

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Military Affairs, Space, and Domestic Security Committee

BILL: SB 1502

INTRODUCER: Senator Simmons

SUBJECT: Ad Valorem Tax Exemption/Deployed Servicemembers

DATE: March 21, 2011                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Fleming	Carter	MS	<b>Pre-meeting</b>
2.	_____	_____	CA	_____
3.	_____	_____	BC	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

This bill codifies an amendment to Article VII, Section 3 of the Florida Constitution, which was approved by voters in the November 2010 general election. This amendment, now Article VII, Section 3(g) of the Florida Constitution, provides a partial ad valorem tax exemption on homestead property for Florida military personnel who are deployed outside the United States. In addition, this bill:

- Requires the Florida Department of Military Affairs to annually submit a report to the Legislature of all known and unclassified military operations outside the United States;
- Directs the Legislature to immediately transmit a concurrent resolution which designates a military operation that qualifies a servicemember for the tax exemption;
- Provides procedures for property appraisers to apply or deny the partial ad valorem tax exemption;
- Requires a servicemember applying for the tax exemption to provide proof of eligibility; and
- Authorizes the Department of Revenue to adopt emergency rules to administer the provisions of this act.

This bill creates section 196.173 of the Florida Statutes and substantially amends sections 194.011 and 196.011 of the Florida Statutes.

This bill will take effect upon becoming a law.

## II. Present Situation:

### Property Taxes in Florida

The ad valorem tax or “property tax” is an annual tax levied by counties, cities, school districts, and some special districts based on the value of real and tangible personal property as of January 1 of each year.<sup>1</sup> The “taxable value” of real and tangible personal property is the fair market value, or “just value,” of the real and tangible personal property adjusted for any exclusions, differentials, or exemptions allowed by the constitution or the statutes.<sup>2</sup> Tax bills are mailed in November of each year based on the previous January 1 valuation and payment is due by the following March 31.

Property taxes are the largest single tax revenue source for local governments in Florida, with approximately \$25.1 billion levied in fiscal year 2010-11<sup>3</sup>.

The Florida Constitution reserves ad valorem taxation to local governments and prohibits the state from levying ad valorem taxes on real and tangible personal property.<sup>4</sup> In addition, the Florida Constitution strictly limits the Legislature’s authority to provide exemptions or adjustments to fair market value.<sup>5</sup> However, the Florida Constitution provides for property tax relief in the form of valuation differentials, assessment limitations, and exemptions.<sup>6</sup>

### Property Tax Benefits Available to Veterans

Chapter 196, F.S., provides the following homestead exemptions that may apply to military service veterans:

- for certain permanently and totally disabled veterans and for surviving spouses of veterans;<sup>7</sup>
- for disabled veterans confined to wheelchairs;<sup>8</sup>
- for totally and permanently disabled persons;<sup>9</sup> and
- for certain disabled ex-service members or surviving spouses.<sup>10</sup>

In addition, current law provides an ad valorem tax discount for veterans who are age 65 or older who are partially or totally permanently disabled. This discount applies if the disability was combat related, the veteran was a Florida resident at the time of entering the military service of

<sup>1</sup> Section 192.001(12), F.S., defines “real property” as land, buildings, fixtures, and all other improvements to land. The terms “land,” “real estate,” “realty,” and “real property” may be used interchangeably. Section 192.001(11)(d), F.S., defines “tangible personal property” as all goods, chattels, and other articles of value (but does not include the vehicular items enumerated in s. 1(b), Art. VII of the State Constitution and elsewhere defined) capable of manual possession and whose chief value is intrinsic to the article itself.

<sup>2</sup> Sections 192.001(2) and (16), F.S., define the terms “assessed value” and “taxable value.” “Assessed value” is generally synonymous with “just value” unless a constitutional exception such as Save Our Homes applies to reduce the assessed value of the property. “Taxable value” is the assessed value minus any applicable exemptions such as the \$25,000 homestead exemption. “Just value” is the estimated fair market value of the property.

<sup>3</sup> 2011 Florida Tax Handbook. Available at: <http://edr.state.fl.us/Content/revenues/reports/tax-handbook/taxhandbook2011.pdf>

<sup>4</sup> Article VII, s. 1(a), Florida Constitution.

<sup>5</sup> Article VII, s. 4, Florida Constitution.

<sup>6</sup> Valuation differentials, assessment limitations, and exemptions are authorized in Article VII, Florida Constitution.

<sup>7</sup> Section 196.081, F.S.

<sup>8</sup> Section 196.091, F.S.

<sup>9</sup> Section 196.101, F.S.

<sup>10</sup> Section 196.24, F.S.

the United States, and the veteran was honorably discharged upon separation from military service.<sup>11</sup>

No special tax relief is provided to military personnel deployed on active duty for military operations outside the United States.

**Deployed Military Personnel**

The number of deployed military personnel is in constant flux. According to data provided by the Florida Department of Military Affairs, approximately 5,082 military personnel who claim Florida as their home of record<sup>12</sup> were deployed overseas on active duty in support of Operation New Dawn, Operation Enduring Freedom, or Operation Noble Eagle as of January 31, 2011.

<u>Branch of Service</u>	<u>Number of Military Personnel</u>
Army	211
Navy	1,343
Air Force	1,712
Marine Corps	79
Army Reserve	521
Florida National Guard	656
Marine Corps Reserve	320
Navy Reserve	67
Air Force Reserve	98
Coast Guard	55
Coast Guard Reserve	20
<b><u>TOTAL:</u></b>	<b>5,082</b>

**III. Effect of Proposed Changes:**

**Section 1** creates s. 196.173, F.S., to codify an amendment to Article VII, Section 3 of the Florida Constitution that was approved by voters in the November 2010 general election. This constitutional amendment provides an additional ad valorem tax exemption for homestead property owned by a person who was a member of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard deployed outside of the continental United States, Alaska, or Hawaii in support of military operations designated by the Legislature in the previous year.

<sup>11</sup> Section 196.082, F.S.

<sup>12</sup> Claiming Florida as a home of record is not an indicator of the number of service members who actually own homestead property in Florida.

The amount of the exemption is equal to the taxable value of the homestead of the servicemember on January 1 of the year in which the exemption is sought multiplied by the number of days that the servicemember was on a qualifying deployment in the preceding calendar year and divided by the number of days in that year.

A servicemember who seeks to claim the additional tax exemption must file an application for exemption with the property appraiser on or before March 1 of the year following the year of the qualifying deployment. The application must be prescribed by the Department of Revenue and furnished by the property appraiser. The servicemember must provide:

- Proof that the servicemember participated in a qualifying deployment;
- The dates of the qualifying deployment; and
- Other information necessary to verify eligibility for and the amount of the exemption.

The Secretary of the Senate and the Clerk of the House of Representatives are required to immediately transmit to the Department of Revenue a copy of a concurrent resolution in which the Legislature designates a military operation that may qualify a servicemember for the tax exemption. Upon receipt of the concurrent resolution, the Department of Revenue must notify all property appraisers and tax collectors of the designated military operations.

The property appraiser must approve or deny a servicemember's application for the exemption within 30 days after receipt of the application. If a servicemember's application for the exemption is denied, the property appraiser must send a notice of disapproval no later than July 1, citing the reason for disapproval and advising the servicemember of the right to appeal the decision.

By January 15 of each year, the Department of Military Affairs must submit to the President of the Senate, the Speaker of the House of Representatives, and the tax committees of each house of the Legislature a report of all known and unclassified military operations outside the continental United States, Alaska, or Hawaii for which servicemembers based in the continental United States have been deployed during the previous calendar year.

**Section 2** amends s. 194.011, F.S., requiring a person appealing the denial of a deployed service member exemption to the value adjustment board to file the appeal on or before the 30<sup>th</sup> day following the mailing of the denial notice by the property appraiser.

**Section 3** amends s. 196.011, F.S., requiring the application form for the deployed service member tax exemption to meet certain conditions in order to be considered a complete application.

**Section 4** authorizes the Department of Revenue to adopt emergency rules to administer the provisions of this act.

**Section 5** establishes June 1, 2011 as the deadline for an eligible servicemember to file a claim for an additional tax exemption for a qualifying deployment during the 2010 calendar year. For an applicant who fails to meet the June 1 deadline and subsequently submits an application to the property appraiser, the property appraiser may grant the tax exemption if the property appraiser determines the applicant failed to meet the application deadline due to extenuating circumstances. If the property appraiser determines that extenuating circumstances did not

prevent an applicant from meeting the deadline and denies the application, the applicant may file a petition with the value adjustment board.

**Section 6** directs the Department of Military Affairs to submit the report described in section 1 of the bill of military operations for the 2010 calendar year within 15 days after the act becomes a law.

**Section 7** provides that this act will take effect upon becoming law, and first applies to ad valorem tax rolls for 2011.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

Section 18(b), Article VII, of the Florida Constitution requires any general law that reduces a local government's authority to raise revenues in the aggregate, to be passed by a two-thirds vote of the membership of each house of the Legislature. This bill, which implements an amendment to the Florida Constitution approved by the voters, reduces the tax base and revenue-raising authority of counties and municipalities, but the mandates provision does not apply to bills implementing a constitutional provision.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

##### **D. Other Constitutional Issues:**

This bill implements the provisions of Amendment 2 on the 2010 general election ballot, which provides a homestead ad valorem tax credit for deployed military personnel.

#### **V. Fiscal Impact Statement:**

##### **A. Tax/Fee Issues:**

In 2009, the Revenue Estimating Conference determined if the amendment were in effect for fiscal year 2009-10, its impact on cities, counties, school districts, Water Management Districts, and special districts would be -\$13 million, at the 2009 millage rates.

The Revenue Estimating Conference is expected to estimate the impact of this bill on March 23, 2011.

##### **B. Private Sector Impact:**

Military personnel eligible for the exemption will see a reduction in property taxes beginning the year after the amendment is approved by the voters.

**C. Government Sector Impact:**

The county property appraisers have additional duties under this act. They must approve or deny a servicemember's application for the exemption within 30 days after receipt of the application, and if a servicemember's application for the exemption is denied, the property appraiser must send a notice of disapproval no later than July 1, citing the reason for disapproval and advising the servicemember of the right to appeal the decision.

By January 15 of each year, the Department of Military Affairs is required to submit to the President of the Senate, the Speaker of the House of Representatives, and the tax committees of each house of the Legislature a report of all known and unclassified military operations outside the continental United States, Alaska, or Hawaii for which servicemembers based in the continental United States have been deployed during the previous calendar year.

The Department of Revenue is authorized to adopt emergency rules to administer the provisions of this act.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.