

ENROLLED
HB 7109, Engrossed 1

2006 Legislature

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.
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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

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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;

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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.

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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

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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

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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.

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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.

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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.