

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

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

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee	7 Y, 0 N, w/CS	Monroe	Diez-Arguelles
2) Military & Veteran Affairs Committee	8 Y, 0 N	Marino	Carter
3) Local Government Council	6 Y, 0 N	Camechis	Hamby
4) Fiscal Council			
5) _____			

SUMMARY ANALYSIS

Current law 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.

In addition, the bill provides a definition of "ex-service member," which is 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 an exemption.

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.

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DATE: 3/16/2005

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

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

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

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. This exemption is not available to the surviving, un-remarried spouse.

Finally, s. 196.202, F.S., provides a homestead tax exemption of \$500 for all widows and widowers.

Effect of Proposed Changes:

Definition of Ex-Service Members

The bill provides a definition of "ex-service member," which is 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 the exemption to any dishonorably discharged ex-service members who may apply for it or have previously been granted an exemption.

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.

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 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 3: Provides that this act will take effect July 1, 2005.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: There are no known or expected fiscal impacts on state government revenues.
2. Expenditures: There are no known or expected fiscal impacts on state government expenditures.

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 exemption 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: There are no known or expected fiscal impacts on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If enacted into law, certain surviving spouses of veterans 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: This bill amends s. 196.24, F.S., to extend the \$5000 property tax exemption to the unremarried 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. That section was enacted pursuant to s. 3(b), Art. VII of the Florida Constitution, which provides as follows: "There shall be exempt from taxation, cumulatively, to every head of a family residing in this state, household goods and personal effects to the value fixed by general law, not less than one thousand dollars, and to **every widow or widower** or person who is blind or totally and permanently disabled, property to the value fixed by general law not less than five hundred dollars." [Emphasis added.]

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS: None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 27, 2005, the Finance and Tax Committee adopted one amendment to this bill and made the bill a Committee Substitute. The amendment removed a provision which would have provided 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. Had this provision remained in the bill, to qualify for this exemption, the veteran would have had to have been honorably discharged with a service-connected total and permanent disability and have been a permanent resident of this state on January 1 of the tax year for which exemption is being claimed or a permanent resident of this state on January 1 of the year the veteran died.