

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HB 1001 Exemptions for Totally and Permanently Disabled Veterans

**SPONSOR(S):** Ways & Means Committee, Franklin

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1052

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Ways & Means Committee	21 Y, 0 N, As CS	McCain	Aldridge
2) Local Administration, Federal Affairs & Special Districts Subcommittee	18 Y, 0 N	Mwakyanjala	Darden
3) State Affairs Committee			

### SUMMARY ANALYSIS

The Florida Constitution requires all property to be assessed at just value (i.e. market value) as of January 1 of each year for purposes of ad valorem taxation. Property assessments are used to calculate ad valorem 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 exceptions 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 assessed value between \$50,000 and \$75,000, which is exempt from all taxes other than school district taxes.

The homestead property of a veteran who was honorably discharged with a service-connected total and permanent disability is exempt from taxation. To qualify for this exemption, the veteran must be a permanent resident of the state on January 1 of the tax year for which exemption is being claimed. The presentation of a letter of total and permanent disability from the United States Government or United States Department of Veterans Affairs by a veteran or their spouse to the property appraiser is prima facie evidence of entitlement to the exemption.

Section 196.081, F.S., provides that a veteran who was honorably discharged with a service-connected total and permanent disability may apply for this homestead property exemption in the current tax year for a property acquired between January 1 and November 1 of the tax year if the veteran had received the exemption on another property in the immediately preceding tax year. The veteran will receive the exemption in the form of a refund, prorated from the date of property transfer, if the veteran applies for and receives the exemption on the newly acquired property in the following tax year.

This bill removes the requirement that a totally and permanently disabled veteran must have had the exemption on another property in the same year in order to qualify for the prorated refund of property taxes on newly acquired property. This will allow certain totally and permanently disabled veterans who were not owners of homestead property to receive the benefit of the exemption from property taxes from the date of property acquisition in the form of a refund, instead of having to wait until the following January 1 to receive the exemption. However, the veteran must have qualified as having a service-connected total and permanent disability as of January 1 of the year the new property was acquired.

This bill will take effect July 1, 2023 and will first apply to the 2024 tax roll.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Current Situation

##### Ad Valorem Taxation

The Florida Constitution reserves to local governments the authority to levy ad valorem taxes on real and tangible personal property.<sup>1</sup> Ad valorem taxes are levied annually 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>2</sup> The Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes,<sup>3</sup> and provides for specified assessment limitations, property classifications, and exemptions.<sup>4</sup> After the property appraiser considers any assessment limitation or use classification affecting the just value of a parcel of real property, an assessed value is produced. The assessed value is then reduced by any exemptions to produce the taxable value.<sup>5</sup>

Each property appraiser must complete an assessment of the value of all property within the appraiser's jurisdiction and certify to the taxing authorities the taxable value of such property no later than July 1 of each year, unless extended for good cause by the Department of Revenue (DOR).<sup>6</sup> The taxable value of a parcel includes both the value of structures and other improvements on the parcel and the value of the land on which those structures and improvements sit.<sup>7</sup> The property appraiser also ensures that all real property is listed on the real property assessment roll.<sup>8</sup>

Each taxing authority uses the taxable value provided by the property appraiser to prepare a proposed millage rate that is levied on each parcel's taxable value.<sup>9</sup> Each taxing authority must compute proposed or final millage rates based on utilizing at least 95 percent of the taxable value of the property within the boundaries of the taxing authority. Each taxing authority must prepare and submit its tentative budget in accordance with applicable law.<sup>10</sup>

##### Homestead Exemption

Every person having legal and equitable title to real estate and who maintains a permanent residence on the real estate (homestead property) is eligible for a \$25,000 tax exemption applicable to all ad valorem tax levies, including levies by school districts.<sup>11</sup> An additional \$25,000 exemption applies to homestead property value between \$50,000 and \$75,000. This exemption does not apply to ad valorem taxes levied by school districts.

##### Exemption for Permanently and Totally Disabled Veterans

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<sup>1</sup> Art. VII, ss. 1(a), 9(a), Fla. Const.

<sup>2</sup> S. 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. S. 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 Art. VII, s. 1(b) of the Florida Constitution and elsewhere defined) capable of manual possession and whose chief value is intrinsic to the article itself.

<sup>3</sup> Art. VII, s. 4, Fla. Const.

<sup>4</sup> Art. VII, ss. 3, 4, and 6, Fla. Const.

<sup>5</sup> S. 196.031, F.S.

<sup>6</sup> S. 193.023(1), F.S.

<sup>7</sup> See *The Appraisal Process and Your Taxes*, Hillsborough County Property Appraiser, available at <http://www.hcpafl.org/Property-Info/The-Appraisal-Process-Your-Taxes> (last visited Jan. 24, 2020) (process for calculating property tax values).

<sup>8</sup> S. 193.085(1), F.S.

<sup>9</sup> S. 200.065(2)(a)1., F.S.

<sup>10</sup> See s. 200.065(2)(a)2.-4., F.S. (requiring county commissions to prepare and submit budgets in accordance with s. 129.03, F.S., requiring school districts to prepare and submit budgets in accordance with Ch. 1011, F.S., and requiring other taxing authorities to prepare and consider budgets in accordance with s. 200.065 and other provisions of law).

<sup>11</sup> Art. VII, s. 6(a), Fla. Const.

The homestead property of a veteran who was honorably discharged with a service-connected total and permanent disability is exempt from taxation.<sup>12</sup> To qualify for this exemption, the veteran must be a permanent resident of the state on January 1 of the tax year for which exemption is being claimed or must have been a permanent resident of this state on January 1 of the year the veteran died. If the veteran predeceases their spouse, the spouse may continue to receive the exemption as long as the property remains the homestead property of the spouse and the spouse is unmarried.<sup>13</sup>

The presentation of a letter of total and permanent disability from the United States Government or United States Department of Veterans Affairs by a veteran or their spouse to the property appraiser is prima facie evidence of entitlement to the exemption.<sup>14</sup> A veteran may apply for the exemption before receiving documentation from the United States Government or the United States Department of Veterans Affairs.<sup>15</sup> When the property appraiser receives the documentation, the exemption is granted as of the date of the original application, with excess taxes paid refunded (subject to the four-year period of limitation under s. 197.182(1)(e), F.S.).

Section 196.081, F.S., provides that a veteran who was honorably discharged with a service-connected total and permanent disability may apply for this homestead property exemption in the current tax year for a property acquired between January 1 and November 1 of the tax year if the veteran had received the exemption on another property in the immediately preceding tax year.<sup>16</sup> The veteran will receive the exemption in the form of a refund, prorated from the date of property transfer, if the veteran applies for and receives the exemption on the newly acquired property in the following tax year.<sup>17</sup>

If the totally and permanently disabled veteran predeceases their spouse, the tax exemption will carry over to the surviving spouse if the surviving spouse has legal or beneficial title to the property and uses it as a homestead, and does not remarry.<sup>18</sup> If the surviving spouse sells the property, the exemption amount for the sold property from the most recent tax roll may be transferred to the new property so long as the new property is used as a homestead by the surviving spouse and they do not remarry.<sup>19</sup>

### **Effect of Proposed Changes**

This bill removes the requirement that a totally and permanently disabled veteran must have had the exemption on another property in the same year in order to qualify for the prorated refund of property taxes on newly acquired property. This will allow certain totally and permanently disabled veterans who were not owners of homestead property to receive the benefit of the exemption from property taxes from the date of property acquisition in the form of a refund, instead of having to wait until the following January 1 to receive the exemption. However, the veteran must have qualified as having a service-connected total and permanent disability as of January 1 of the year the new property was acquired.

This bill will take effect July 1, 2023 and will first apply to the 2024 tax roll.

#### **B. SECTION DIRECTORY:**

Section 1: Amends s. 196.081(1)(b), F.S., allowing qualifying totally and permanently disabled veterans who were not owners of homestead property to receive the benefit of the exemption from property taxes from the date of property acquisition in the form of a refund in specified circumstances.

Section 2: Specifies that this act will first apply to the 2024 tax roll.

Section 3: Provides an effective date of July 1, 2023.

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<sup>12</sup> S. 196.081(1), F.S.

<sup>13</sup> S. 196.081(3), F.S.

<sup>14</sup> S. 196.081(2), F.S.

<sup>15</sup> S. 196.081(5), F.S.

<sup>16</sup> S. 196.081(1)(b), F.S.

<sup>17</sup> S. 196.081(1)(b), F.S.

<sup>18</sup> S. 196.081(3), F.S.

<sup>19</sup> S. 196.081(3), F.S.

## 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 has not yet evaluated the potential revenue impact of this bill.

2. Expenditures:

None.

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

Certain qualifying totally and permanently disabled veterans who were not owners of homestead property may receive the benefit of an exemption from property taxes not allowed under current law.

### D. FISCAL COMMENTS:

None.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The county/municipality mandates provision of Art. VII, section 18, of the Florida Constitution may apply because this bill allows certain qualifying totally and permanently disabled veterans who were not owners of homestead property to receive the benefit of an exemption from property taxes not allowed under current law; however, an exemption may apply if the bill has an insignificant fiscal impact.

2. Other:

None.

### B. RULE-MAKING AUTHORITY:

None.

### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

## IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On March 20, 2023, the Ways & Means Committee adopted an amendment that made clarifying modifications to the language of the bill to more precisely accomplish the purpose of the bill.

The analysis is drafted to the bill as amended by the Ways & Means Committee.