

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HJR 631 CS
Homestead Ad Valorem Tax

World War II Permanently Disabled Veterans' Discount on

SPONSOR(S): Sansom and others

TIED BILLS:

IDEN./SIM. BILLS: SJR 194

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|--|-----------------------|---------------|-----------------------|
| 1) <u>Military & Veteran Affairs Committee</u> | <u>7 Y, 0 N</u> | <u>Marino</u> | <u>Cutchins</u> |
| 2) <u>Finance & Tax Committee</u> | <u>9 Y, 0 N, w/CS</u> | <u>Monroe</u> | <u>Diez-Arguelles</u> |
| 3) <u>State Administration Council</u> | <u>8 Y, 0 N, w/CS</u> | <u>Marino</u> | <u>Bussey</u> |
| 4) _____ | _____ | _____ | _____ |
| 5) _____ | _____ | _____ | _____ |

SUMMARY ANALYSIS

House Joint Resolution 631, if approved by the electorate, would allow certain disabled veterans of World War II to receive a discount from the amount of the ad valorem tax otherwise owed on homestead property. In order to qualify for this discount, the World War II veteran must demonstrate:

- He or she was a Florida resident at the time of entering the military service;
- The disability was combat-related; and
- The veteran was honorably discharged upon separation from military service.

The amount of the discount is a percentage equal to the percentage of the veteran's permanent, service-connected disability, as determined by the U.S. Department of Veterans Affairs. For example, a veteran with a 70 percent disability would receive a 70 percent discount on their ad valorem tax bill.

The Division of Elections estimates the cost to the state to be approximately \$50,000 to meet constitutional requirements to publish this joint resolution to the electorate. In addition, the Revenue Estimating Conference has estimated that the recurring fiscal impact to local governments will be (\$1.0) million, assuming no change in millage rates.

This constitutional amendment, if approved, would take effect December 7, 2006, be self-executing, and not need implementing legislation.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure Lower Taxes - This joint resolution lowers taxes for certain disabled World War II veterans by allowing them to take a discount on their homestead property tax based on the percentage of their disability as determined by the United States Department of Veteran's Affairs.

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

Property Tax Exemptions for Disabled Veterans

The Legislature may only grant property tax exemptions that are authorized in the constitution, and modifications to property tax exemptions must be consistent with the constitutional provision authorizing the exemption. Article VII, Section 3(b) of the State Constitution authorizes the Legislature to enact homestead exemptions "to every widow or widower or person who is blind or totally and permanently disabled." Chapter 196, F.S., establishes a number of homestead property tax exemptions for permanently and totally disabled veterans and, in some cases, their spouses.

Section 196.081, F.S., provides an exemption from taxation on homesteads owned by certain veterans who received a disability or died as a result of their military service. The surviving un-remarried spouses may receive this tax exemption upon the death of such veterans. The Department of Revenue (DOR) reported that in 2005, 30,080¹ parcels of property received this exemption.

Section 196.091, F.S., provides an exemption from taxation on homesteads owned by certain ex-service members who have a service-connected total disability and are confined to a wheelchair. The surviving un-remarried spouses may receive this homestead tax exemption upon the death of such ex-service members as long as they reside on that property. The DOR reported that in 2005, 240² parcels of property were exempted through this statute.

Section 196.24, F.S., provides a reduction of \$5,000 off property values for homesteads owned by certain ex-service members who are disabled at a rate of 10% or more provided such disability occurred during wartime or through misfortune. The surviving un-remarried spouses may receive this property value reduction upon the death of such ex-service members if they had been married for 5 years. The DOR reported that in 2005, 89,583³ parcels of property received this exemption.

Effect of Proposed Changes:

This joint resolution would allow certain partially disabled veterans of World War II to receive a discount from the amount of the ad valorem tax otherwise owed on homestead property. In order to qualify for this discount, the World War II veteran must demonstrate:

- He or she was a Florida resident at the time of entering the military service;
- The disability was combat-related; and
- The veteran was honorably discharged upon separation from military service.

¹ Communication with Brian Jacobik, Florida Department of Revenue. February 10, 2006. Email on file with Committee on Military & Veteran Affairs.

² Id.

³ Id.

The amount of the discount is a percentage equal to the percentage of the veteran's permanent, combat-related disability, as determined by the U.S. Department of Veterans Affairs. For example, a veteran with a 70 percent disability would receive a 70 percent discount on their ad valorem tax bill.

Applicants for this discount are required to submit documentation supporting their eligibility to the county property appraiser by March 1. Required documentation includes the following:

- Proof of residency at the time of entering military service;
- Proof that the injury was combat-related; an official letter from the United States Department of Veteran's Affairs stating the percentage of the veteran's service-connected permanent disability; and
- A copy of the veteran's honorable discharge.

The joint resolution provides that if the property appraiser denies the request for a discount, the appraiser must notify the applicant in writing of the reasons for the denial, and the veteran may reapply. The Legislation further provides that the Legislature may, by General Law, waive the annual application requirement for the exemption in subsequent years.

The joint resolution provides ballot language and specifies that the amendment shall be submitted to the electors of Florida at the next general election or at an earlier special election specifically authorized for that purpose.

The DOR reported that in 2005, 89,583 partially disabled veterans used the reduction of property value provided in s. 196.24, F.S. The number of partially disabled veterans that would qualify for this joint resolution would be from this population. Since, the 89,583 includes veterans of all conflicts, the number of partially disabled World War II veterans, as specified in this joint resolution, would be a small portion of this number.

This constitutional amendment, if approved, would take effect December 7, 2006, be self-executing, and not need implementing legislation.

C. SECTION DIRECTORY:

Not Applicable.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This joint resolution does not appear to have a fiscal impact on state revenues.

2. Expenditures:

Non-Recurring

FY 2006-07

Department of State, Division of Elections
Publications Costs⁴

\$50,000⁵

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

⁴ See Art. XI, Sec. 5(d), Fla. Const.

⁵ Communication with Logan Mitchell, Department of State Division of Elections. February 10, 2006.

The Revenue Estimating Conference has estimated that the recurring fiscal impact of this constitutional amendment to local governments will be (\$1.0) million, assuming no change in millage rates.

2. Expenditures:

This joint resolution does not appear to have a fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The table below shows what eligible disabled veterans saved in 2005 off their property taxes based on the current statutes and numbers provided by the DOR.

| 2005 Ad valorem Tax Exemptions for Certain Disabled Veterans* | Exemption Value ^{6**} | Parcels ^{7**} | Average Exemption Value per Veteran | Average Savings per Veteran |
|---|--------------------------------|------------------------|-------------------------------------|-----------------------------|
| Section 196.081, F.S.: Total Exemption | \$3,285,135,432 | 30,080 | \$109,213 | \$2,140 |
| Section 196.091, F.S.: Total Exemption | 37,981,598 | 240 | 158,256 | 3,101 |
| Section 196.24, F.S.: \$5,000 off property value | | 89,583 | 5,000 | 98 |

* using statewide average millage rate of 19.6mills⁸

**total statewide

Those partially disabled World War II veterans that this joint resolution would benefit could, depending on the extent of their disability rating, save hundreds of dollars a year on their homestead property taxes. For example, using the average exemption value of \$109,213 per veteran in 2005 under s. 196.081, F.S., from the chart above, a disabled veteran with a 50-percent disability rating from the U.S. Department of Veteran's Affairs could be estimated to save approximately \$825⁹.

D. FISCAL COMMENTS:

Article XI, s. 5(d) of the State Constitution requires the state to publish the proposed amendment along with notice of the date of the election at which it will be submitted before electors in one newspaper in each county in which a newspaper is published once in the tenth week and once in the sixth week immediately preceding the week the election is held. The Division of Elections estimates this cost to be approximately \$50,000¹⁰ to meet the requirements of this provision.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provisions of Article VII, section 18 of the Florida Constitution do not apply to joint resolutions.

2. Other:

⁶ Communication with Brian Jacobik, Florida Department of Revenue. February 10, 2006. Email on file with Committee on Military & Veteran Affairs.

⁷ Id.

⁸ Id.

⁹ $((\$109,213 \text{ (avg. home value)} - \$25,000 \text{ (homestead tax exemption)}) \times 19.6 \text{ mills} \times 50\% \text{ (disability rating)} = \825 savings

¹⁰ Communication with Logan Mitchell, Department of State Division of Elections. February 10, 2006.

Article XI, s. 1 of the Florida 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.

This constitutional amendment, if approved, would take effect December 7, 2006, be self-executing, and not need implementing legislation.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 22, 2006, the Finance and Tax Committee adopted one amendment to this joint resolution. First, the amendment added a provision to allow the Legislature, by General Law, to waive the annual application requirement for the exemption in subsequent years. Second, the deadline for the application was changed from "at least 180 days before the scheduled mailing of the current year's property tax notice" to March 1, in order to improve clarity.

On March 29, 2006, the State Administration Council adopted one amendment and an amendment to the amendment to this joint resolution. Since the United States Department of Veterans Affairs (USDVA) does not determine if a service-connected disability is combat-related, the council amendment clarified that the letter from the USDVA must simply show the rating of the service-connected disability for purposes of determining the discount. The disabled veteran must still show proof, such as a Purple Heart award, that the disability is combat-related. The amendment to the amendment reinserted the effective date, which was inadvertently removed from the amendment to the joint resolution. The Council then reported the joint resolution favorably by a vote of 8 to 0.