

# 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: SJR 1840

INTRODUCER: Senator Haridopolos

SUBJECT: Homestead Exemption/Seniors

DATE: April 24, 2006

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Herrin</u>	<u>Yeatman</u>	<u>CA</u>	<b>Favorable</b>
2.	<u>Fournier</u>	<u>Johansen</u>	<u>GE</u>	<b>Favorable</b>
3.	<u>Blizzard</u>	<u>Hayes</u>	<u>GA</u>	<b>Favorable</b>
4.	_____	_____	<u>WM</u>	_____
5.	_____	_____	<u>RC</u>	_____
6.	_____	_____	_____	_____

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## I. Summary:

This joint resolution proposes to amend Section 6, Article VII, and create Section 26, Article XII of the State Constitution to increase the maximum additional homestead exemption for low-income seniors from \$25,000 to \$50,000.

This joint resolution, upon the approval of the electorate, amends Section 6, Article VII of the State Constitution

This joint resolution, upon the approval of the electorate, creates Article XII, Section 26 of the State Constitution.

## II. Present Situation:

### Property Tax in Florida

The local ad valorem tax is an annual tax levied by local governments based on the assessed value of real and tangible personal property as of January 1 of each year.<sup>1</sup> Ad valorem is the Latin term meaning "according to the value." The State Constitution prohibits the state government from levying an ad valorem tax, except on intangible personal property. The taxable value of real and tangible personal property is the fair market value of the property adjusted for any exclusions, differentials, or exemptions allowed by the constitution or the statutes.<sup>2</sup> Tax bills are mailed in November of each year based on the previous January 1<sup>st</sup> valuation, and payment is

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<sup>1</sup> See 2005 Florida Tax Handbook, p. 138.

<sup>2</sup> See 2005 Florida Tax Handbook, p. 138.

due by the following March 31.<sup>3</sup> Local ad valorem tax revenues in Florida were approximately \$22.4 billion in Fiscal Year 2004-2005.<sup>4</sup>

Section 6, Art. VII of the State Constitution authorizes an exemption from ad valorem taxation for homestead property owned by a taxpayer and used as the owner's permanent residence or the permanent residence of another who is legally or naturally dependent upon the owner. The value of the homestead exemption is currently \$25,000 of the assessed value of the real estate.

### **Additional Homestead Exemption for the Elderly**

Section 6(f), Art. VII of the State Constitution authorizes the Legislature to allow counties or municipalities, by ordinance, for the purpose of their respective tax levies, to grant an additional homestead tax exemption of up to \$25,000 to resident homeowners who are 65 years of age and whose household income, as defined by general law, does not exceed \$20,000, adjusted for inflation.<sup>5</sup> (For 2006, the maximum eligible income is \$23,463.) Currently, 53 counties and 158 municipalities have implemented the additional homestead exemption authorized under this section.<sup>6</sup>

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

This joint resolution would amend s. 6, Art. VII of the State Constitution, to increase the maximum additional homestead exemption that a county or municipality may grant to low-income seniors from \$25,000 to \$50,000. It also creates s. 26, Art. XII of the State Constitution to provide that this increase in the cap on the additional homestead exemption for low-income seniors takes effect on January 1, 2007.

The joint resolution provides ballot language.

The joint resolution provides that the amendment shall be submitted to the electors of Florida for approval or rejection at the next general election or at an earlier special election if provided by law.

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

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

None.

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

None.

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<sup>3</sup> See 2005 Florida Tax Handbook, p. 136.

<sup>4</sup> See 2005 Florida Tax Handbook, p. 135.

<sup>5</sup> Implemented in s. 196.075, F.S.

<sup>6</sup> See Florida Department of Revenue, *Counties and Municipalities Implementing Additional Exemption for Persons 65 and Older Under Section 196.075, F.S.*, February 24, 2006.

**C. Trust Funds Restrictions:**

None.

**D. Other Constitutional Issues:**

Section 1, Art. XI of the State Constitution provides the Legislature the authority to propose amendments to the constitution by joint resolution approved by three-fifths of the membership of each house. The amendment must be placed before the electorate at the next general election held after the proposal has been filed with the Secretary of State's Office, or may be placed at a special election held for that purpose.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

If approved by the electorate, counties or municipalities may increase the additional homestead exemption for low-income seniors to \$50,000. The household income of these low-income seniors may not exceed \$20,000, adjusted for inflation. Any reduction in the property tax base may result in a corresponding shift in the property tax burden to other property owners. The Revenue Estimating Conference has determined that, if the amendment were approved by the electorate and adopted by all cities and counties, the statewide impact would be a loss of taxable value of \$3.1 billion. At current millage rates, this would result in a loss of tax revenue of approximately \$36 million.

**B. Private Sector Impact:**

If approved by the electorate, counties or municipalities may increase the additional homestead exemption, up to \$50,000, for a person whose household income does not exceed \$20,000, adjusted for inflation.

**C. Government Sector Impact:**

The Division of Elections estimates that the cost to advertise a proposed constitutional amendment twice in a newspaper of general circulation in each county prior to the 2006 General Election is approximately \$50,000.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.



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

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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