

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 333 Homestead Exemption
SPONSOR(S): Lopez-Cantera
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Policy & Budget Council	28 Y, 0 N, As CS	Monroe	Hansen
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

In 2006, a constitutional amendment was adopted increasing the maximum amount of the local-option additional homestead exemption for low income seniors from \$25,000 in property value to \$50,000. This exemption may be authorized only by counties and cities, applicable to their respective tax levies.

This bill contains statutory language implementing the recently passed constitutional amendment. Specifically, the bill raises the maximum amount of the exemption which may be authorized by counties and cities from \$25,000 to \$50,000.

Also, if a city or county had enacted an additional exemption of up to \$25,000 under the constitution prior to the 2006 amendment, the bill allows such jurisdictions to raise the amount of the exemption up to \$50,000 beginning with the 2007 tax year, even though the statutory deadline for enacting such an increase (December 1, 2006) has already passed. Other cities and counties may enact the additional exemptions beginning in 2008.

The revenue estimating conference has not adopted an official estimate on the fiscal impact of this bill in 2007. However, in 2006, the conference estimated that the bill would have no impact on state funds and no direct impact on local revenue. However, if every jurisdiction adopted the exemption at \$50,000 it was estimated that this would result in a \$3.1 billion dollar loss in taxable value.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Lower Taxes –The bill increases the maximum discretionary homestead exemption for low income senior citizens from \$25,000 to \$50,000.

B. EFFECT OF PROPOSED CHANGES:

BACKGROUND

Property Taxation in Florida

The ad valorem tax or “property tax” is an annual tax levied by local governments based on the value of real and tangible personal property as of January 1 of each year. The taxable value of real and tangible personal property is the fair market value of the property adjusted for any exclusions, differentials, or exemptions. Tax bills are mailed in November of each year based on the previous January 1st valuation and payment is due by the following March 31.

Ad valorem tax continues to be a major source of revenue for local governments in Florida. In FY 2003-04 (the last year for which certain fiscal information is available) property taxes constituted 31 percent of county governmental revenue (\$6.9 billion), and 18 percent of municipal governmental revenue (\$2.7 billion), making it the largest single source of tax or general revenue for general purpose local governments in Florida. In addition, the property tax is the primary local revenue source for school districts. In FY 2003-04, school districts levied \$8.4 billion in property taxes for K-12 education.

The property tax is important not only because of the revenue it generates, but because it is the only taxing authority not preempted by the Florida Constitution to the state. However, the property tax is not an unlimited source of revenue. The Florida Constitution caps the millage rates assessed against the value of the property. In addition, the Florida Constitution grants property tax relief in the form of valuation differentials, assessment limitations, and exemptions, including the homestead exemptions.

The provision which is commonly referred to as the Homestead Exemption, is contained in Article VII, s. 6(a-d) of the Florida Constitution, which provides a \$25,000 homestead exemption for all owners of homestead property provided that the tax roll in their county has been approved. The \$25,000 amount was established for school purposes in 1980 and for other local government types in 1982. If the amount of the homestead exemption had been increased by the percentage change in the Consumer Price Index since 1980, the current value of the Homestead Exemption would be \$64,111.

In addition, Article VII, s. 6(f) of the Florida Constitution, as adopted in 1998, authorizes the Legislature to allow counties or municipalities, by ordinance, for the purpose of their respective tax levies, to grant an additional homestead tax exemption of up to \$25,000 to resident homeowners who are 65 years of age whose household income, as defined by general law, does not exceed \$20,000, adjusted for inflation. The current threshold to qualify in 2007 is \$24,214. Any change or increase in this exemption requires that the property appraiser be provided with a copy of the adopted local ordinance authorizing the change by December 1 of the year before the change is to take effect. This additional exemption is typically referred to as the Increased Homestead Exemption for Low Income Seniors. In 2006, voters approved an amendment to the Constitution increasing the maximum amount of this exemption to \$50,000.

Finally, Article VII, s. 6(e) of the Florida Constitution authorizes the Legislature to provide renters who are permanent residents ad valorem tax relief on all ad valorem tax levies. However, this provision has been implemented only for persons living in homes for the aged.

In addition, the courts have ruled that property of the federal government, the state, and the counties is immune from, or not subject to, taxation. The courts have further ruled that this immunity extends to property of school districts and certain special districts.

In tax year 2006, the combination of these various forms of property tax relief is estimated to effectively reduce the taxable value of real property in this state by 31.5 percent. For the 2006 tax year, it is estimated that at an aggregate average millage rate of 18.47, the tax revenue loss due to these forms of property tax relief will be \$1.3 billion for agricultural differentials; \$7.5 billion for the "Save Our Homes" assessment limitation; and \$2.0 billion for the \$25,000 homestead exemption.

Any additional reduction in the property tax base could result in a corresponding shift in property tax burden to other property tax owners.

EFFECT OF PROPOSED CHANGES

The first section of this bill increases the maximum discretionary homestead exemption for senior citizens from \$25,000 to \$50,000. This increase is a county and municipal option which must be adopted by local ordinance.

In addition, for the 2007 tax year only, the second section of this bill allows cities and counties that have previously enacted the additional exemption to raise the amount of the exemption up to the \$50,000 maximum for the 2007 tax year by enacting a regular or emergency ordinance by June 1, 2007. This allows a one time exception to the statutory requirement that an ordinance changing the value of this exemption must be delivered to the property appraiser by December 1 of the year before the change takes place. Based on the most recent data from the Department of Revenue, 53 counties and 158 municipalities have already enacted this exemption and will be eligible to raise the amount of the exemption for the 2007 tax year under this provision of the bill. (A list of these counties and cities can be found on the web at <http://dor.myflorida.com/dor/property/FLsrhx.pdf>)

C. SECTION DIRECTORY:

Section 1 amends Section 196.075(2)(c), Florida Statutes, increasing the \$25,000 limitation on the additional homestead exemption for low income seniors to \$50,000.

Section 2 allows jurisdictions that have already enacted this exemption to raise the exemption up to \$50,000 for the 2007 tax year without meeting the usual deadline for notifying the property appraiser of the change, provided that the adopted regular or emergency ordinance authorizing the increase is delivered to the property appraiser by June 1, 2007.

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:

Because this addition exemption is a local option, the bill will have no fiscal effect unless a local jurisdiction chooses to enact the authorized increase in the exemption through a local ordinance.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill will reduce the property tax burden on owners of homestead property by increasing the amount of the homestead tax exemption; however, this reduction may result in a shift of tax burden from homestead property owners to other taxpayers.

D. FISCAL COMMENTS:

The revenue estimating conference has not adopted an official estimate on the fiscal impact of this bill in 2007. However, in 2006, the conference estimated that the bill would have no impact on state funds and no direct impact on local revenue. However, if every jurisdiction adopted the exemption at \$50,000 it was estimated that this would result in a \$3.1 billion dollar loss in taxable value.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: The mandates provision is not applicable because the exemption increase is a local option.

2. Other: None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

This bill contains statutory language enacting a 2006 revision to the Section 6(f), Article VII of the Florida Constitution which was approved by 76.4% of the voters.

D. STATEMENT OF THE SPONSOR

No statement submitted.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On February 9, 2007 one amendment was adopted in the Policy and Budget Council. The amendment changed the deadline for submitting the adopted ordinance to the county from May 1, 2007 to June 1, 2007, allowing an extra month for local governments to pass such an ordinance. In addition, it specifically allows local governments to use emergency ordinance provisions or the regular ordinance procedures to adopt this increase.