.

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: The Revenue Estimating Conference has estimated that the bill would reduce local revenues by $13.1 million on an annualized basis, assuming no change in millage rates by local governments.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: This bill will reduce ad valorem taxes for certain taxpayers who rebuild homesteaded property which was rendered uninhabitable during the named storms of 2004.

D. FISCAL COMMENTS:

   None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   Whether this bill is a mandate is unclear. This bill reduces the authority of cities and counties to raise revenue in the aggregate. However, the provisions of the bill change sections of law that were enacted to implement the provisions of Article VIII, Section 4 of the Florida Constitution. Legislation implementing a constitutional amendment should not result in the application of the mandates provision. Nonetheless, in an abundance of caution a two-thirds vote is desirable.

3. Other:

   None.

B. RULE-MAKING AUTHORITY:

   None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

   None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 29, 2005, the Committee on Finance and Tax adopted a committee substitute which made the following changes to the bill:

- Specified that the homestead must have been “rendered uninhabitable” as opposed to “damaged”.
- Provided that homesteads previously measuring under 1350 square feet could rebuild up to 1500 square feet without being assessed at just value.
- Changed the date by which repairs must be complete from 24 months after the damage occurred to January 1, 2008.
- Specified that the bill is retroactive and is intended to apply to the 2005 tax roll.