

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.)

Prepared By: Government Efficiency Appropriations Committee

BILL: SPB 7026

INTRODUCER: For consideration by Government Efficiency Appropriations Committee

SUBJECT: Property Taxation

DATE: January 3, 2006

REVISED: 1/12/06

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Fournier</u>	<u>Johansen</u>	<u></u>	<u>Pre-meeting</u>
2.	<u></u>	<u></u>	<u></u>	<u></u>
3.	<u></u>	<u></u>	<u></u>	<u></u>
4.	<u></u>	<u></u>	<u></u>	<u></u>
5.	<u></u>	<u></u>	<u></u>	<u></u>
6.	<u></u>	<u></u>	<u></u>	<u></u>

I. Summary:

This 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 if the total square footage of the property as changed or improved does not exceed 1,500 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.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 193.155 and 196.031.

II. Present Situation:

The Florida 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, LO.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 shall be assessed at just value. It also provides that for homes having square footage of 1,350 square feet or less which were rendered uninhabitable may rebuild up to 1,500 total square feet and the increase in square footage shall not be considered as a change, an addition, or an improvement that is subject to assessment 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:

This 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 is no more than 1,500 square feet. Changes, additions, or improvements that do not exceed the 110 percent or 1,500 square foot caps are reassessed as provided in subsection (1), that is, by 3 percent or the consumer price index, whichever is less. Any replaced property with square footage in excess of the applicable threshold shall be assessed at just value. For the purpose of determining the assessed value in this situation, the just value of the changed or improved portion in excess of 110 percent threshold shall be determined based on the average just value of all square footage in the improved portions of the homestead property determined as of January 1 of the year following the change or improvement.

The proposed 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; and
- The owner does not claim a homestead exemption on any other property or otherwise violate the provisions of s. 196.031, F.S.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

Section 18 (b) of Art. VII, Florida Constitution, provides that the legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989, except upon approval of each house of the legislature by two-thirds of its membership. This bill is not subject to this restriction, even though it is expected to reduce property tax revenue, because it exercises legislative authority to implement section (5) of Art. VII, Florida Constitution, which was adopted by the voters in 1992.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

Section 4(c)(5) of Art. VII, Florida 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 impact of this proposed bill has not been estimated by the revenue estimating conference. The conference estimated the recurring revenue loss to local governments of ch. 2005-268, Laws of Florida, which applied a similar square footage threshold to property rendered uninhabitable by a 2004 hurricane, to be \$13.1 million. The fiscal impact of this bill will be a function of the severity of hurricanes and other disasters to strike the state in any year.

B. Private Sector Impact:

This 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 bill's square footage thresholds but would have exceeded the current-law threshold of 125 percent of just value.

C. Government Sector Impact:

This 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 bill's square footage thresholds but would have exceeded the current-law threshold of 125 percent of just value.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

VIII. Summary of Amendments:

None.

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