

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB WMC 24-03 Exemption of Homesteads

SPONSOR(S): Ways & Means Committee

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

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Ways & Means Committee		Rexford	Aldridge

SUMMARY ANALYSIS

The Florida Constitution requires all property to be assessed at just value (fair 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 assessed value between \$50,000 and \$75,000, which is exempt from all taxes other than school district taxes.

This bill implements amendments to Article VII, Section 6 of the Florida Constitution proposed in both PCB WMC 24-01¹ and PCB WMC 24-02² by making conforming statutory changes. The proposed constitutional amendments are interrelated if they are both approved by voters; however, each constitutional amendment can be implemented on its own if it is approved without the approval of the other constitutional amendment.

This implementing bill contemplates three scenarios:

1. If only PCB WMC 24-01 is approved by voters, the exemption on the assessed valuation greater than \$50,000 for all levies other than school district levies will be increased by an additional \$25,000 effective January 1, 2025.
2. If only PCB WMC 24-02 is approved by voters, the current exemption on the assessed value for all levies other than school district levies will be adjusted annually for inflation beginning on January 1, 2025.
3. If both PCB WMC 24-01 and PCB WMC 24-02 are approved by the voters, the exemption on the assessed valuation greater than \$50,000 for all levies other than school district levies will be increased by \$25,000 effective January 1, 2025. In addition, the exemption on the assessed value amount above \$50,000 up to \$100,000 will be adjusted annually for inflation beginning on January 1, 2025.

The Revenue Estimating Conference has not estimated the potential revenue impacts of the bill. Staff estimates that the impact on state and local government revenues is zero as both of the constitutional amendments implemented by the bill are self-executing. Therefore, revenue impacts would result from approval of those constitutional amendments, not the implementing legislation.

This bill takes effect on July 1, 2024; however, the provisions of the bill are effective only upon which of the three scenarios identified above occurs, and the effective date of the applicable provision is tied to the effective date of the amendments proposed by PCB WMC 24-01 and PCB WMC 24-02, which is January 1, 2025.

¹ PCB WMC 24-01 is referred to as "HJR ____ (90020)" for drafting clarity in the text of PCB WMC 24-03.

² PCB WMC 24-02 is referred to as "HJR ____ (90021)" for drafting clarity in the text of PCB WMC 24-03.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives .

STORAGE NAME: pcb03.WMC

DATE: 1/5/2024

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

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.³ Ad valorem taxes are annual taxes levied by counties, cities, school districts and certain special districts. These taxes are based on the just value (fair market value) of real and tangible property as determined by county property appraisers on January 1 of each year.⁴ The just value may be subject to limitations, such as the “Save Our Homes” limitation on homestead property assessment increases.⁵ The value arrived at after accounting for applicable limitations is known as the assessed value. Property Appraisers then calculate taxable value by reducing the assessed value in accordance with any applicable exemptions, such as the exemptions for homestead property.⁶ 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

Certain homestead exemptions are 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.⁷ 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 \$50,000.⁸ 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 on assessed value greater than \$50,000 to every individual who qualifies for the initial homestead exemption on the first \$25,000 of assessed value.

Effect of Proposed Changes

This bill implements amendments to Article VII, Section 6 of the Florida Constitution proposed in both PCB WMC 24-01 and PCB WMC 24-02 by making conforming statutory changes. The HJRs are interrelated if they are both approved by voters; however, each HJR can be implemented on its own if it is approved without the approval of the other HJR.

This implementing bill contemplates three scenarios, provided in the first three sections of the bill in the following order:

1. PCB WMC 24-01 is approved, but PCB WMC 24-02 is not approved

If only PCB WMC 24-01 is approved by voters, this bill amends section 196.031, F.S. to give an additional \$25,000 exemption on the assessed valuation greater than \$50,000 for all levies other than school district levies beginning in 2025. Overall, \$50,000 up to \$100,000 of assessed value will be exempt from all taxes except school district taxes.

2. PCB WMC 24-02 is approved, but PCB WMC 24-01 is not approved

³ Art. VII, s. 1(a), Fla. Const.

⁴ Art. VII, s. 4., Fla. Const.

⁵ See generally s. 193.155, F.S.

⁶ S. 196.031, F.S.

⁷ Art. VII s. 6., Fla. Const.

⁸ *Id.*

If only PCB WMC 24-02 is approved by voters, this bill amends section 196.031, F.S., to add an annual inflation adjustment to the current exemption on assessed value for all levies other than school district levies of \$50,000 up to \$75,000. The inflation adjustment would begin on January 1, 2025.

3. Both PCB WMC 24-01 and PCB WMC 24-02 are approved

If both PCB WMC 24-01 and PCB WMC 24-02 are approved, this bill amends section 196.031, F.S., to increase the exemption on the assessed valuation greater than \$50,000 for all levies other than school district levies by \$25,000, making the exemption apply to the assessed value above \$50,000 up to \$100,000 beginning in 2025. In addition, the exemption on this new assessed value amount above \$50,000 up to \$100,000 will be adjusted annually for inflation beginning on January 1, 2025.

B. SECTION DIRECTORY:

Section 1: Amends s. 196.031, F.S., increasing the exemption on the assessed valuation greater than \$50,000 for all levies other than school district levies by \$25,000.

Section 2: Amends s. 196.031, F.S., requiring an annual inflation adjustment on the assessed valuation greater than \$50,000 for all levies other than school district levies.

Section 3: Amends s. 196.031, F.S., increasing the exemption on the assessed valuation greater than \$50,000 for all levies other than school district levies by \$25,000 and requiring an annual inflation adjustment on the assessed valuation greater than \$50,000.

Section 4: Provides an effective date for the bill.

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 impact on state and local government revenues is zero as both of the constitutional amendments implemented by the bill are self-executing. Therefore, revenue impacts would result from approval of those constitutional amendments, not the implementing legislation.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None. The economic impact on the private sector would result from approval by the voters of the constitutional amendments proposed by PCB WMC 24-01 and/or PCB WMC 24-02, not the implementing legislation.

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