

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Government Efficiency Appropriations Committee

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BILL: SB 1074

INTRODUCER: Senator Smith

SUBJECT: Tax/Obsolete Agricultural Equipment

DATE: March 13, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Weidenbenner</u>	<u>Poole</u>	<u>AG</u>	<b>Favorable</b>
2.	<u>Vickers</u>	<u>Yeatman</u>	<u>CA</u>	<b>Favorable</b>
3.	<u>Fournier</u>	<u>Johansen</u>	<u>GE</u>	<b>Favorable</b>
4.	_____	_____	<u>GA</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

This bill permits certain agricultural equipment to be classified as obsolete and further provides that such equipment will be assessed at salvage value for ad valorem tax purposes.

This bill creates a new section of the Florida Statutes.

## II. Present Situation:

For ad valorem tax purposes, taxpayers owning agricultural equipment must file an annual return to report equipment owned as of January 1st of each year. The county property appraiser is required to assess the property's value at a just valuation which has been held to mean 100% of fair market value. The Florida Department of Revenue adheres to life expectancy guidelines that establish a 10 year life for agriculture machinery and equipment, which means that agricultural equipment is not assessed at salvage value until after it is ten years old. Therefore, agricultural equipment that is less than ten years old is required to be assessed at fair market value rather than salvage value even though it is no longer commonly used by the taxpayer for a variety of reasons.

## III. Effect of Proposed Changes:

**Section 1** creates an unnumbered section of the Florida Statutes which provides that:

- "Agricultural equipment" that qualifies for the sales tax exemption provided in s. 212.08(3), F.S., whether purchased in Florida or outside the state, shall be assessed for ad valorem property tax purposes at salvage value if it is no longer commonly used by the taxpayer in agricultural production.

- A taxpayer initiates a claim to this right of assessment by filing a return with the property appraiser who may require additional information to establish the taxpayer's right to have such property classified as obsolete.

**Section 2** provides that this act shall take effect upon becoming law.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

Article VII, Section 18 (b) of the Florida Constitution provides that any general law which has the anticipated effect of reducing the authority of local government to raise revenues in the aggregate is deemed to be a mandate and must pass by two-thirds vote of the membership of each house unless certain exceptions or exemptions apply. One of the exemptions is if the bill's net aggregate fiscal impact does not exceed \$1.8 million.

The Revenue Estimating Conference has estimated this bill to have an insignificant fiscal impact of less than \$1.8 million.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

##### **D. Other Constitutional Issues:**

Section 4, Article VII of the Florida Constitution states that "By general law regulations shall be prescribed which shall secure a just valuation of all property for ad valorem taxation,....." Section 193.011, F.S. sets forth factors that the property appraiser must consider in arriving at just valuation and "salvage value" is not included among them. The Florida Supreme Court has consistently held that all property is subject to ad valorem taxation unless it is constitutionally exempted, and that "just valuation" of property for ad valorem tax purposes is synonymous with 100 percent of "fair market value."

#### **V. Economic Impact and Fiscal Note:**

##### **A. Tax/Fee Issues:**

The Revenue Estimating Conference projects that the reduced assessment for obsolete agricultural equipment would result in a loss of revenue of \$.9 million for FY 2006-07 and thereafter.

**B. Private Sector Impact:**

Owners of agricultural equipment that is assessed at salvage value will pay a reduced amount of property taxes on that equipment.

**C. Government Sector Impact:**

Based on the estimated economic impact, some local governments may have a slightly reduced property tax base.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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## **VIII. Summary of Amendments:**

None.

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