

1                   A bill to be entitled  
2           An act relating to taxation; amending s. 193.155, F.S.;  
3           revising exceptions applicable to damaged or destroyed  
4           homestead property to a requirement that changes,  
5           additions, or improvements to homestead property be  
6           assessed at just value under certain circumstances;  
7           providing for application to certain changes, additions,  
8           and improvements; providing for assessment of homestead  
9           property after substantial completion of changes,  
10          additions, and improvements; providing criteria; amending  
11          s. 196.031, F.S.; providing for the continued granting of  
12          a homestead exemption for certain damaged or destroyed  
13          homestead property under certain circumstances; specifying  
14          circumstances for abandonment of property as homestead;  
15          requiring the Department of Revenue to study the state's  
16          property tax structure; providing the contents of the  
17          study; requiring the Office of Economic and Demographic  
18          Research to prepare a report; requiring that the report  
19          recommend changes to achieve specified principles of  
20          taxation; providing deadlines; requiring a report to the  
21          Governor and the Legislature; repealing s. 12, ch. 2005-  
22          187, Laws of Florida, relating to dissolving the  
23          Communications Services Tax Task Force; providing  
24          appropriations; providing for reversion of unused funds to  
25          the General Revenue Fund; providing for retroactive  
26          application; providing effective dates.  
27

28 Be It Enacted by the Legislature of the State of Florida:

29

30 Section 1. Subsection (4) of section 193.155, Florida  
 31 Statutes, is amended to read:

32 193.155 Homestead assessments.--Homestead property shall  
 33 be assessed at just value as of January 1, 1994. Property  
 34 receiving the homestead exemption after January 1, 1994, shall  
 35 be assessed at just value as of January 1 of the year in which  
 36 the property receives the exemption.

37 (4) (a) Except as provided in paragraph (b), changes,  
 38 additions, or improvements to homestead property shall be  
 39 assessed at just value as of the first January 1 after the  
 40 changes, additions, or improvements are substantially completed.

41 (b) Changes, additions, or improvements that replace all  
 42 or do not include replacement of a portion of homestead real  
 43 property damaged or destroyed by misfortune or calamity shall  
 44 not increase the homestead property's assessed value when the  
 45 square footage of the homestead property as changed or improved  
 46 does not exceed 110 percent of the square footage of the  
 47 homestead property before the damage or destruction just value  
 48 of the damaged or destroyed portion as replaced is not more than  
 49 125 percent of the just value of the damaged or destroyed  
 50 portion. Additionally, the homestead property's assessed value  
 51 shall not increase if the total square footage of the homestead  
 52 property as changed or improved does not exceed 1,500 square  
 53 feet. Changes, additions, or improvements that do not cause the  
 54 total to exceed 110 percent of the total square footage of the

55 homestead property before the damage or destruction or that do  
56 not cause the total to exceed 1,500 total square feet shall be  
57 reassessed as provided under subsection (1). The homestead  
58 property's assessed value shall be increased by the just value  
59 of that portion of the changed or improved homestead property  
60 ~~any replaced real property, or portion thereof,~~ which is in  
61 excess of 110 ~~125~~ percent of the square footage of the homestead  
62 property before the damage or destruction or of that portion  
63 exceeding 1,500 square feet just value of the damaged or  
64 ~~destroyed property shall be deemed to be a change, addition, or~~  
65 ~~improvement.~~ Homestead Replaced real property damaged or  
66 destroyed by misfortune or calamity which, after being changed  
67 or improved, has a square footage with a just value of less than  
68 100 percent of the homestead original property's total square  
69 footage before the damage or destruction just value shall be  
70 assessed pursuant to subsection (5). This paragraph applies to  
71 changes, additions, or improvements commenced within 3 years  
72 after the January 1 following the damage or destruction of the  
73 homestead.

74 (c) Changes, additions, or improvements that replace all  
75 or a portion of real property that was damaged or destroyed by  
76 misfortune or calamity shall be assessed upon substantial  
77 completion as if such damage or destruction had not occurred and  
78 in accordance with paragraph (b) if the owner of such property:

79 1. Was permanently residing on such property when the  
80 damage or destruction occurred;

81           2. Was not entitled to receive homestead exemption on such  
82 property as of January 1 of that year; and

83           3. Applies for and receives homestead exemption on such  
84 property the following year.

85           ~~(d)~~(e) Changes, additions, or improvements include  
86 improvements made to common areas or other improvements made to  
87 property other than to the homestead property by the owner or by  
88 an owner association, which improvements directly benefit the  
89 homestead property. Such changes, additions, or improvements  
90 shall be assessed at just value, and the just value shall be  
91 apportioned among the parcels benefiting from the improvement.

92           Section 2. Subsection (7) is added to section 196.031,  
93 Florida Statutes, to read:

94           196.031 Exemption of homesteads.--

95           (7) When homestead property is damaged or destroyed by  
96 misfortune or calamity and the property is uninhabitable on  
97 January 1 after the damage or destruction occurs, the homestead  
98 exemption may be granted if the property is otherwise qualified  
99 and if the property owner notifies the property appraiser that  
100 he or she intends to repair or rebuild the property and live in  
101 the property as his or her primary residence after the property  
102 is repaired or rebuilt and does not claim a homestead exemption  
103 on any other property or otherwise violate this section. Failure  
104 by the property owner to commence the repair or rebuilding of  
105 the homestead property within 3 years after January 1 following  
106 the property's damage or destruction constitutes abandonment of  
107 the property as a homestead.

108           Section 3. (1) The Department of Revenue shall conduct a  
109 study of the state's property tax structure to analyze the  
110 impact of the current homestead exemptions and homestead  
111 assessment limitations on different types of property.

112           (a) The study shall include:

113           1. An analysis of the effects of Save Our Homes provisions  
114 of s. 4(c), Art. VII of the State Constitution on the  
115 distribution of property taxes among and between homestead  
116 properties as well as between homesteads and other types of  
117 property;

118           2. An analysis of the effect of the Save Our Homes  
119 provisions of s. 4(c), Art. VII of the State Constitution on  
120 affordable housing, as evidenced by the differential tax burden  
121 on first-time homestead property owners and long-term homestead  
122 property owners and the amendment's effect on property taxes  
123 paid by nonhomestead residential property owners.

124           3. The identification and analysis of the impact of the  
125 differential under the Save Our Homes provisions of s. 4(c),  
126 Art. VII of the State Constitution on each county;

127           4. An analysis of the effects of the Save Our Homes  
128 provisions of s. 4(c), Art. VII of the State Constitution on the  
129 distribution of the school property taxes, including the  
130 required local effort levy for the Florida Education Finance  
131 Program, and other school levies;

132           5. An analysis of the fiscal impacts of allowing the  
133 assessments under the Save Our Homes provisions of s. 4(c), Art.  
134 VII of the State Constitution to be transferred to newly

135 acquired homes, the resulting changes in the relative taxes  
136 levied on all other classes of property, including other  
137 homestead properties, nonhomestead properties and properties  
138 purchased by first-time homestead owners, and in the  
139 distribution of the required local effort for school funding;  
140 and

141 6. An analysis of the millage rates adopted by local  
142 governments compared to the rolled back rate as advertised in  
143 the Truth In Millage (TRIM) Notices required under s. 200.069,  
144 Florida Statutes.

145 (b) The Department of Revenue shall prepare a draft of the  
146 study by November 15, 2006, and conclude the study by January 2,  
147 2007.

148 (2) The Office of Economic and Demographic Research shall  
149 prepare a report summarizing the study conducted by the  
150 Department of Revenue. The report must also contain findings and  
151 policy options that may be available to the state. In preparing  
152 the report, the Office of Economic and Demographic Research may  
153 consider other available information.

154 (a) In addition to findings and policy options, the report  
155 must include:

156 1. An evaluation of the assessment differentials under the  
157 Save Our Homes provisions of s. 4(c), Art. VII of the State  
158 Constitution on homeowners' willingness to purchase a new  
159 homestead.

160 2. An evaluation of the effects of the Save Our Homes  
161 provisions of s. 4(c), Art. VII of the State Constitution on

162 local government budget decisions, including whether the Truth  
163 In Millage (TRIM) notification process under s. 200.069, Florida  
164 Statutes, adequately informs taxpayers of local governments' tax  
165 and budget decisions.

166 3. An evaluation of the effectiveness of the notice of  
167 proposed property taxes and non-ad valorem assessments created  
168 under s. 200.069, Florida Statutes. If the current notice is  
169 deemed ineffective, the evaluation should propose alternative  
170 methods of conveying the information contained in the notice.

171 (b) The findings and policy options must apply and  
172 consider the following principles of taxation described in the  
173 2002 Florida State Tax Reform Task Force Final Report:

174 1. Equity.--The Florida tax system should treat  
175 individuals equitably. It should impose similar tax burdens on  
176 people in similar circumstances and should minimize  
177 regressivity.

178 2. Compliance.--The Florida tax system should facilitate  
179 taxpayer compliance. The system should be simple and easy to  
180 understand so as to minimize compliance costs and increase the  
181 visibility and awareness of the taxes being paid. Enforcement  
182 and collection of tax revenues should be accomplished in a fair,  
183 consistent, professional, predictable, and cost-effective  
184 manner.

185 3. Pro-competitiveness.--The Florida tax system should be  
186 responsive to interstate and international competition in order  
187 to encourage savings and investment in physical plants,  
188 equipment, people, and technology in this state.

189        4. Neutrality.--The Florida tax system should affect  
190 competitors uniformly and not become a tool for social  
191 engineering. The system should minimize government involvement  
192 in investment decisions, making any such involvement explicit,  
193 and should minimize pyramiding.

194        5. Stability.--The Florida tax system should produce, in a  
195 stable and reliable manner, revenues that are sufficient to fund  
196 appropriate governmental functions and expenditures.

197        6. Integration.--The Florida tax system should balance the  
198 need for integration of federal, state, and local taxation.

199        (c) The Office of Economic and Demographic Research shall  
200 submit a progress report to the President of the Senate and the  
201 Speaker of the House of Representatives by February 15, 2007.  
202 The progress report may include preliminary findings and any  
203 policy options that may be considered during the 2007 regular  
204 legislative session.

205        (d) The final report must be submitted to the Governor,  
206 the President of the Senate, the Speaker of the House of  
207 Representatives, and the chair of the Taxation and Budget Reform  
208 Commission no later than September 1, 2007.

209        (e) The Office of Economic and Demographic Research may  
210 contract with state universities or a nationally recognized  
211 property appraisal education and certification organization for  
212 the purpose of developing findings and policy options to be  
213 included in the report.

214        Section 4. Section 12 of chapter 2005-187, Laws of  
215 Florida, is repealed.



216           Section 5. The sum of \$300,000 in nonrecurring general  
217 revenue is hereby appropriated to the Department of Revenue for  
218 the purpose of conducting the study required by this act.

219           Section 6. The sum of \$500,000 in nonrecurring general  
220 revenue is hereby appropriated to the Office of Economic and  
221 Demographic Research for the purpose of preparing the report  
222 required by this act.

223           Section 7. The unexpended balance of funds appropriated in  
224 section 13 of chapter 2005-187, Laws of Florida, shall revert  
225 immediately to the General Revenue Fund.

226           Section 8. Sections 1 and 2 of this act shall apply  
227 retroactively to homestead property replaced on or after January  
228 1, 2006.

229           Section 9. Except as otherwise expressly provided in this  
230 act, this act shall take effect upon becoming a law.