

# 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: General Government Appropriations Committee

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BILL: CS/SB 1430

INTRODUCER: Government Efficiency Appropriations Committee and Government Efficiency Appropriations Committee

SUBJECT: Property Taxation

DATE: April 4, 2006

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Fournier</u>	<u>Johansen</u>	<u>GE</u>	<u>Fav/CS</u>
2.	<u>Vickers</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable</u>
3.	<u>Blizzard</u>	<u>Hayes</u>	<u>GA</u>	<u>Favorable</u>
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

The bill provides that changes, additions, or improvements that repair or replace homestead property damaged or destroyed by misfortune or calamity shall not increase the assessed value when the square footage of the property after repair or replacement does not exceed 110 percent of the square footage of the property before damage or destruction, or 1500 square feet. It also clarifies the maintenance of homestead status for property that is damaged or destroyed by misfortune or calamity and is not repaired or replaced by January 1 following the damage or destruction.

The bill substantially amends the following sections of the Florida Statutes: 193.155 and 196.031.

## II. Present Situation:

The State Constitution limits the growth in the assessed value of homestead property. When a new homestead is established, it is assessed at just value, but growth in the assessed value is limited to the Consumer Price Index or 3 percent, whichever is lower. This assessment limitation, known as Save Our Homes, is implemented by s. 193.155, F.S. Subsection (4) of this section provides instructions for assessing changes, additions, or improvements to homestead property. It says that changes, additions, or improvements shall be assessed at just value as of the first January 1 after they are substantially completed, but makes an exception for replacement of real property damaged or destroyed by misfortune or calamity. When the just value of the replaced real property is no more than 125 percent of the value of the damaged or destroyed property, the replaced real property is not deemed to be a change, addition, or improvement.

In 2004, four hurricanes made landfall in Florida and caused widespread property damage. The widespread damage and destruction of homestead property raised the general level of awareness of the law relating to assessment of such property, and possible shortcomings of that law. Because of these perceived shortcomings, the Legislature enacted CS/SB 1194 (Ch. 2005-268, L.O.F.), which provides for a different treatment of homestead property that was damaged or destroyed by one or more of the named storms of 2004. This law provides that, for homestead property rendered uninhabitable by these storms, only that portion of changes, additions, or improvements that exceeds 110 percent of the homestead property's total square footage, or 1500 square feet, shall be assessed at just value.

The Government Efficiency Appropriations Committee studied the assessment of homestead property damaged or destroyed by misfortune or calamity, and reported its findings in Interim Project Report 2006-126. The committee found problems and ambiguities in the assessment of such property, and recommended that the statute be amended to provide more guidance to the property appraisers in assessing this property.

### **III. Effect of Proposed Changes:**

The bill amends s. 193.155, F.S., to provide that changes, additions, or improvements that replace all or a portion of real property damaged or destroyed by misfortune or calamity shall not increase the assessed value when the square footage of the property, as replaced, is not more than 110 percent of the square footage of the property before the damage or destruction, or 1500 total square feet. The bill requires property owners to commence repairs within 3 years after the January 1 following the damage or destruction, and it extends these provisions to permanent residents who had moved into their homes after January 1 (and therefore did not have homestead status), as long as they apply for homestead the following January 1.

The bill also amends s. 196.031, F.S., to provide that, under the following conditions, damaged or destroyed homestead property shall retain its homestead status:

- The property otherwise qualifies as homestead property.
- The owner notifies the property appraiser that he or she intends to repair or rebuild the property and make it his or her primary residence once it is rebuilt.
- The owner does not claim a homestead exemption on any other property or otherwise violate the provisions of s. 196.031, F.S.
- Repair or rebuilding commences within 3 years after the January 1 following damage or destruction.

The bill applies retroactively to homestead property replaced on or after January 1, 2006, even if it was damaged or destroyed before that date.

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

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

Section 18(b), Art. VII of the State 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 a two-thirds of the membership of both houses. The bill reduces the authority local governments have to raise revenue by an estimated amount of \$.9 million in FY 2006-07, \$1.9 million in FY 2007-08, and \$3.8 million thereafter. Since none of the exemptions or exceptions apply, this bill requires a two-thirds vote of each house to pass.

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

None.

**C. Trust Funds Restrictions:**

None.

**D. Other Constitutional Issues:**

Section 4(5), Art. VII of the State Constitution provides that changes, additions, reductions, and improvements to homestead property shall be assessed as provided for by general law.

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

**A. Tax/Fee Issues:**

The local government impact of this bill has been estimated by the revenue estimating conference to be (\$0.9) million for FY 2006-07, (\$1.9) million for FY 2007-08, and (\$3.8) million recurring.

**B. Private Sector Impact:**

The bill may reduce the assessed value of some property that replaces homestead property damaged or destroyed by misfortune or calamity, if the repairs or replacements fall within the square footage threshold provided by the bill but would have exceeded the current-law threshold of 125 percent of just value.

**C. Government Sector Impact:**

The bill may reduce the local government tax base by reducing the assessed value of some property that replaces homestead property damaged or destroyed by misfortune or calamity, if the repairs or replacements fall within the square footage threshold of the bill but would have exceeded the current-law threshold of 125 percent of just value.

**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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