

**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.)

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Prepared By: The Professional Staff of the Budget Committee

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BILL: SPB 7136

INTRODUCER: For consideration by the Budget Committee

SUBJECT: Department of Revenue

DATE: March 28, 2011

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Blizzard	Meyer, C.		<b>Pre-meeting</b>
2.				
3.				
4.				
5.				
6.				

**I. Summary:**

This bill removes the requirement of the Department of Revenue (department) to approve the budgets of county property appraisers and tax collectors. The bill removes the requirement of the department to approve property tax refunds and the correction or cancellation of tax certificates. In addition, the bill changes the department's in-depth review cycle of county assessment rolls from at least once every two years to at least once every three years. The bill clarifies the requirement that the department shall only review classes of property that constitute at least five percent of the total assessed value of real property in a county on the previous assessment roll. In addition, the bill exempts the department from paying service charges imposed by the clerks of court for recording tax liens.

The implementation of the provisions in this bill provides a recurring cost savings of \$2,931,819 in general revenue and reduces staffing needs by 49 full-time equivalent positions.

This bill substantially amends the following sections of the Florida Statutes: 192.091, 195.002, 195.096, 197.122, 197.182, 197.2301, 197.323, 197.4325, and 197.443.

This bill repeals s.195.087.

**II. Present Situation:**

Currently, s. 195.002(1), F.S., provides the department with general supervisory responsibility over the assessment and valuation of property, tax collection, and all other aspects of the administration of such taxes. Pursuant to s. 195.087, F.S., the department is required to review and approve each county property appraiser's annual budget and the annual budgets of all tax

collectors (currently 51 of 67), who do not budget with the Board of County Commissioners. The department is also required to review and approve all budget amendments for the property appraisers and tax collectors.

### **Property Appraiser Budget Process**

By June 1 of each year, property appraisers submit their proposed budgets to the department in a manner and form prescribed by the department. A copy of the proposed budget is sent to the Board of County Commissioners. On or before July 15, the department notifies the property appraisers and the Boards of County Commissioners of its tentative budget amendments and changes. Property appraisers and boards have until August 14 to submit additional information to the department regarding the proposed budget. The department makes its final determination of the property appraisers' budgets by August 15.

### **Tax Collector Budget Process**

On or before August 1 of each year, the 51 tax collectors who do not budget with the Board of County Commissioners are required to submit to the department a proposed budget for the upcoming fiscal year, in a manner and form prescribed by the department. A copy of the proposed budget is sent to the Board of County Commissioners. The department reviews the tax collector budgets to determine whether they are adequate to carry out the required duties and make any adjustments that may be necessary. Tax collector budgets are finalized by the department on or before September 15.

### **Assessment Roll Review**

Pursuant to s. 195.096, F.S., the department is required to conduct an in-depth review of each county's assessment roll once every two years. The department's current practice is to review and approve each county's assessment roll every year, with half of the counties subject to an in-depth review. The department analyzes levels of assessment, equity, and uniformity for each classification of property that comprises at least five percent of the assessed value of the county's tax roll. Each classification of property must have a level of assessment of at least 90 percent in order to be considered in substantial compliance.

In conducting its review, the department evaluates recent sales of properties and compares these selling prices to the values listed on the assessment roll by the property appraiser. However, in many counties there are too few sales in some property classifications, particularly commercial and industrial, for the department to conduct a statistically reliable review. Therefore, the department uses field appraisers to develop estimated valuations for these properties. These estimated values are then compared with the property appraiser's values. For those counties not subject to an in-depth review, the department conducts a high-level, general review of the assessment roll without studying each property classification or evaluating the equity and uniformity of assessments within the county. No appraisals are used for this study. Instead, the department relies on any sales data that is available, as well as econometric and statistical models developed by outside consultants to estimate levels of assessment.

### **Property Tax Refunds**

Pursuant to s. 197.182, F.S., the department is required to review and order property tax refunds in excess of \$400. The department processes roughly 3,000 requests for refunds in excess of \$400 each year, with approximately 94 percent of these approved.

Taxpayers may be eligible for a full or partial refund of property tax payments. Reasons for refunds include: taxes paid when none was due; overpayment of taxes; the assessed value of the property was reduced by the property appraiser to correct an error or add an exemption; or the value adjustment board or a court may have ordered a reduced valuation.

In cases of overpayment in which there is no change made by or required of the property appraiser, the tax collector handles the entire process. Certain situations require the property appraiser to make changes to the tax roll and submit a certificate of correction to the tax collector. The tax collector then issues a refund for any difference in taxes already paid versus the corrected amount. If this refund exceeds \$400, the tax collector is required to submit the refund to the department for review and approval. The department has thirty days to issue a decision. If approved by the department, the tax collector issues the refund. If denied by the department, the tax collector notifies the property owner and property appraiser of the department's denial.

### **Tax Certificates**

The tax collector generally sells a tax certificate through an open auction when a property has delinquent taxes due. After a tax certificate is issued, the property owner has two years to pay the certificate holder the face amount of the certificate plus interest. If the tax certificate has not been paid within two years, a tax deed may be issued to the holder of the tax certificate. Tax certificates may need to be corrected or cancelled for a variety of reasons, including spelling errors, incorrect owner names or property addresses, incorrect tax amounts due, or certificates erroneously issued on properties in which taxes had been paid in full or were exempt from ad valorem taxation. Currently, the department is required to review and approve all corrections or cancellations of tax certificates. The department processes an estimated 2,000 corrections and cancellations each year. A small percentage of the requested changes or corrections are denied by the department.

### **Clerk of Court Recording Charges**

Pursuant to s. 28.24, F.S., the clerks of the courts charge for services rendered in recording documents and instruments. Currently, s. 220.823, F.S., exempts the department from paying a fee for filing liens against corporate income and emergency excise taxes. However, the department continues to pay clerks of the court a service charge for filing liens against sales tax, surtaxes, fees, and surcharges administered by the department.

## **III. Effect of Proposed Changes:**

**Section 1** amends s. 192.091, F.S., to remove language referring to the department's review and approval of property appraiser budgets.

**Section 2** amends s. 195.002, F.S., to remove the requirement of the department relating to the review and approval of property appraiser and tax collector budgets, refunds, and tax certificates.

**Section 3** repeals s. 195.087, F.S., relating to the requirement that property appraisers and tax collectors submit their budgets to the department.

**Section 4** amends s. 195.096, F.S., to extend the department's in-depth review cycle of county assessment rolls to once every three years. This section also clarifies that the department will no longer study or review property classes that constitute less than five percent of the total assessed value of real property in the county on the previous assessment roll.

**Section 5** repeals s. 197.122, F.S., to remove the requirement of the department to review refunds resulting from the correction of a material mistake of fact.

**Section 6** amends s. 197.182, F.S., to remove the requirement of the department relating to refunds. This section also provides for direct payment of refunds by the county tax collector.

**Section 7** amends s. 197.2301, F.S., to remove the department's authority to review certain refunds related to the overpayment of estimated taxes.

**Sections 8** amends s. 197.323, F.S., to remove the requirement of the department to review certain refunds resulting from value adjustment board actions.

**Section 9** amends s. 197.4325, F.S., to remove the requirement of the department to approve the cancellation and resale of tax certificates that were originally purchased with a dishonored check.

**Section 10** amends s. 197.443, F.S., to remove the requirement of the department to approve all cancellations or corrections to tax certificates.

**Section 11** amends s. 213.69, F.S., to exempt the department from paying charges imposed by the clerks of the court for recording tax liens.

**Section 12** provides an effective date of July 1, 2011.

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

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

Section 18, Art. VII of the State Constitution provides that, except upon approval by two-thirds of the members of each house, the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would reduce the authority that municipalities or counties have to raise revenues in the aggregate, as such authority exists on February 1, 1989.

Section 18(d) of Article VII of the State Constitution exempts laws that have insignificant fiscal impact on cities and counties from the requirements of subsection (a). The impact of this legislation relating to the clerks of court service charge for recording tax liens is \$320,000, therefore is insignificant.

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

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

In many cases, removing the department's authority to approve property tax refunds may allow citizens and businesses to receive their refund sooner.

**C. Government Sector Impact:**

Reducing the department's role in approving and reviewing property appraiser and tax collector budgets will result in a recurring cost savings of \$2,611,819 in general revenue, and reduce staffing needs by forty nine full-time equivalent positions. Exempting the department from the requirement to pay the service charge imposed by the clerks of court for recording tax liens will result in a recurring general revenue savings of \$320,000.

Revenues to the clerks of the court will be reduced due to the elimination of the service charge for recording tax liens issued for any tax by the department.

**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.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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