

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.)

Prepared By: The Professional Staff of the Committee on Finance and Tax

BILL: CS/SB 1512

INTRODUCER: Finance and Tax Committee and Senator Avila

SUBJECT: Property Tax Exemption and Assessment Limitation on Long-term Leased Property

DATE: April 16, 2025

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Shuler</u>	<u>Fleming</u>	<u>CA</u>	Favorable
2.	<u>Gross</u>	<u>Khan</u>	<u>FT</u>	Fav/CS
3.	<u> </u>	<u> </u>	<u>RC</u>	<u> </u>

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1512 is linked to CS/SJR 1510, which proposes an amendment to the Florida Constitution to allow the Legislature to provide exemptions and assessment limitations to residential property owned by a person who owns a homestead; leased for 6 months or more; and would otherwise qualify as a homestead if the owner made it his or her permanent residence. The property may not be eligible for assessment under 193.1555, F.S.; and the property must be classified as a single family, mobile home, or condominium.

The bill specifies the requirements for the new exemption and the method of assessing qualifying properties under the new assessment limitation and includes conforming administrative requirements.

The Revenue Estimating Conference has not analyzed the bill.

The bill will take effect on the effective date of the constitutional amendment proposed by CS/SJR 1510 or a similar joint resolution having substantially the same intent and purpose. If approved by the electors in the next general election in November 2026, the proposed amendment and this bill will take effect on January 1, 2027.

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 a property as of January 1 of each year.¹ The property appraiser annually determines the “just value”² of property within the taxing authority and then applies relevant exclusions, assessment limitations, and exemptions to determine the property’s “taxable value.”³ The state constitution prohibits the state from levying ad valorem taxes⁴ and it limits the Legislature’s authority to provide for property valuations at less than just value, unless expressly authorized.⁵

Homestead Property Tax Exemptions

Every person having legal or equitable title to real estate and who maintains a permanent residence on the real estate is deemed to establish homestead property. Homestead property is eligible for a \$25,000 tax exemption applicable to all ad valorem tax levies, including levies by school districts.⁶ An additional exemption applies to homestead property value between \$50,000 and \$75,000. This exemption is adjusted annually for inflation from the 2024 value of \$25,000 and does not apply to ad valorem taxes levied by school districts.⁷

Section 196.012(17), F.S., defines permanent residence to mean the “place where a person has his or her true, fixed, and permanent home and principal establishment to which, whenever absent, he or she has the intention of returning. A person may have only one permanent residence at a time. . . .”

Save Our Homes Homestead Assessment Limitation and Portability

In 1992, Florida voters approved the Save Our Homes amendment to the Florida Constitution.⁸ The Save Our Homes assessment limitation limits the amount that a homestead property’s assessed value may increase annually to the lesser of 3 percent or the percentage increase in the

¹ 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.

² 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, e.g., Walter v. Schuler*, 176 So. 2d 81 (Fla. 1965); *Deltona Corp. v. Bailey*, 336 So. 2d 1163 (Fla. 1976); *S. Bell Tel. & Tel. Co. v. Dade Cnty.*, 275 So. 2d 4 (Fla. 1973).

³ *See* ss. 192.001(2) and (16), F.S.

⁴ FLA. CONST. art. VII, s. 1(a).

⁵ *See* FLA. CONST. art. VII, s. 4.

⁶ FLA. CONST. art. VII, s. 6(a).

⁷ *Id.* The percent change in the Consumer Price Index for All Urban Consumers, U.S. City Average, all items 1967=100 is used to adjust the exemption, if such percent change is positive. *Id.* For the 2025 tax year, the exemption amount is \$25,722. *See* Volusia County Property Appraiser, Homestead Exemption, <https://vcpa.vcgov.org/exemption/homestead> (last visited April 10, 2025).

⁸ FLA. CONST. art. VII, s. 4(d). The Florida Legislature implemented the Save Our Homes amendment in s. 193.155, F.S.

Consumer Price Index.⁹ The accumulated difference between the assessed value and the just value is the Save Our Homes benefit. The Save Our Homes assessment limitation is considered portable because a homestead property owner may transfer this benefit when moving from one homestead property to another.¹⁰

Rental of Homestead Property

Section 196.012(13), F.S., provides that “ ‘[r]eal estate used and owned as a homestead’ means real property to the extent provided in s. 6(a), Art. VII of the State Constitution, but less any portion thereof used for commercial purposes, with the title of such property being recorded in the official records of the county in which the property is located. Property rented for more than 6 months is presumed to be used for commercial purposes.”¹¹

Both the homestead property tax exemption and the Save Our Homes assessment limitation may be lost by a property owner that abandons homestead property. Failure to maintain a homestead property as a permanent residence may constitute abandonment under certain circumstances.¹² Section 196.061(1), F.S., describes when renting a homestead property constitutes abandonment:

“The rental of all or substantially all of a dwelling previously claimed to be a homestead for tax purposes shall constitute the abandonment of such dwelling as a homestead, and the abandonment continues until the dwelling is physically occupied by the owner. However, such abandonment of the homestead after January 1 of any year does not affect the homestead exemption for tax purposes for that particular year unless the property is rented for more than 30 days per calendar year for 2 consecutive years.”

Assessment of Nonhomestead Property

Sections 4(g) and (h), Art. VII, of the Florida Constitution were created in January 2008, when Florida electors voted to provide an assessment limitation for residential real property containing nine or fewer units, and for all real property not subject to other specified classes or uses, respectively. For all levies, with the exception of school levies, the assessed value of property in each of these two categories may not be increased annually by more than 10 percent of the assessment in the prior year.¹³

Classification of Property

All items required by law to be on the assessment rolls must receive a classification based upon the use of the property. The department shall promulgate uniform definitions for all classifications and may designate other subclassifications of property.¹⁴

⁹ FLA. CONST. art. VII, s. 4(d).

¹⁰ See FLA. CONST. art. VII, s. 4(d)(8); see also s. 193.155, F.S.

¹¹ See also Florida Administrative Code Rule 12D-7.013(5): “Property used as a residence and also used by the owner as a place of business does not lose its homestead character. The two uses should be separated with that portion used as a residence being granted the exemption and the remainder being taxed.”

¹² See ss. 196.031 and 193.155, F.S.

¹³ These constitutional provisions are implemented in ss. 193.1554 and 193.1555, F.S., respectively.

¹⁴ Section 195.073, F.S.

Real property must be classified according to the assessment basis of the land into the following classes:

- Residential, subclassified into categories, one category for homestead property and one for nonhomestead property:
 - Single family.
 - Mobile homes.
 - Multifamily, up to nine units.
 - Condominiums.
 - Cooperatives.
 - Retirement homes.
- Commercial and industrial, including apartments with more than nine units.
- Agricultural.
- Nonagricultural acreage.
- High-water recharge.
- Historic property used for commercial or certain nonprofit purposes.
- Exempt, wholly or partially.
- Centrally assessed.
- Leasehold interests.
- Time-share property.
- Land assessed under s. 193.501.
- Other.

III. Effect of Proposed Changes:

Section 1 creates s. 193.1553, F.S. to provide a new assessment limitation similar to Save Our Homes for additional residential properties subject to a lease of 6 months or more that are owned by homesteaders and that receive the new exemption similar to the homestead exemption. The method of assessing these properties is consistent with the current method for assessing homestead properties. Specifically, the section provides:

- The property is assessed each January 1 that the property is eligible, and the change in assessed value from the prior year's assessed value may not exceed 3 percent or the change in CPI.
- If the assessed value is higher than the just value, the assessed value must be lowered to the just value.
- After a change in ownership or abandonment of homestead on a property that becomes eligible for this assessment, the property is assessed again at just value the following January 1, then the 3 percent/CPI assessment limitation applies. Change of ownership is defined to mean any sale, foreclosure, or transfer of title, unless the exceptions to changes of ownership provided in the homestead assessment section (s. 193.155, F.S.) apply¹⁵.
- Changes, additions, and improvements are assessed at just value on the January 1 after they are substantially complete. Changes, additions, and improvements to property damaged by misfortune or calamity are included in the previous January 1 assessed value if the property after the change, addition, or improvement does not exceed 110 percent of the square footage

¹⁵ Section 193.155(3)(a) lists several situations that are excepted from the requirement to reassess the property anew after a change in ownership and include, for example, when title is transferred between husband and wife following divorce.

of the property before the change, or 1500 square feet. Portions exceeding those thresholds are assessed at just value. If the property after the change is less than 100 percent of the property before damage, the assessed value is reduced by the value of the destroyed or removed portion of property. Changes, additions, or improvements are subject to the 3 percent/CPI assessment limitation and must be started within 5 years after the damage to be included in the previous January 1 assessed value. Changes, additions, and improvements include those made to common areas or to other property that benefit the assessed property, and such changes must be assessed at just value and apportioned among parcels benefiting from them.

- When property is destroyed or removed and not replaced, the assessed value of the parcel must be reduced by the assessed value of the destroyed or removed property.
- Property assessed solely on the basis of character or use, including agricultural property, property subject to conservation easements, and historically significant property, may not be assessed under this section.
- If the property no longer meets the conditions necessary for this assessment, the property is instead assessed as either homestead property or nonhomestead residential property subject to the 10 percent assessment limitation beginning with the next assessment year.
 - Any change in assessment in the first year the property is assessed as nonhomestead residential property, the change must use the most recent year's assessed value as the basis for adjustment, and may not revert to just value, unless such property experiences a change of ownership or control.¹⁶
 - Any change in assessment in the first year the property is assessed as homestead property, the change must use the just value of the property, as adjusted for any transfer of value from another homestead property, if applicable.
- If the property meets the conditions for this assessment in any subsequent year, the assessment limitation (3% or CPI) must apply, and the application of the limitation must use the most recent year's assessed value as the basis for adjustment if the property was assessed in the most recent year as nonhomestead residential property.

If the property meets the conditions for this assessment in any subsequent year and the property was assessed as the homestead of the owner in the prior year, then the application of the limitation must use the just value of the property, rather than the prior year's assessment, for the first year's assessment limitation. A property that was abandoned as a homestead is only eligible under this assessment if the property appraiser in the county in which the abandoned homestead property is located provides the certification to the property appraiser in the county in which the new homestead is located, stating that the property has been or will be reassessed at just value.

Section 2 makes a conforming change to s. 196.011, F.S., to require applicants for the new exemption under the bill to apply by March 1, just as other exemption applicants must. The application must list the address where the homesteader currently receives his or her homestead exemption and a copy of the lease for the property for which the homesteader is seeking the new exemption.

Section 3 creates s. 196.034, F.S., to provide for an exemption similar to the homestead exemption for other residential property subject to a lease of 6 months or more that is owned by a person who also owns homestead property. Specifically, the bill:

¹⁶ See s. 193.1554, F.S., for what constitutes as a change of ownership or control for purposes of this provision.

- Provides that eligible properties are entitled to an exemption from taxation up to the assessed value of \$25,000 if the property owner currently receives the homestead exemption on a separate parcel that is also the property owner's permanent residence; the property for which the owner seeks the new exemption must be, as of January 1, subject to a written lease of 6 months or more and rented to be used as a residence; the property would otherwise qualify for a homestead exemption if the property were the owner's primary residence; the property is not eligible for assessment under 193.1555, F.S.; and the property is classified as a single family, mobile home, or condominium.
- Such properties are entitled to an additional \$25,000 exemption on the assessed value greater than \$50,000 for levies other than school levies.
- Properties that do not meet the requirements for a given year may not receive the exemptions for that year but may receive the exemptions in subsequent years if the requirements are met.
- Property that is uninhabitable because of damage or destruction by misfortune or calamity may continue to receive the exemptions if the property otherwise qualifies and the owner notifies the property appraiser of his or her intent to repair or rebuild. Such repairs or rebuilding must begin within 5 years after the damage or destruction, or the property is considered abandoned and no longer qualifies. After 5 years, an expired, lapsed, nonrenewed, or revoked permit for such repairs or rebuilding also constitutes abandonment.

Section 4 amends s. 193.1554, F.S., to make a conforming change and clarify that property assessed pursuant to the new assessment limitation would not be considered nonhomestead property and would not be assessed as such.

Section 5 amends s. 194.032, F.S., to make a conforming change and provide that a value adjustment board may hear appeals regarding a determination of whether a change of ownership or control has occurred under the new assessment limitation requirements.

Section 6 provides that SB 1512 takes effect on the same date as SJR 1510 or a similar joint resolution, if approved by voters.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, s. 18(b) of the State 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. The mandate requirement does not apply to laws having an insignificant impact,¹⁷ which for Fiscal Year 2025-2026 is forecast at approximately \$2.4 million.

¹⁷ FLA. CONST. art. VII, s. 18(d). An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year multiplied by \$0.10. *See* Fla. S. Comm. on Cmty. Affairs, *Interim Report 2012-115: Insignificant Impact*, (Sept. 2011), available at <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited April 10, 2025).

The Revenue Estimating Conference has not analyzed the bill to determine if the revenue reduction would result in an amount greater than the insignificant threshold.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

Article VII, s. 19 of the Florida Constitution requires that legislation that increases or creates taxes or fees be passed by a 2/3 vote of each chamber in a bill with no other subject. The bill does not increase or create new taxes or fees. Thus, the constitutional requirements related to new or increased taxes or fees do not apply.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference has not analyzed the bill.

B. Private Sector Impact:

If the linked proposed constitutional amendment (CS/SJR 1510) is approved by 60 percent of voters in November 2026, additional properties will be eligible for exemptions equivalent to homestead exemptions and the Save Our Homes limitation, where applicable. This will result in a positive fiscal impact as property owners take advantage of ad valorem tax savings.

C. Government Sector Impact:

If the linked proposed constitutional amendment (CS/SJR 1510) is approved by 60 percent of voters in November 2026, additional properties will be eligible for exemptions equivalent to homestead exemptions and the Save Our Homes limitation, where applicable. This will result in a negative fiscal impact on local governments as assessments on leased properties owned by homesteaders will be reduced.

VI. Technical Deficiencies:

Unlike s. 196.031, F.S., which implements the homestead exemption, the newly created s. 196.034, F.S. does not provide for various ownership structures. This may lead to confusion for

assessment of properties where the owner of the homestead holds fractional ownership in leased properties that would otherwise fit the requirements of s. 196.034, F.S.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 193.1554, 194.032, 196.011

This bill creates the following sections of the Florida Statutes: 193.1553, 196.034

IX. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Finance and Tax on April 15, 2025:

- Requires property assessed under this new assessment option to be assessed at just value as of January 1 of the year following abandonment of homestead on the property.
- Removes the statutory reference which is used to assess commercial and industrial property.
- Adds additional criteria to determine if property is eligible for the exemption provided in the bill: the property must also qualify for a homestead exemption if the property were the owner's primary residence; is not eligible for assessment under 193.1555, F.S.; and is classified as a single family, mobile home, or condominium.
- Makes other technical changes.

B. Amendments:

None.