

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 83 Property Tax Exemptions
SPONSOR(S): Bilirakis and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 550

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

SUMMARY ANALYSIS

Current law provides an exemption from ad valorem taxation for totally disabled United States veterans and their surviving spouses. 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 bill 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 bill 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. To qualify for this exemption the veteran must have been honorably discharged with a service-connected total and permanent disability, and a permanent resident of this state on January 1 of the tax year for which exemption is being claimed or must have been a permanent resident of this state on January 1 of the year the veteran died.

In addition, the bill provides a definition of "ex-service member" which had previously been undefined by the statutes. The definition of ex-service member appears to be expansive enough to include all persons who have previously been granted this exemption. However, because the bill also amends the criteria for granting this exemption to require that the ex-service member be "honorably discharged", the bill will deny this exemption to any dishonorably discharged ex-service members who may apply for it or have previously been granted it.

During the 2004 Regular Session, the Revenue Estimating Conference estimated the fiscal impact of this bill to be between \$1.1 and \$1.3 million in FY 2005-06 for all local governments levying property taxes. The Revenue Estimating Conference has yet to update its analysis for this year.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0083.FT.doc
DATE: 1/21/2005

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. Lower taxes? | Yes <input 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 type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |

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 2004-2006 Legislature. These principles are:

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

Ensure Lower Taxes - This bill lowers taxes for certain veterans and their spouses

B. EFFECT OF PROPOSED CHANGES:

Current law provides an exemption from ad valorem taxation for totally disabled veterans. 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 for Ex-Service Members

The bill provides a definition of “ex-service member” which had previously been undefined by the statutes. The definition of ex-service member appears to be expansive enough to include all persons who have previously been granted this exemption. However, because the bill also amends the criteria for granting this exemption to require that the ex-service member be “honorably discharged”, the bill will deny this exemption to any dishonorably discharged ex-service members who may apply for it or have previously been granted it.

Exemption Extended to Surviving Spouses

This bill 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 bill 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. To qualify for this exemption the veteran must have been honorably discharged with a service-connected total and permanent disability, and a permanent resident of this state on January 1 of the tax year for which exemption is being claimed or must have been a permanent resident of this state on January 1 of the year the veteran died.

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, 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:

This bill will have a negative effect on local revenues. Expanding the class of people who are eligible to receive the \$5000 and total exemptions will reduce the tax base upon which a local jurisdiction levies ad valorem taxes resulting in either a loss of revenue or an increase in the tax

rate. Assuming that local jurisdictions do not raise their tax rates, this bill was estimated to have a negative fiscal impact between \$1.1 and \$1.3 million in 2004.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If enacted into law, certain veterans and certain surviving spouses 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:

The Revenue Estimating Conference has not yet made an official estimate of the impact of this bill.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision appears to apply because this bill will have a negative effect on the ability of local governments to raise revenue, however because the amount of that impact is likely to be insignificant, this bill should be exempt from the mandates provision.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES