

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 13 Property Tax Exemptions For Widows, Widowers, Blind Persons, or Persons Totally and Permanently Disabled

SPONSOR(S): Local Administration & Veterans Affairs Subcommittee, Gottlieb and others

TIED BILLS: **IDEN./SIM. BILLS:** SB 154

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local Administration & Veterans Affairs Subcommittee	18 Y, 0 N, As CS	Darden	Miller
2) Ways & Means Committee			
3) State Affairs Committee			

SUMMARY ANALYSIS

Since 1885, the Florida Constitution has provided a specific exemption for the property of widows and those who are totally and permanently disabled. The current constitutional provision provides an exemption for widows, widowers, blind persons, and totally and permanently disabled persons of at least \$500, but authorizing a greater amount to be set by general law. This exemption is effectuated by s. 196.202, F.S., which provides a \$500 exception for all bone fide residents of the state in the aforementioned categories.

The bill increases from \$500 to \$2,500 of value exempt from ad valorem taxation for residents who are widows, widowers, blind, or totally and permanently disabled. The bill specifies that the increase applies to tax years beginning on or after January 1, 2023.

The Revenue Estimating Conference projected the original bill would reduce local government revenues by \$46.7 million in FY 2022-23 (\$18.3 million in school funds and \$28.4 million in non-school funds) and increases to \$70.3 million by FY 2026-27 (\$27.6 million in school funds and \$42.7 million in non-school funds). Although the REC has not yet estimated the impact of CS/HB 13, the reduction of the exemption increase, from \$4,500 to \$2,000, would reduce the approximate impact of the bill. See II.D. Fiscal Comments.

This bill may be a county or municipality mandate requiring a two-thirds vote of the membership of the House. See Section III.A.1 of the analysis.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

Ad Valorem Taxation

Ad valorem tax or “property tax” is an annual tax levied by counties, municipalities, school districts, and some special districts.¹ The tax is based on the taxable value of property as of January 1 of each year.² The property appraiser annually determines the assessed or “just value”³ of property within the taxing authority and then applies relevant exclusions, assessment limitations, and exemptions to determine the property’s “taxable value.”⁴ The property appraiser then submits the certified assessment roll to the tax collector.⁵ The tax collector sends out a tax notice to each taxpayer stating the amount of current taxes due within 20 business days after receiving the certified ad valorem tax roll.⁶ All taxes are due and payable on November 1 of each year and become delinquent on the following April 1.⁷

Property of Widows, Widowers, Blind Persons, and Persons Totally and Permanently Disabled

Since 1885, the Florida Constitution has provided a specific exemption for the property of widows and those who are totally and permanently disabled.⁸ The current constitutional provision provides an exemption for widows, widowers, blind persons, and totally and permanently disabled persons of at least \$500, but authorizing a greater amount to be set by general law.⁹ This exemption is effectuated by s. 196.202, F.S., which provides a \$500 exception for all bone fide residents of the state in the aforementioned categories.¹⁰ A person may be classified as totally and permanently disabled based on a certification from a licensed physician, the Department of Veterans Affairs (or its predecessor), or the Social Security Administration. An applicant for this exemption may apply for the exemption before receiving the necessary documentation from the Department of Veterans Affairs or the Social Security Administration.¹¹ Upon receipt of the documentation, the exemption is granted retroactively to the date of the original application and any excess taxes paid are refunded.

Effect of Proposed Changes

The bill increases from \$500 to \$2,500 of value of property exempt from ad valorem taxation for residents who are widows, widowers, blind, or totally and permanently disabled. The bill specifies that the increase applies to tax years beginning on or after January 1, 2023.

B. SECTION DIRECTORY:

Section 1: Amends s. 196.202, F.S., increasing the exemption for residents who are widows, widowers, blind, or totally and permanently disabled from \$500 to \$2,500.

¹ The Florida Constitution prohibits the state from levying ad valorem taxes. Art. VII, s. 1(a), Fla. Const.

² Both real property and tangible personal property are subject to ad valorem tax. S. 192.001(12), F.S., defines “real property” as land, buildings, fixtures, and all other improvements to land. S. 192.001(11)(d), F.S., defines the term “tangible personal property” as all goods, chattels, and other articles of value capable of manual possession and whose chief value is intrinsic to the article itself.

³ Property must be valued at “just value” for purposes of property taxation, unless the Florida Constitution provides otherwise. Art. VII, s. 4, Fla. Const. Just value has been interpreted by the courts to mean the fair market value that a willing buyer would pay a willing seller for the property in an arm’s-length transaction. See: *Deltona Corp. v. Bailey*, 336 So. 2d 1163 (Fla. 1976); *Southern Bell Tel. & Tel. Co. v. Dade County*, 275 So. 2d 4 (Fla. 1973); *Walter v. Shuler*, 176 So. 2d 81 (Fla. 1965).

⁴ See s. 192.001(2) and (16), F.S. The Florida Constitution limits the Legislature’s authority to provide for property valuations at less than just value, unless expressly authorized. Art. VII, s. 4, Fla. Const.

⁵ S. 197.322(1), F.S.

⁶ S. 197.322(3), F.S.

⁷ S. 197.333, F.S.

⁸ Art. IX, s. 9, Fla. Const. (1885) (providing a \$200 exemption from property taxation for each “widow that has a family dependent on her for support, and to every person that has lost a limb or been disabled in war or by misfortune.”)

⁹ Art. VII, s. 3(b), Fla. Const.

¹⁰ S. 196.202(1), F.S.

¹¹ S. 196.202(2), F.S.

Section 2: Specifies the increase applies to tax years beginning on or after January 1, 2023.

Section 3: Provides the bill takes effect upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference projected the original bill would reduce local government revenues by \$46.7 million in FY 2022-23 (\$18.3 million in school funds and \$28.4 million in non-school funds) and increase to \$70.3 million by FY 2026-27 (\$27.6 million in school funds and \$42.7 million in non-school funds). CS/HB 13 reduces the increase in the exemption amount and would result in a reduced impact on local government revenues.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Florida residents who are widows, widowers, blind, or totally and permanently disabled will pay less property tax.

D. FISCAL COMMENTS:

The original bill increased the value of exempt property from \$500 to \$5,000, an increase of \$4,500. CS/HB 13 reduces this to an increase from \$500 to \$2,500, an increase of \$2,000. Accordingly, the bill reduces local government revenues by approximately \$20.9 million in FY 2022-23 (\$8.2 million in school funds and \$12.7 million in non-school funds), increasing to \$31.4 million by FY 2026-27 (\$12.3 million in school funds and \$19.1 million in non-school funds).¹²

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The county/municipality mandates provision of Art. VII, subsection 18(b), of the Florida Constitution may apply because this bill will increase the value of a tax exemption for widows, widowers, blinds persons, and persons who are totally and permanently disabled, which may reduce the authority of municipalities and counties to raise revenue. This bill does not appear to qualify under any exemption or exception. If the bill does qualify as a mandate, final passage must be approved by two-thirds of the membership of each house of the Legislature.

2. Other:

¹² Email from Matthew Moore, Chief Economist, Fla. Dept. of Revenue Office of Tax Research, RE: Widows \$500 to \$2500 (Feb. 7, 2022).

None.

B. RULE-MAKING AUTHORITY:

The bill does not provide rulemaking authority or require executive branch rulemaking.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On February 7, 2022, the Local Administration & Veterans Affairs Subcommittee adopted an amendment and reported the bill favorably as a committee substitute. The amendment reduces the increase value of property exempt from ad valorem taxation for residents who are widows, widowers, blind, or totally and permanently disabled from \$5,000 to \$2,500.

This analysis is drafted to the committee substitute adopted by the Local Administration & Veterans Affairs Subcommittee.