

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes - This bill will lower the property taxes paid by those private parties owning equipment which has its taxable value reduced under the provisions of this bill.

B. EFFECT OF PROPOSED CHANGES:

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 value of property 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 agricultural machinery and equipment, which results in agricultural equipment being assessed at salvage value after it is ten years old. Agricultural equipment that is less than ten years old but is not commonly used by the taxpayer for a variety of reasons is supposed to be assessed at fair market value rather than salvage value.

Currently, in s. 193.621, F.S., relating to pollution control devices, the law provides “...*facilities installed for the purpose of eliminating or reducing industrial air or water pollution shall be deemed to have value for purposes of assessment for ad valorem property taxes no greater than its market value as salvage.*” However, two circuit court cases¹ have found this law to be unconstitutional, while one² found it to be constitutional.

The bill provides for agricultural equipment located on property classified as agricultural pursuant to s. 193.461, F.S., which is no longer usable for its intended purpose to be assessed at its salvage value for purposes of ad valorem tax.

C. SECTION DIRECTORY:

Section 1: Provides for agricultural equipment located on property classified as agricultural pursuant to s. 193.461, F.S., which is no longer usable for its intended purpose to be assessed at its salvage value for purposes of ad valorem tax.

Section 2: Provides an effective date of January 1, 2007.

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 FPC v. Schultz, Citrus County, April 27, 1998 and Lake Cogen v. Havill, Lake County, February 3, 2004

² FP&L v. Putnam, St. Lucie County, July 24, 1998

1. Revenues:

The 2005 Revenue Estimating Conference has estimated that the provisions of this bill will reduce local government revenue by \$0.9 million in fiscal year 2007-2008, assuming current millage rates. The effective date of this legislation is January 1, 2007.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill will lower the property taxes paid by those private parties owning equipment which has its taxable value reduced under the provisions of this bill.

D. FISCAL COMMENTS:

None.

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:

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..." 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% of "fair market value." Since the terms of this bill would establish a limitation on the market value of obsolete farm equipment, the issue of its constitutionality is evident.

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On January 25, 2006, the Committee on Agriculture adopted an amendment to HB 357, which added the words "wherever purchased" to the definition of agricultural equipment.

On April 17, 2006, the Committee on Finance and Tax adopted a strike everything amendment to the bill. As originally drafted the bill defined as obsolete any agricultural equipment no longer commonly used by the taxpayer. The original bill also included provisions requiring a return and the providing of any additional information requested by the property appraiser. These provisions were also removed as being unnecessary and duplicative of requirements contained elsewhere in the statutes.