

**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: SB 978

INTRODUCER: Senator Perry

SUBJECT: Reduction of Assessed Value

DATE: January 19, 2024

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Hackett</u>	<u>Ryon</u>	<u>CA</u>	<b>Favorable</b>
2.	_____	_____	<u>FT</u>	_____
3.	_____	_____	<u>AP</u>	_____

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**I. Summary:**

SB 978 is linked to SJR 976, which proposes an amendment to the Florida Constitution to permit a county to provide ad valorem tax relief to portions of homestead property utilized for the purpose of providing living quarters for parents or grandparents. Currently the Florida Constitution permits this relief only where a property has been improved in order to provide such housing.

The bill amends the associated statutory provision to make conforming changes, providing that a county may provide for a reduction in the assessed value of homestead property for the portions of property used to provide living quarters for parents and grandparents.

The bill will take effect on the effective date of the constitutional amendment proposed by SJR 976 or a similar joint resolution having substantially the same intent and purpose. If approved by the electors in the next general election in November 2024, the proposed amendment 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>

## **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>6</sup> An additional \$25,000 exemption applies to homestead property value between \$50,000 and \$75,000.<sup>7</sup> This exemption does not apply to ad valorem taxes levied by school districts.

### ***Additional Homestead Exemption for Living Quarters for Parents and Grandparents***

Counties may provide a reduction in assessed value for living quarters constructed on homestead property for the purpose of providing living quarters for the property owner’s or property owner’s spouse’s parents or grandparents over 62 years of age, commonly referred to as “granny flats.”<sup>8</sup> This exemption requires new improvements to a home intended to house parents or grandparents; the use of existing living quarters on a property for such purposes will not trigger the exemption. The assessed value of the property may be reduced by the value resulting from the construction of the granny flat.<sup>9</sup>

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

<sup>7</sup> Section 196.031(1)(b), F.S.

<sup>8</sup> FLA. CONST. art. VII, s. 4(f) and s. 193.703, F.S.

<sup>9</sup> Section 193.703(1), F.S.

**III. Effect of Proposed Changes:**

The bill amends s. 193.703, F.S., to change administration of the additional homestead exemption for living quarters for parents and grandparents which conform with the constitutional amendment proposed by SJR 976. The bill provides that a county may provide for a reduction in the assessed value of homestead property for the portions of property used to provide living quarters for parents and grandparents. The reduction in assessment must apply to a separate, distinct living area, including a second residential dwelling on the same property.

The bill will take effect on the effective date of the constitutional amendment proposed by SJR 976, 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 and this bill will take effect on January 1, 2025.

**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.

This bill regards exemptions which are implemented by counties at their own discretion. Therefore, the mandates provision likely does not apply.

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

None.

**C. Trust Funds Restrictions:**

None.

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

None.

**E. Other Constitutional Issues:**

None identified.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

The Revenue Estimating Conference has not reviewed this bill.

**B. Private Sector Impact:**

If the proposed amendment (SJR 976) is approved by 60 percent of voters in November 2024, and local governments implement the exemption, more homeowners utilizing property for housing parents and grandparents may be eligible for the tax exemption.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 193.703 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.)

None.

**B. Amendments:**

None.