

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** CS/HB 595 Property Appraisers  
**SPONSOR(S):** Government Efficiency & Accountability Council and Nelson  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1548

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on State Affairs</u>	<u>9 Y, 0 N</u>	<u>Levin</u>	<u>Williamson</u>
2) <u>Government Efficiency &amp; Accountability Council</u>	<u>13 Y, 0 N, As CS</u>	<u>Levin/Dykes</u>	<u>Cooper</u>
3) <u>Policy &amp; Budget Council</u>	<u></u>	<u>Diez-Arguelles</u>	<u>Hansen</u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

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**SUMMARY ANALYSIS**

Section 193.023, F.S., requires the physical inspection of real property every five years for purposes of assessing the value of the property and ensuring that the tax roll meets all applicable requirements of law. The bill allows the property appraiser, at his or her discretion and where geographically suitable, to use image technology in lieu of physical inspection.

Section 196.011, F.S., requires persons with legal title to real or personal property, who are entitled to exemption from taxation, to make application for exemption on or before March 1 of each year. The bill permits applicants who demonstrate extenuating circumstances to the property appraiser within 25 days following the mailing of the assessment to receive an exemption after the March 1 deadline.

Section 196.031, F.S., provides for homestead exemptions. The section is amended to permit minors who inherit homestead property pursuant to s. 732.4015, F.S., to be deemed to be permanent residents of the homestead property until such time as the minor reaches majority.

Section 196.061, F.S., is amended so that rental of a homestead inherited by a minor does not constitute abandonment of the homestead.

The Revenue Estimating Conference has adopted a negative indeterminate revenue impact on local governments from the provision of this bill.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes – The bill enables applicants for homestead exemption to demonstrate extenuating circumstances to the property appraiser in order to receive an exemption after the deadline for application. The bill permits minors who inherit homestead property to be deemed to be permanent residents until such time as the minor reaches majority.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Background**

Article VII, s. 4 of the Florida Constitution, requires a just valuation of all property for ad valorem taxation, with certain exceptions. Florida property appraisers have the statutory responsibility to list and determine the just value of all real property in each county, each year, for purposes of ad valorem taxation.<sup>1</sup>

Section 193.023, F.S., requires property appraisers to complete an assessment of the value of all property no later than July 1 of each year, except that the Department of Revenue may, for good cause, extend the time for completion of assessment of all property. It also provides that in assessing the value of real property, the property appraiser must physically inspect each property every five years to ensure that the tax roll meets all the requirements of law. In addition, the property appraiser must physically inspect any parcel of taxable real property upon the request of the taxpayer or owner. In valuing property in accordance with constitutional and statutory requirements, the property appraiser may adjust the assessed value placed on any parcel or group of parcels based on mass data collected, on ratio studies prepared by an agency authorized by law, or pursuant to regulations of the Department of Revenue.

Article VII, s. 6 of the Florida Constitution provides a homestead tax exemption to every person who has title to real estate that is the owners permanent residence. This constitutional provision is codified in the statutes in Section 196.031, F.S.

Section 196.061, F.S., provides that the rental of a dwelling previously claimed to be a homestead constitutes abandonment of the homestead. The section goes on to state that it is not applicable to homesteads that are rented out by members of the armed forces. Members of the armed forces are the only group that can rent a dwelling claimed as a homestead and retain the homestead exemption.

##### **Effect of Bill**

Section 193.023, F.S., requires the physical inspection of real property by the property appraiser every five years for purposes of assessing the value of the property and ensuring that the tax roll meets all applicable requirements of law. The bill allows the property appraiser, at his or her discretion and where geographically suitable, to use image technology in lieu of physical inspection to ensure the tax roll meets all requirements of law.

Section 196.011, F.S., requires persons with legal title to real or personal property, who are entitled to exemption from taxation, to make application for exemption on or before March 1 of each year. The bill permits applicants demonstrating extenuating circumstances to the property appraiser within 25 days following the mailing of the assessment to receive an exemption after the March 1 deadline.

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<sup>1</sup> Section 193.085(1), F.S.

Section 196.031, F.S., provides for homestead exemptions. The section is amended to permit minors who inherit homestead property pursuant to s. 732.4015, F.S., to be deemed to be permanent residents of the homestead property until such time as the minor reaches majority.

Section 196.061, F.S., provides that rental of a homestead constitutes abandonment of the property as homestead. The section is amended to permit the rental of homesteads inherited by minors without the loss of the homestead exemption.

C. SECTION DIRECTORY:

Section 1 amends s. 193.023, F.S., to revise the authority of the property appraiser to inspect property for assessment purposes.

Section 2 amends s. 196.011, F.S., to revise required time limitations for filing applications for homestead exemptions and to revise procedural requirements for property appraiser approval of such exemptions.

Section 3 amends s. 196.031, F.S., relating to exemption of homesteads.

Section 4 amends s. 196.061, F.S., relating to rental of homesteads.

Section 5 provides an effective date of July 1, 2008.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.<sup>2</sup>

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference has adopted a negative indeterminate revenue impact on local governments from the provision of this bill.

2. Expenditures:

The provisions of the bill allowing property appraisers to use image technology instead of conducting a physical inspection of properties should produce savings for the Property Appraisers' offices.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Orphans who inherit property will be able to retain the homestead exemption even if they do not reside in the home and rent the home to others. Therefore, property taxes will be reduced.

D. FISCAL COMMENTS:

None.

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<sup>2</sup> Department of Revenue 2008 Bill Analysis, HB 595, February 11, 2008, at 3.

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

##### 1. Applicability of Municipality/County Mandates Provision:

The mandates provision is not applicable because the bill does not: require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the percentage of a state tax shared with counties or municipalities; or reduce the authority that counties and municipalities have to raise revenue in the aggregate.

##### 2. Other:

Article VII, section 6 of the Florida Constitution provides a homestead tax exemption to every person who has title to real estate that is the owner's permanent residence. This constitutional provision seems to require that the person claiming a homestead reside on the property or have intention to maintain it as a permanent residence. It is not clear that the legislature has the authority to grant a homestead exemption to a person who owns property that is rented out to others.

#### B. RULE-MAKING AUTHORITY:

None.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

#### D. STATEMENT OF THE SPONSOR

House Bill 595 equips appraisers with the tools they need to crack down on abuse of the Homestead Exemption by out-of-state residents. Additionally, HB 595 clears an unnecessarily difficult hurdle required of those who have filed applications for the Homestead Exemption late and will save appraisers millions of dollars by allowing them to utilize precision imaging technology in lieu of intrusive and time consuming physical inspections.<sup>3</sup>

### IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 12, 2008, the Committee on State Affairs adopted two amendments and reported the bill favorable with amendments.

The bill provides additional criteria to be considered in determining permanent resident status pursuant to s. 196.015, F.S. Amendment 1 removes those additional criteria. Amendment 2 permits orphans who are minors to be deemed to be permanent residents until they reach the age of majority, thereby permitting minors to receive the homestead exemption. In the case of these minors, the statutes are also amended to permit the rental of the homestead without loss of the homestead exemption.

On March 19, 2008, the bill and its traveling amendments were reported favorably by the Government Efficiency & Accountability Council as a Council Substitute.

This analysis reflects the effects of the amendments.

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<sup>3</sup> Email from the office of Rep. Nelson, March 11, 2008.