

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 717 Property Tax Exemptions
SPONSOR(S): Ways & Means Committee, Amesty and others
TIED BILLS: IDEN./SIM. **BILLS:** SB 672

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			
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.

Section 196.081, Florida Statutes provides homestead exemptions for veterans with a service-connected total and permanent disability and their surviving spouse, surviving spouses of veterans who died from service-connected causes while on active duty, and surviving spouses of first responders who died in the line of duty. These exemptions are a complete exemption from ad valorem taxation on the homestead property.

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. A qualifying veteran 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 statute provides that they may then 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.

The bill clarifies that veterans, first responders, and surviving spouses receiving homestead exemptions related to disability or death sustained in the line of duty who purchase a new homestead property are entitled to retain the amount of the exemption. The bill also similarly clarifies that, upon establishing a new homestead, a person who applies for and receives such an exemption is entitled to receive a refund for the taxes paid on the homestead property in the year of acquisition.

The bill does not substantively change the procedure for applying for or being granted such an exemption or refund.

The bill takes effect July 1, 2023.

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.¹ 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.² The Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes,³ and provides for specified assessment limitations, property classifications, and exemptions.⁴ 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.⁵

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).⁶ 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.⁷ The property appraiser also ensures that all real property is listed on the real property assessment roll.⁸

Homestead Exemptions

The Florida Constitution establishes homestead protections for certain residential real estate in the state in three distinct ways. First, it provides homesteads, property owned and maintained as a person's primary residence, with an exemption from taxes.⁹ Second, the homestead provisions protect the homestead from forced sale by creditors.¹⁰ Third, the homestead provisions delineate the restrictions a homestead owner faces when attempting to alienate or devise the homestead property.¹¹

Every person having legal or equitable title to real estate and who maintains a permanent residence on the real estate is eligible for a \$25,000 tax exemption applicable to all ad valorem tax levies, including levies by school districts.¹² 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.¹³

¹ Art. VII, ss. 1(a), 9(a), Fla. Const.

² Section 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.

³ Art. VII, s. 4, Fla. Const.

⁴ Art. VII, ss. 3, 4, and 6, Fla. Const.

⁵ Section 196.031, F.S.

⁶ Section 193.023(1), F.S.

⁷ 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).

⁸ Section 193.085(1), F.S.

⁹ Art. VII, s. 6, Fla. Const.

¹⁰ Art. X, s. 4, Fla. Const.

¹¹ *Id.* at (c).

¹² Art. VII, s. 6(a), Fla. Const.; s. 196.031, F.S.

¹³ Art. VII, s. 6(a), Fla. Const.; s. 196.031(1)(b), F.S.

Annual Application

Each person or organization meeting the criteria for an ad valorem tax exemption may claim the exemption if the claimant held legal title to the real or personal property subject to the exemption on January 1.¹⁴ The application for exemption must be filed with the property appraiser on or before March 1, and failure to make an application constitutes a waiver of the exemption for that year.¹⁵ The application must list and describe the property for which the exemption is being claimed and certify the ownership and use of the property.¹⁶ The claimant must reapply for the exemption on an annual basis unless the property appraiser (subject to approval by a vote of the governing body of the county) has waived the annual application requirement for a property after an initial application is made and the exemption granted.¹⁷

Property Tax Exemptions for Veterans, First Responders, and Surviving Spouses

The Florida Constitution provides several property tax exemptions for disabled veterans and first responders and their surviving spouses.¹⁸ These include exemptions for the following persons:

- A veteran or first responder¹⁹ with a total and permanent service-connected disability is entitled to a complete exemption for property owned and used as a homestead.²⁰
- 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.²¹ Upon the veteran's death, the exemption carries over to the veteran's unremarried surviving spouse.²²
- 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.²³
- 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.²⁴

Carry-Over of Exemptions to New Residences by Surviving Spouses

An exemption granted to a surviving spouse of a totally and permanently disabled or deceased veteran or first responder continues so long as the surviving spouse holds title to the homestead property, permanently resides thereon, and does not remarry.²⁵ The amount exempted may be carried forward to a new homestead if the first property is sold, the newly acquired property is established as a homestead, and the surviving spouse does not remarry.²⁶ Additionally, a veteran or surviving spouse who acquires new homestead property between January 1 and November 1 may receive a refund, prorated as of the date of transfer, of the ad valorem taxes paid in the year of acquisition if they apply for and receive an exemption under 198.081, F.S., in the following tax year.²⁷

Effect of Proposed Changes

¹⁴ Section 196.011(1)(a), F.S.

¹⁵ Section 196.011(1), F.S. But see s. 196.011(7) and (8), F.S., for conditions when the exemption may be granted if an application is filed after March 1.

¹⁶ Section 196.011(1)(a), F.S.

¹⁷ Section 196.011(5) and (9)(a), F.S.

¹⁸ Art VII, s. 6(f), Fla. Const.

¹⁹ "First responder" in this context means a law enforcement officer or correctional officer as defined in s. 943.10, F.S., a firefighter as defined in s. 633.102, F.S., or an emergency medical technician or paramedic as defined in s. 401.23, F.S., who is a full-time paid employee, part-time paid employee, or unpaid volunteer. Section 196.081(6)(c)1., F.S.

²⁰ Art. VII, s. 3(b), Fla. Const.; ss. 196.081 and 196.102, F.S.

²¹ Art. VII, s. 3(b), Fla. Const.; s. 196.091(1), F.S.

²² Section 196.091(3), F.S.

²³ Section 196.24, F.S. This statutory provision was created by ch. 69-55, L.O.F. However, it was preceded by s. 192.11, F.S., as authorized by Art. IX, s. 9 of the State Constitution (1885). That provision in the constitution provided that: "There shall be exempt from taxation property to the value of five hundred dollars to every widow and to every person who is a bona fide resident of the State and has lost a limb or been disabled in war or by misfortune."

²⁴ Section 196.081(4) and (6) F.S.

²⁵ Section 196.081(3), (4)(b), and (6)(b), F.S.

²⁶ *Id.*

²⁷ Section 198.081(1)(b).

The bill amends s. 196.081, F.S., to clarify throughout that veterans, first responders, and surviving spouses receiving homestead exemptions related to total and permanent disability or death sustained in the line of duty who purchase a new homestead property are entitled to retain the amount of the exemption.

The bill also similarly clarifies that upon establishing a new homestead a person who applies for and receives such an exemption is entitled to receive a refund for the taxes paid on the homestead property in the year of acquisition.

In order to retain an exemption or receive a refund under these provisions, the property owner must still notify the property appraiser and apply for the exemption. The bill does not substantively change the procedure for applying for or being granted such an exemption.

B. SECTION DIRECTORY:

Section 1: Clarifies that veterans, first responders, and surviving spouses receiving homestead exemptions related to total and permanent disability or death sustained in the line of duty who purchase a new homestead property are entitled to retain the amount of the exemption. Similarly clarifies that, upon establishing a new homestead, a person who applies for and receives such an exemption is entitled to receive a refund for the taxes paid on the homestead property in the year of acquisition.

Section 2: Provides an effective date of July 1, 2023.

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 estimated the potential revenue impacts of the bill. Staff estimates that the bill has no impact on local government revenues.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

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 several 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.