

**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 Committee on Community Affairs

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BILL: CS/SB 120

INTRODUCER: Community Affairs Committee and Senator Avila

SUBJECT: Homestead Assessments

DATE: February 15, 2023

REVISED: 2/16/23

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	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Hackett</u>	<u>Ryon</u>	<u>CA</u>	<u>Fav/CS</u>
2.	<u></u>	<u></u>	<u>FT</u>	<u></u>
3.	<u></u>	<u></u>	<u>AP</u>	<u></u>

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Technical Changes

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**I. Summary:**

CS/SB 120 is linked to SJR 122, which proposes an amendment to the Florida Constitution to reduce the maximum increase in assessments on homestead properties from three to two percent of the previous year's assessment. The bill implements the amendment in the associated statutory provision.

The bill will take effect on the effective date of the amendment proposed by SJR 122 or a similar joint resolution having substantially the same specific intent and purpose. If approved by the electors in the next general election in November 2024, the proposed amendment (SJR 122) and this bill will take effect on January 1, 2025.

**II. Present Situation:**

**General Overview of Property Taxation**

The ad valorem tax or "property tax" is an annual tax levied by counties, municipalities, school districts, and some special districts. The tax is based on the taxable value of property as of

January 1 of each year.<sup>1</sup> The property appraiser annually determines the assessed or “just value”<sup>2</sup> of property within the taxing authority and then applies relevant exclusions, assessment limitations, and exemptions to determine the property’s “taxable value.”<sup>3</sup> Tax bills are mailed in November of each year based on the previous January 1 valuation and payment is due by March 31.

The Florida Constitution prohibits the state from levying ad valorem taxes<sup>4</sup> and limits the Legislature’s authority to provide for property valuations at less than just value, unless expressly authorized.<sup>5</sup>

The just valuation standard generally requires the property appraiser to consider the highest and best use of property;<sup>6</sup> however, the Florida Constitution authorizes certain types of property to be valued based on their current use (classified use assessments), which often result in lower assessments. Properties that receive classified use treatment in Florida include: agricultural land, land producing high water recharge to Florida’s aquifers, and land used exclusively for noncommercial recreational purposes;<sup>7</sup> land used for conservation purposes;<sup>8</sup> historic properties when authorized by the county or municipality;<sup>9</sup> and certain working waterfront property.<sup>10</sup>

## **Property Tax Exemptions for Homesteads**

### ***Statewide 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.<sup>12</sup> This exemption does not apply to ad valorem taxes levied by school districts.

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<sup>1</sup> Both real property and tangible personal property are subject to tax. Section 192.001(12), F.S., defines “real property” as land, buildings, fixtures, and all other improvements to land. Section 192.001(11)(d), F.S., defines “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.

<sup>2</sup> Property must be valued at “just value” for purposes of property taxation, unless the Florida Constitution provides otherwise. FLA. CONST. art VII, s. 4. 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 Walter v. Shuler*, 176 So. 2d 81 (Fla. 1965); *Deltona Corp. v. Bailey*, 336 So. 2d 1163 (Fla. 1976); *Southern Bell Tel. & Tel. Co. v. Dade County*, 275 So. 2d 4 (Fla. 1973).

<sup>3</sup> *See* s. 192.001(2) and (16), F.S.

<sup>4</sup> FLA. CONST. art. VII, s. 1(a).

<sup>5</sup> *See* FLA. CONST. art. VII, s. 4.

<sup>6</sup> Section 193.011(2), F.S.

<sup>7</sup> FLA. CONST. art. VII, s. 4(a).

<sup>8</sup> FLA. CONST. art. VII, s. 4(b).

<sup>9</sup> FLA. CONST. art. VII, s. 4(e).

<sup>10</sup> FLA. CONST. art. VII, s. 4(j).

<sup>11</sup> FLA. CONST. art VII, s. 6(a) and s. 196.031, F.S.

<sup>12</sup> Section 196.031(1)(b), F.S.

### ***Additional Homestead Exemptions***

The Florida Constitution authorizes additional homestead exemptions, either directly through legislation or through statutory permission for local governments to enact:

- An exemption not exceeding \$50,000 in home value for any low-income senior.<sup>13</sup>
- An exemption of the entire assessed value of a low-income senior's homestead with a just value less than \$250,000 if he or she has maintained that homestead for not less than 25 years.<sup>14, 15</sup>
- A veteran or first responder<sup>16</sup> with a total and permanent service-connected disability is entitled to a complete exemption for property owned and used as a homestead.<sup>17</sup>
- A veteran with a total service-connected disability that confines him or her to a wheelchair is entitled to a complete exemption for property owned and used as a homestead. Upon the veteran's death, the exemption carries over to the veteran's unremarried surviving spouse.<sup>18</sup>
- A veteran disabled to a degree of 10 percent or more by misfortune or during wartime service is entitled to an exemption for any property up to \$5,000. Upon the death of the veteran, the exemption carries over to the veteran's unremarried surviving spouse.<sup>19</sup>
- The unremarried surviving spouse of a veteran or first responder who died while on active duty is entitled to a complete exemption for property owned and used as a homestead if the veteran was a permanent resident of Florida on the day he or she died.<sup>20</sup>
- Certain combat-disabled veterans are entitled to a discount on their homestead property taxes.<sup>21</sup>

### **Limitation on Annual Increases in Assessments for Homestead Properties**

The Florida Constitution<sup>22</sup> provides that, for those entitled to a homestead exemption, the assessed value of the homestead shall be changed annually on January 1<sup>st</sup> of each year, but those changes in assessments shall not exceed the lesser of three percent of the prior year's assessment or the percent change in the Consumer Price Index<sup>23</sup> for the preceding calendar year.<sup>24</sup>

<sup>13</sup> Implementing FLA. CONST. art. VII, s. 6(d)(1).

<sup>14</sup> Implementing FLA. CONST. art. VII, s. 6(d)(2)

<sup>15</sup> Taxpayers who initially receive the exemption are denied the exemption in a later year if the just value of their homestead exceeds \$250,000.

<sup>16</sup> "First responder" in this context means a law enforcement officer or correctional officer as defined in s. 943.10, a firefighter as defined in s. 633.102, or an emergency medical technician or paramedic as defined in s. 401.23 who is a full-time paid employee, part-time paid employee, or unpaid volunteer. Section 196.081(6)(c)1., F.S.

<sup>17</sup> Sections 196.081 and 196.102, F.S.

<sup>18</sup> Section 196.091(1) and (3), F.S.

<sup>19</sup> Section 196.24, F.S.

<sup>20</sup> Section 196.081(4), (6) F.S.

<sup>21</sup> Section 196.082, F.S.

<sup>22</sup> As amended by Constitutional Amendment 10 (1992), commonly referred to as the "Save Our Homes" initiative.

<sup>23</sup> Specifically the Consumer Price Index for All Urban Consumers, U.S. City Average, all items 1967=100, or successor reports.

<sup>24</sup> FLA. CONST. art. VII, s. 4(d)(1), implemented by section 193.155, F.S.

### III. Effect of Proposed Changes:

**Section 1** amends s. 193.155, F.S., to provide that change in a homestead property's valuation upon annual reassessment shall not exceed the lower of the consumer price index and two, rather than three, percent of the previously assessed value of the property.

**Section 2** provides that the bill will take effect on the effective date of the constitutional amendment proposed by SJR 122.

### IV. Constitutional Issues:

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

Article VII, s. 18(b) of the Florida Constitution provides that, except upon the approval of each house of the Legislature by a two-thirds vote of the membership, the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989. However, the mandates requirements do not apply to laws having an insignificant impact.<sup>25, 26</sup>

The mandates provision of Art. VII, s. 18 of the Florida Constitution may apply because the bill reduces local governments' authority to raise revenue by reducing ad valorem tax bases compared to the tax bases that would exist under current law. This bill does not appear to qualify under any exemption or exception, however, as a bill implementing a constitutional amendment (SJR 122), it may be considered to have no direct effect or be an exempt re-authorization of existing authority. 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.

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

None.

#### C. Trust Funds Restrictions:

None.

#### D. State Tax or Fee Increases:

None.

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<sup>25</sup> FLA. CONST. art. VII, s. 18(d).

<sup>26</sup> An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year times \$0.10. The Florida Demographic Estimating Conference adopted estimations that the 2021 population will be 21,893,919, which makes the threshold for insignificant fiscal impact \$2.19 million. Executive Summary, Demographic Estimating Conference, Nov. 13, 2020, *available at* <http://edr.state.fl.us/content/conferences/population/demographicsummary.pdf> (last visited January 20, 2022).

E. **Other Constitutional Issues:**

None identified.

**V. Fiscal Impact Statement:**

A. **Tax/Fee Issues:**

The bill implements the constitutional amendment proposed by the related joint resolution (SJR 122). Beginning in Fiscal Year 2025-2026 and assuming that the voters approve the constitutional amendment, the constitutional amendment will reduce local property tax in any year that the relevant Consumer Price Index exceeds 2 percent. The Revenue Estimating Conference concluded that the fiscal impact is indeterminate because it is unknown when the Consumer Price Index will exceed 2 percent. However, the Revenue Estimating Conference concluded that if the constitutional amendment had been in place in 2022 – a year in which the Save Our Homes limit was 3 percent – the constitutional amendment would have reduced local property taxes by \$150 million, statewide.

B. **Private Sector Impact:**

If the proposed amendment (SJR 122) is approved by 60 percent of voters in November 2024, homeowners with homestead exemptions will enjoy a reduced limit on rises in their homestead assessment. This will result in an indeterminate positive fiscal impact as homeowners take advantage of ad valorem tax savings.

C. **Government Sector Impact:**

If the proposed amendment (SJR 122) is approved by 60 percent of voters in November 2024, homeowners with homestead exemptions will enjoy a reduced limit on rises in their homestead assessment. This will result in an indeterminate negative fiscal impact on local governments as their ability to raise assessments on homestead property will be reduced.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 193.155 of the Florida Statutes.

**IX. Additional Information:**

- A. **Committee Substitute – Statement of Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Community Affairs on February 15, 2023:**  
The CS makes a technical change to insert the corresponding SJR number.

- 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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