

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HJR 21 Limitations on Property Tax Assessments  
**SPONSOR(S):** Ways & Means Committee; Burton  
**TIED BILLS:**           **IDEN./SIM. BILLS:** SJR 76

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Ways & Means Committee	16 Y, 1 N, As CS	Dobson	Langston
2) Commerce Committee	24 Y, 2 N	Thompson	Hamon

### SUMMARY ANALYSIS

The Florida Constitution requires all property to be assessed at just value (i.e., market value) on January 1 of each year for purposes of ad valorem taxation, subject to assessment limitations and exemptions in certain circumstances. Such assessments are used to calculate property taxes that fund counties, municipalities, district school boards and special districts. In 2008, Florida voters approved a constitutional amendment limiting annual assessment increases for most nonhomestead parcels to 10 percent of prior year assessed value. This limitation does not apply to district school board assessments or in years when a property undergoes certain changes, including changes in ownership. Unless renewed, the 2008 amendment is set to expire on January 1, 2019. Existing constitutional language directs the legislature to propose a constitutional amendment, for the 2018 general election, that would retain the cap beyond its scheduled expiration date.

This joint resolution proposes a constitutional amendment to permanently retain the 10 percent cap on annual nonhomestead parcel assessment increases.

Subject to approval by 60 percent of the voters in the 2018 general election, the joint resolution provides that the proposed amendment will take effect on January 1, 2019. The joint resolution is not subject to the governor's veto powers.

The Revenue Estimating Conference has not reviewed the joint resolution. Because the proposed amendment requires voter approval, the revenue impact will be either zero, if voters disapprove, or negative indeterminate to local governments if approved. Should voters approve the proposed amendment, staff estimates that beginning in FY 2019-20, non-school property tax bases will be lower than otherwise, implying foregone annual tax revenue of approximately \$430 million, **assuming current tax rates**.

Based on 2016 advertising costs, the estimated publication costs for advertising the proposed constitutional amendment is approximately \$38,916. This sum would be paid from non-recurring General Revenue funds.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### Present Situation

##### Calculating Ad Valorem Taxes

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>1</sup> Ad Valorem taxes are annual taxes levied by counties, cities, school districts and certain special districts. These taxes are based on the “just” or fair market value of real and tangible property determined by county property appraisers as of January 1<sup>st</sup> of each year.<sup>2</sup> Fair market value of a parcel, is further adjusted by any applicable exceptions to the just value requirement. Examples of such exceptions are the annual “save our homes” limitation on homestead property assessment increases, the special classification of agricultural property, and the 10 percent non-homestead assessment cap.<sup>3</sup> The figure arrived at after accounting for just value exceptions is known as the assessed value. Property Appraisers then reduce the assessed value by an amount equal to any applicable exemption(s), which produces the taxable value.<sup>4</sup> Each year local government governing boards levy millage rates (i.e., tax rates) on taxable value to generate the property tax revenue contemplated in their annual budgets.

##### Nonhomestead Assessment Growth Limitation

Pursuant to a constitutional amendment approved by the voters in 2008, Article VII, sections 4(g) and (h) of the Florida Constitution, provide an assessment limitation for non-homestead residential real property containing nine or fewer units, and for all real property not subject to other specified assessment limitations, respectively. For all levies, with the exception of school levies, the assessed value of parcels in each of these two categories may not be increased annually by more than 10 percent of the assessment in the prior year. However, the assessment increase limitation does not apply in any year following a qualified improvement or change in ownership or control.<sup>5</sup> “Qualified improvements” are those substantially completed improvements that increase a property’s just value by 25% or more.<sup>6</sup>

Per the terms of the 2008 constitutional amendment, the nonhomestead assessment cap is repealed on January 1, 2019. Additionally, the constitution directs the Legislature to propose a constitutional amendment for the 2018 general election abrogating the repeal, effective January 1, 2019.

#### A. EFFECT OF PROPOSED CHANGES:

This joint resolution proposes an amendment to the Florida Constitution that would retain the 10 percent nonhomestead assessment increase cap currently scheduled for repeal on January 1, 2019. Approving the joint resolution will place the amendment on the 2018 general election ballot. If approved by the voters, the amendment will take effect on January 1, 2019.

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<sup>1</sup> Fla. Const. art. VII, s. 1(a).

<sup>2</sup> See Fla. Const. art. VII, s. 4.

<sup>3</sup> See s. 193.1555(3), F.S.

<sup>4</sup> See generally, s. 196.031, F.S.

<sup>5</sup> s. 193.1555(5), F.S. For non-homestead properties other than those containing 9 units or fewer, “Change in Ownership or Control” means any sale, foreclosure, transfer of legal or beneficial title in equity to any person. The term also refers to cumulative transfer of more than 50 percent ownership of a legal entity holding title to a property. There is no change in ownership when title is transferred to correct an error or the transfer is between legal and equitable title. Title to land owned by a publicly traded company does not change ownership if ownership of the company changes due to stock market trading or merger or acquisition. *Id.* at (b).

<sup>6</sup> *Id.* at (a).

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

Article XI, section 5(d) of the Florida Constitution, requires proposed amendments or constitutional revisions to be published in a newspaper of general circulation in each county where a newspaper is published. The amendment or revision must be published once in the 10th week and again in the sixth week immediately preceding the week the election is held. The Division of Elections within the Department of State provides that the cost to advertise constitutional amendments for the 2016 general election was \$117.56 per word.<sup>7</sup> Using 2016 election cycle rates, the Division estimates that the cost to advertise this amendment for the 2018 general election will be at least \$38,915.64.<sup>8</sup>

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If the proposed amendment is approved by electors, annual increases in the assessed value of nonhomestead parcels owned by private businesses and other organizations will be capped at 10 percent of the prior year's assessed value.

### D. FISCAL COMMENTS:

The Revenue Estimating Conference has not provided an official estimate of the joint resolution's impact. However, because the proposed amendment requires voter approval, the revenue impact will be either zero, if voters disapprove, or negative indeterminate to local governments if approved.

If the proposed amendment is approved by the voters, then tax base increases and potential revenue gains expected under current law will not occur. Staff estimates that under current law, beginning in FY 2019-20, non-school local government property tax bases will increase approximately 2 percent, beyond that which would otherwise occur, as a result of the scheduled repeal of the nonhomestead assessment limitation. **At current millage rates**, the tax revenues from that tax base increase would be approximately \$430 million annually. These tax base increases and potential revenue impacts are expected to diminish over time.

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<sup>7</sup> Florida Department of State, Agency Analysis of 2017 HJR 21, p. 3 (Feb. 17, 2017).

<sup>8</sup> Id.

### **III. COMMENTS**

#### **A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

#### **B. RULE-MAKING AUTHORITY:**

None.

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

None.

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