

HOUSE OF REPRESENTATIVES STAFF FINAL BILL ANALYSIS

BILL #: CS/CS/HB 1563 Homestead Property Tax Exemptions for Classroom Teachers, Law Enforcement Officers, Firefighters, Emergency Medical Technicians, Paramedics, Child Welfare Professionals, and Servicemembers

SPONSOR(S): State Affairs Committee and Ways & Means Committee, Tomkow and others

TIED BILLS: CS/CS/HJR 1 **IDEN./SIM. BILLS:** CS/SB 1748

FINAL HOUSE FLOOR ACTION: 115 Y's 0 N's **GOVERNOR'S ACTION:** Approved

SUMMARY ANALYSIS

CS/CS/HB 1563 passed the House on February 24, 2022, and subsequently passed the Senate on March 10, 2022.

The Florida Constitution requires all property to be assessed at just value as of January 1 of each year for purposes of ad valorem taxation. Ad valorem assessments are used to calculate property taxes that fund counties, municipalities, district school boards, and special districts. The taxable value against which local governments levy tax rates each year reflects the just value as reduced by applicable limitations and exemptions allowed by the Florida Constitution. One such exemption is on the first \$25,000 of assessed value of a homestead property, which is exempt from all taxes. A second homestead exemption is on the value between \$50,000 and \$75,000, which is exempt from all taxes other than school district taxes.

The bill implements the amendment to Article VII, Section 6(g) of the Florida Constitution, proposed in CS/CS/HJR 1, which authorizes the Legislature by general law to provide an additional \$50,000 homestead exemption on the assessed value between \$100,000 and \$150,000 for specified critical public service employees. The bill limits the exemption to all taxes other than school district taxes. Specified employees eligible for the exemption are classroom teachers, law enforcement officers, correctional officers, firefighters, emergency medical technicians, paramedics, child welfare services professionals, active duty members of the United States Armed Forces, and members of the Florida National Guard.

This bill also directs the Legislature to appropriate funds to offset ad valorem tax revenue losses in fiscally constrained counties, as defined in s. 218.67(1), F.S., attributable to the reduction in property tax base caused by the additional homestead exemption. The bill sets forth the procedures by which tax losses will be determined. There are presently 29 fiscally constrained counties within the state. The Revenue Estimating Conference estimated that these revenue losses would be \$2.8 million annually beginning in FY 2023-24 growing to \$3.2 million in FY 2026-27.

The Revenue Estimating Conference estimated that if the constitutional amendment is approved by the voters, this bill would have a recurring negative impact on non-school local government revenues in FY 2023-24 (the first year of implementation) of \$85.9 million, growing to \$96.0 million in FY 2026-27.

The bill was approved by the Governor on June 24, 2022, ch. 2022-219, L.O.F. This bill takes effect on the same day that the constitutional amendment proposed by CS/CS/HJR 1, or a similar joint resolution, takes effect, if such amendment is approved by the voters, which is January 1, 2023.

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.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Current Situation

Homestead Exemption

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.¹ Ad valorem taxes are annual taxes levied by counties, cities, school districts, and certain special districts. These taxes are based on the just value (fair market value) of real and tangible personal property as determined by county property appraisers on January 1 of each year.² The just value may be subject to limitations, such as the “save our homes” limitation on homestead property assessment increases.³ The value arrived at after accounting for applicable limitations is known as the assessed value. Property appraisers then calculate taxable value by reducing the assessed value in accordance with any applicable exemptions, such as the exemptions for homestead property.⁴ Each year, local governing boards levy millage rates (i.e. tax rates) on taxable value to generate the property tax revenue contemplated in their annual budgets.

The homestead exemption is specified in Art. VII, s. 6 of the Florida Constitution, which provides that every person who holds legal or equitable title to real estate and uses said real estate as a permanent residence for themselves or a legal or natural dependent is entitled to exemption from taxes on the first \$25,000 of assessed value.⁵ In 2008, Florida voters amended this provision to include an additional \$25,000 exemption from all taxes other than school district taxes on assessed value greater than \$50,000.⁶ The Florida Constitution also vests the Legislature with authority to enact general law establishing the manner by which individuals qualify for the exemption. Accordingly, s. 196.031(1)(b), F.S., automatically grants the additional, non-school homestead exemption to every individual who qualifies for the initial homestead exemption on the first \$25,000 in assessed value. An additional homestead exemption is not currently in place which benefits classroom teachers, law enforcement officers, correctional officers, firefighters, emergency medical technicians, paramedics, child welfare services professionals, active duty military personnel, or members of the Florida National Guard.

Fiscally Constrained Counties

Fiscally constrained counties are counties entirely within a rural area of opportunity or where a 1 mill levy would raise no more than \$5 million in annual tax revenue.⁷ A rural area of opportunity is a rural community⁸ or region that has been adversely affected by an extraordinary economic event, a severe distress, or a natural disaster or that presents a unique economic development opportunity of regional impact, as designated by the Governor.⁹ Florida’s fiscally constrained counties are Baker, Bradford, Calhoun, Columbia, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Suwannee, Taylor, Union, Wakulla and Washington.¹⁰ Under current law, the Legislature annually appropriates money to these counties to offset ad valorem tax revenue reductions caused by

¹ Art. VII, s. 1(a), Fla. Const.

² Art. VII, s. 4, Fla. Const.

³ Section 193.155(1), F.S.

⁴ Section 196.031, F.S.

⁵ Art. VII, s. 6, Fla. Const.

⁶ *Id.*

⁷ Section 218.67(1), F.S.

⁸ A “rural community” as the term relates to counties means a county with a population of 75,000 or fewer, or a county with a population of 125,000 or fewer which is contiguous to a county with a population of 75,000 or fewer. See s. 288.0656(1)(e), F.S.

⁹ Section 288.0656(1)(d), F.S.

¹⁰ Florida Department of Revenue, Fiscally Constrained Counties, <https://floridarevenue.com/property/Documents/fcco081210.pdf> (last visited 3/23/2022)

various amendments in the Florida Constitution.¹¹ In order to receive an offset distribution, fiscally constrained counties must annually provide the Department of Revenue with an estimate of the expected reduction in ad valorem tax revenues that are directly attributable to specified revisions of Article VII of the Florida Constitution.¹² These provisions are designed to prevent various constitutional amendments related to property tax from negatively impacting fiscally constrained county tax revenues.

Effect of Proposed Changes

Homestead Exemption

This bill implements the proposed constitutional amendment in CS/CS/HJR 1 by providing an additional homestead exemption on the assessed value between \$100,000 and \$150,000 for all taxes, other than school district taxes, for classroom teachers, law enforcement officers, correctional officers, firefighters, emergency medical technicians, paramedics, child welfare services professionals, active duty members of the United States Armed Forces, and members of the Florida National Guard.

Fiscally Constrained Counties

Beginning in FY 2023-24, the bill directs the Legislature to annually appropriate funds to fiscally constrained counties for the purpose of offsetting the decrease in ad valorem tax revenues they would otherwise experience as a result of the addition of Article VII, section 6(g) of the Florida Constitution. The method for applying and calculating distributions is the same as that used in s. 218.125, F.S.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

If the bill becomes effective and the Legislature makes appropriations as directed by the bill, the Revenue Estimating Conference estimates that state expenditures sufficient to fully offset the revenue impacts to fiscally constrained counties of the additional homestead exemption will be \$2.8 million annually beginning in FY 2023-24 growing to \$3.2 million in FY 2026-27.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference (REC) determined that the revenue impact of the bill on local governments is zero/negative indeterminate because the bill is contingent upon passage of the constitutional amendment proposed by CS/CS/HJR 1. If the constitutional amendment does not pass, the impact of the bill is zero. If the constitutional amendment is approved by the voters, the REC estimated that the bill would have a recurring negative impact on non-school property tax revenues in FY 2023-24 (the first year of implementation) of \$85.9 million, growing to \$96.0 million in FY 2026-27.

2. Expenditures:

¹¹ See ss. 218.12 and 218.125, F.S.

¹² *Id.*

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If HJR 1 is approved by at least 60 percent of the voters and this bill goes into effect, homestead property owners who are classroom teachers, law enforcement officers, correctional officers, firefighters, emergency medical technicians, paramedics, child welfare services professionals, active duty military members of the United States Armed Forces, or members of the Florida National Guard will realize lower property taxes than would otherwise occur.

D. FISCAL COMMENTS:

None.