

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 7109 CS PCB FT 06-04 Property Taxation
SPONSOR(S): Finance & Tax Committee
TIED BILLS: **IDEN./SIM. BILLS:** SB 1430

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.: Finance & Tax Committee	9 Y, 0 N	Monroe	Diez-Arguelles
1) Growth Management Committee	8 Y, 0 N	Strickland	Grayson
2) Fiscal Council	21 Y, 0 N, w/CS	Monroe	Kelly
3)			
4)			
5)			

SUMMARY ANALYSIS

Current law limits the increase in assessed value of homesteaded property. Changes, additions, and improvements to such property are assessed at full just value. However, if a homestead property is destroyed by misfortune or calamity, the property may be repaired or replaced without being assessed at full just value, provided that the just value of property as repaired or replaced does not exceed 125 percent of the just value before the destruction.

The bill amends s. 193.155(4), F.S., to provide that changes, additions, or improvements to damaged or destroyed homestead property shall not increase the assessed value if:

- the square footage of a homestead is increased by 10 percent or less, or
- the square footage of the house as rebuilt or repaired does not exceed 1500 square feet.

The bill also amends s. 196.031, F.S., to specifically provide that under the following conditions damaged or destroyed homestead property shall retain its homestead status, when the property is uninhabitable on January 1:

- 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., and
- repair or rebuilding of the property begins within three years of the damage or destruction.

The Revenue Estimating Conference has estimated that this bill will reduce local revenues by \$3.8 million on an annual basis, assuming no change in millage rates. The bill will have no effect upon General Revenue.

This bill will take effect upon becoming law and apply retroactively to January 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure Lower Taxes -This bill will change how property appraisers determine if homestead property should be reassessed upon being rebuilt after being damaged or destroyed by misfortune. As such, it will cause a shift in the property tax burden resulting in lower taxes for some persons.

B. EFFECT OF PROPOSED CHANGES:

Background:

Article VII, s. 4 of the State Constitution requires that all property be assessed at its just market value for ad valorem tax purposes. Just value has been interpreted to mean fair market value.

Article VII s. 4(c) of the State Constitution, provides for a homestead property assessment increase limitation. This provision is commonly known as "Save our Homes". The annual increase in a homestead property's assessed value is limited to 3 percent or the Consumer Price Index percentage change, whichever is lower, not to exceed just value. If there is a change in ownership, the property must be assessed at its just value on the following January 1. The value of changes, additions, or improvements to the homestead property is assessed as provided by general law. Section 193.155, F.S., implements this assessment limitation.

Section 193.155(4), F.S., provides that changes, additions, or improvements to homestead property are assessed at just value as of the first January 1 after the changes, additions, or improvements are substantially completed. However, paragraph (b) of s. 193.155(4), F.S., stipulates that changes, additions, or improvements do not include replacement of a portion of real property damaged or destroyed by misfortune or calamity when the just value of the damaged or destroyed portion as replaced has a just value that is not more than 125 percent of the previous just value of the damaged or destroyed portion. The value of any replaced real property or portion thereof which is in excess of 125 percent of the just value of the damaged or destroyed property is deemed to be a change, addition, or improvement and subject to assessment.

Proposed Changes:

The bill amends s. 193.155(4), F.S., to provide that changes, additions, or improvements to damaged or destroyed homestead property shall not increase the assessed value if:

- the square footage of a homestead is increased by 10 percent or less, or
- the square footage of the house as rebuilt or repaired does not exceed 1500 square feet.

The bill also amends s. 196.031, F.S., to specifically provide that under the following conditions damaged or destroyed homestead property shall retain its homestead status, when the property is uninhabitable on January 1:

- 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., and
- repair or rebuilding of the property begins within three years of the damage or destruction.

C. SECTION DIRECTORY:

Section 1 amends s. 193.155(4), F.S., to change the criteria under which the repair or replacement of property destroyed by a calamity will not trigger a reassessment under Save our Homes.

Section 2 amends s. 196.031, F.S., to specifically provide that a homestead destroyed by misfortune or calamity shall not lose its homestead status under certain conditions, even if the home is not inhabitable on January 1, provided that repair or rebuilding commences within three years of the damage or destruction.

Section 3 provides that the bill shall take effect upon becoming law and apply retroactively to January 1, 2006.

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. Revenues:

The Revenue Estimating Conference has estimated that the bill reduces local revenues by \$3.8 million on an annualized basis, assuming no change in millage rates by local governments.

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

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.

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill reduces the authority that cities or counties have to raise ad valorem tax revenues in the aggregate. As such, the mandates provision would appear to apply. However, since the bill is implementing a constitutional provision, it can be argued that the mandates provision does not affect this bill. Nevertheless, it is recommended that the bill be passed by a two-thirds margin to avoid any possible constitutional issues.

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On April 21, 2006, the Fiscal Council adopted one amendment to this bill. The amendment:

- requires that homeowners of destroyed property begin rebuilding and repairs within three years in order to maintain the benefits conferred by this bill,
- provides language to address property destroyed in the same year it was purchased or built,
- deletes language addressing how property rebuilt at more than 110% of its previous square footage should be valued, and
- revises the effective date to clearly indicate that the bill is meant to apply to property which is replaced on or after January 1, 2006.