



# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: This joint resolution proposes a constitutional amendment to provide an ad valorem tax credit to certain deployed members of the military who own homestead property in Florida. The amount of the credit is determined by the number of days those members are deployed on active duty outside the continental United States, Alaska, and Hawaii in designated military operations.

### 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 1<sup>st</sup> valuation, and payment is due by the following March 31.

The property tax is the largest single tax revenue source for government in Florida, with \$30.5 billion levied in FY 2006–07.

The Florida Constitution provides for property tax relief in the form of valuation differentials,<sup>1</sup> assessment limitations,<sup>2</sup> and exemptions,<sup>3</sup> including the homestead exemptions. The Constitution does not, however, grant tax relief to military personnel who are deployed on active duty outside the United States, Alaska, and Hawaii on military operations.

##### **Deployed Military Personnel**

The number of deployed military personnel is in constant flux; however, according to the most recent data provided by the Florida Department of Military Affairs, approximately 25,525 military personnel who claim Florida as their home of record are currently deployed overseas on active duty in support of Operation Iraqi Freedom and Operation Enduring Freedom:

Florida National Guard	301	Army	12,587
Army Reserve	765	Air Force	3,333
Coast Guard Reserve	0	Marine Corps	2,235
Air Force Reserve	85	Navy	5,957
Marine Corps Reserve	135	Coast Guard	0
Navy Reserve	124		
<b>TOTAL</b>			<b>25,522</b>

The table above indicates the number of military personnel who claim Florida as their home of record and who are currently deployed overseas; however, data is not available to determine the total number of military personnel who are deployed outside the continental United States, Alaska, or Hawaii, and who actually own homestead property in Florida.

<sup>1</sup> Article VII, s. 4 of the Florida Constitution, authorizes valuation differentials.

<sup>2</sup> Article VII, s. 4(c) of the Florida Constitution, authorizes the “Save Our Homes” limitation on assessment increases.

<sup>3</sup> Article VII, ss. 3 and 6 of the Florida Constitution, provides authority for property tax exemptions.

## **EFFECT OF PROPOSED CHANGES**

This joint resolution proposes an amendment to the Florida Constitution to provide a credit against future ad valorem taxes owed on homestead property to every person who is a member of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard and who qualifies for the homestead exemption provided in Section 6(a) of Article VII at the time he or she is deployed on active duty outside the continental United States, Alaska, or Hawaii. The credit is based on the number of days in a calendar year that the person is deployed on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the Legislature. Future ad valorem taxes owed on the person's homestead property will be reduced by the amount of the credit until the credit is exhausted.

The proposed amendment requires the Legislature to enact general laws to implement the credit, and subjects the credit to the definitions, conditions, and procedures enacted in general law. The proposed amendment, however, does not limit the Legislature's authority to enact general laws addressing issues other than definitions, conditions, and procedures.

C. SECTION DIRECTORY: Not applicable.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None.
2. Expenditures: The state constitution requires publication of a proposed amendment or revision to the constitution in one newspaper of general circulation in each county in which a newspaper is published, once in the tenth week and once in the sixth week immediately preceding the week in which the election is held. The Department of State, Division of Elections, estimates that the average non-recurring cost of compliance is approximately \$60,000 in FY2007-08. Due to the length of the ballot summary, the cost of compliance may exceed \$60,000.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: If the amendment is approved by the voters, the Revenue Estimating Conference estimates that the availability of the credit will reduce local government property tax collections statewide by \$14.9 million in FY 2010-11, assuming current millage rates.
2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: Those taking advantage of the tax credit will see a reduction in their property taxes beginning in FY 2010-11.

D. FISCAL COMMENTS: None.

## **III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: The mandates provisions of Article VII, section 18 of the Florida Constitution do not apply to joint resolutions.

2. Other: Article XI, Section 1 of the State Constitution, authorizes the Legislature to propose amendments to the State Constitution by joint resolution approved by three-fifths of the membership of each house. The amendment must be placed before the electorate at the next general election held after the proposal has been filed with the Secretary of State's office or at a special election held for that purpose.

Article XI, Section 5(e) of the State Constitution, requires 60 percent voter approval for a constitutional amendment to pass.

B. RULE-MAKING AUTHORITY: This resolution does not require any agency to adopt administrative rules pursuant to Chapter 120, F.S., the Florida Administrative Procedure Act; however, it may be necessary for future implementing legislation to require rulemaking by the Florida Department of Revenue.

C. DRAFTING ISSUES OR OTHER COMMENTS: None.

D. STATEMENT OF THE SPONSOR: None.

#### **IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES**

On March 11, 2008, the Policy and Budget Council adopted one amendment to add the United States Coast Guard or its reserves as potential recipients of the tax credit. This analysis incorporates the amendment.