

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

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

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee		Monroe	Diez-Arguelles
2) Local Government Council			
3) Fiscal Council			
4) _____			
5) _____			

SUMMARY ANALYSIS

The bill provides that changes, additions, or improvements to homestead property damaged 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 is increased by 10 percent or more or repairs to the property are incomplete 24 months after the date of damage from the storms.

The Revenue Estimating Conference has estimated that this bill will reduce local revenues by 28.6 million dollars on an annualized basis, assuming no change in millage rates by local governments. It does not appear that any exception to the mandates provision applies. As such, this bill should be passed by a two-thirds vote in both chambers.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes – This bill will lower property taxes for certain individual who rebuild homesteaded 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 homesteaded 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 is to 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 shall be assessed as 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 shall be deemed to be a changes, additions, or improvements and subject to assessment.

Proposed Changes:

The bill provides that notwithstanding s. 193.155(4), F.S., changes, additions, or improvements to homestead property damaged 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 as provided in s. 193.155(4)(a), F.S., unless the square footage is increased by 10 percent or more or repairs to such property are incomplete 24 months after the date of damage from the storms.

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 provided the square footage of the property is not increased by 10 percent or more or repairs to the property do not require more than 24 months to complete.

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 this bill would reduce local ad valorem tax revenues by \$28.6 million on an annualized basis, assuming no changes in millage rates.

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 damaged during the named storms of 2004.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill reduces the authority of local governments to raise revenues in that it is estimated to reduce local ad valorem revenues by \$23.8 million on an annualized basis, and it does not appear that any exception to the mandates provision applies. As such, this bill should be passed by a two-thirds vote in both chambers.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

By providing that the property must be rebuilt 24 months after the damaged occurred, this bill requires property appraisers to not only determine the date the repairs were finished, but also the date the damage occurred.

In addition, because the date of taxation is January 1 of the tax year and this bill takes effect upon becoming law, it appears that the provisions of this bill will not apply to the 2005 tax roll.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES