

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1371 Property Tax Exemptions

SPONSOR(S): Ways & Means Committee, Chamberlin

TIED BILLS: HJR 1369 **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Ways & Means Committee	15 Y, 6 N, As CS	Rexford	Aldridge

SUMMARY ANALYSIS

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. The ad valorem tax is an annual tax levied by counties, municipalities, school districts, and some special districts based on the value of real and tangible personal property as of January 1 of each year.

Florida levies a six percent sales and use tax on the sale or rental of most tangible personal property, admissions, transient rentals, and a limited number of services. Statute prescribes for the levy and collection of Florida’s sales and use tax and provides the exemptions and credits applicable to certain items or uses under specified circumstances. Counties are authorized to impose local discretionary sales surtaxes in addition to the state sales tax.

The Office of Policy Analysis and Government Accountability (OPPAGA) conducts research, evaluations, and policy reviews of government programs for the Florida Legislature. It also provides research and technical assistance to legislators and legislative committees.

The bill requires OPPAGA to study the potential impact of eliminating all property tax and replacing the lost revenue with a consumption tax. OPPAGA must submit a report on its findings to the President of the Senate and the Speaker of the House of Representatives by February 1, 2025.

The bill is effective upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Property Taxes in Florida

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 The ad valorem tax is an annual tax levied by counties, municipalities, 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 it 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 property, an assessed value is produced. The assessed value is then reduced by any exemptions to produce the taxable value.⁵

Florida Sales and Use Tax

Florida levies a six percent sales and use tax on the sale or rental of most tangible personal property,⁶ admissions,⁷ transient rentals,⁸ and a limited number of services. Chapter 212, F.S., authorizes the levy and collection of Florida's sales and use tax and provides the exemptions and credits applicable to certain items or uses under specified circumstances. Sales tax is added to the price of the taxable good or service and collected from the purchaser at the time of sale.⁹

Counties are authorized to impose local discretionary sales surtaxes in addition to the state sales tax.¹⁰ A surtax applies to "all transactions occurring in the county which transactions are subject to the state tax imposed on sales, use, services, rentals, admissions, and other transactions by [ch. 212, F.S.], and communications services as defined in ch. 202."¹¹ The discretionary sales surtax is based on the tax rate imposed by the county where the taxable goods or services are sold or delivered. Discretionary sales surtax rates currently being levied vary by county in a range of 0.5 to 2 percent.¹²

OPPAGA

The Office of Policy Analysis and Government Accountability (OPPAGA) conducts research, evaluations, and policy reviews of government programs for the Florida Legislature. It also provides research and technical assistance to legislators and legislative committees. OPPAGA was created by the Legislature in 1994 to help improve the performance and accountability of state government.¹³

¹ Art. VII, s. 1(a), Fla. Const.

² 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), Fla. Const., 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 S. 196.031, F.S.

⁶ S. 212.05(1)(a)1.a., F.S.

⁷ S. 212.04(1)(b), F.S.

⁸ S. 212.03(1)(a), F.S.

⁹ S. 212.07(2), F.S.

¹⁰ S. 212.055, F.S.

¹¹ Section 212.054(2)(a), F.S.

¹² Office of Economic and Demographic Research, The Florida Legislature, *Florida Tax Handbook*, 2023 Local Discretionary Sales Surtax Rates in Florida's Counties, 235-236, available at <http://edr.state.fl.us/Content/revenues/reports/tax-handbook/taxhandbook2023.pdf> (last visited Jan. 24, 2024).

¹³ *About OPPAGA*, oppaga.fl.gov/About (last visited Jan. 24, 2024).

Effect of Proposed Changes

The bill requires OPPAGA to study the potential impact of eliminating all property tax and replacing the lost revenue with a consumption tax. OPPAGA must submit a report on its findings to the President of the Senate and the Speaker of the House of Representatives by February 1, 2025.

B. SECTION DIRECTORY:

Section 1: Requires the Office of Policy Analysis and Government Accountability (OPPAGA) to study the potential impact of eliminating all property tax and replacing the lost revenue with a consumption tax.

Section 2: Provides an effective date.

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:

None.

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 affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 31, 2024, the Ways & Means Committee considered a Proposed Committee Substitute (PCS) and an amendment and reported the bill favorably as a committee substitute. The PCS:

- Removed provisions related to exemptions for real property that would implement the constitutional amendment proposed by HJR 1369.
- Revised the date that a report is due, from July 1, 2025, to February 1, 2025.
- Revised the effective date of the bill to upon becoming law.

This analysis is drafted to the committee substitute as approved by the Ways & Means Committee.