

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** PCB WMC 17-04 Homestead Exemption

**SPONSOR(S):** Ways & Means Committee

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

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Ways & Means Committee	13 Y, 6 N	Dobson	Langston

### 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. Ad valorem assessments are used to calculate property 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.

This joint resolution proposes an amendment to the Florida Constitution to increase by up to \$25,000 the current homestead exemption from non-school property taxes by exempting the assessed value between \$75,000 and up to \$100,000.

Subject to approval by 60 percent of voters during the 2018 general election or earlier special election, the amendment proposed in the joint resolution will take effect on January 1, 2019. The joint resolution is not subject to the governor's veto powers.

The Revenue Estimating Conference has determined that if the constitutional amendment is approved by the voters, non-school property tax revenues could be reduced by -\$752.7 million annually, assuming current tax rates. Revenue impacts would not begin until fiscal year 2019-20.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES

##### Present Situation

###### Calculating Ad Valorem Taxes

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.<sup>1</sup> Ad valorem taxes are annual taxes levied by counties, cities, school districts and certain special districts. These taxes are based on the “just” or fair market value of real and tangible property as determined by county property appraisers on January 1 of each year.<sup>2</sup> Fair market value is then adjusted by any applicable exceptions to the just value requirement such as the annual “save our homes” limitation on homestead property assessment increases.<sup>3</sup> The value arrived at after accounting for just value exceptions is known as the assessed value. Property Appraisers then calculate taxable value by reducing the assessed value in accordance with any applicable exemption(s), such as the exemptions for homestead property.<sup>4</sup> Each year, local governing boards levy millage rates (i.e. tax rates) on taxable value to generate the property tax revenue contemplated in their annual budgets.

###### Homestead Exemptions

The homestead exemption is specified in Article VII, Section 6 of the Florida Constitution, which provides that every person who holds legal or equitable title to real estate and uses said real estate as a permanent residence for themselves or a legal or natural dependent is entitled to exemption from taxes on the first \$25,000 in assessed value.<sup>5</sup> In 2008, Florida voters amended this provision to include an additional \$25,000 exemption from all taxes other than school district taxes on assessed value greater than \$50,000.<sup>6</sup> The constitution also vests the legislature with authority to enact general law establishing the manner in which individuals qualify for exemption. Accordingly, s. 196.031(1)(b), F.S. automatically grants the additional, non-school homestead exemption to every individual who qualifies for the initial homestead exemption on the first \$25,000 in assessed value.

##### Effect of Proposed Changes

This joint resolution proposes to amend Article VII, Section 6(a) of the Florida Constitution to increase by up to \$25,000 the current homestead exemption from non-school property taxes by exempting the assessed value between \$75,000 and up to \$100,000. Approving the joint resolution will place the amendment on the ballot during either the 2018 general election or an earlier special election held for the purpose of proposing this amendment to the voters.<sup>7</sup> Pending voter approval, the amendment will take effect on January 1, 2019.

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<sup>1</sup> Fla. Const. art. VII, s. 1(a).

<sup>2</sup> See Fla. Const. art. VII, s. 4.

<sup>3</sup> See s. 193.155(3), F.S.

<sup>4</sup> See generally, s. 196.031, F.S.

<sup>5</sup> Fla. Const. art. VII s. 6.

<sup>6</sup> *Id.*

<sup>7</sup> Note: Pursuant to article XI, Section 5 of the Florida Constitution, placing the joint resolution on a special election ballot would require the legislature to pass a general law by 3/4ths vote of each house.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

None.

#### 2. Expenditures:

Article XI, Section 5(d) of the Florida Constitution requires proposed amendments or constitutional revisions to be published in a newspaper of general circulation in each county where a newspaper is published. The amendment or revision must be published once in the 10<sup>th</sup> week and again in the sixth week immediately preceding the week the election is held. The division of Elections within the Department of State has not estimated the publication costs for advertising the joint resolution.

However, based on 2016 advertising costs, staff estimates full publication costs for advertising the proposed constitutional amendment to be approximately \$133,783.28. This would be paid from non-recurring General Revenue Funds.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

#### 1. Revenues:

The Revenue Estimating Conference determined that because the constitutional amendment must first be approved by the voters, the joint resolution will have either a zero or negative indeterminate impact. However, the conference has determined that if the constitutional amendment is approved by the voters, non-school property tax revenues could be reduced by -\$752.7 million annually, assuming current tax rates.

#### 2. Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If the amendment is adopted, staff estimates that beginning in fiscal year 2019-20, homestead property owners will realize lower property taxes than would otherwise occur.

### D. FISCAL COMMENTS:

None.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

#### 1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

#### **IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**