

HOUSE OF REPRESENTATIVES STAFF FINAL BILL ANALYSIS

BILL #: HJR 369 Limitation on Homestead Assessments

SPONSOR(S): Roth and others

TIED BILLS: HB 371, HB 671 **IDEN./SIM. BILLS:** SJR 146

FINAL HOUSE FLOOR ACTION: 118 Y's 0 N's **GOVERNOR'S ACTION:** N/A

SUMMARY ANALYSIS

HJR 369 passed the House on March 9, 2020, and subsequently passed the Senate on March 11, 2020.

Local governments impose and collect ad valorem taxes on real and tangible personal property within Florida. All property in Florida is subject to taxation and must be assessed at just value unless an exemption or exception is authorized by the Florida Constitution. Under the homestead exemption, persons with legal and equitable title in real property on which they or their dependent permanently reside may have a portion of the just value of their property exempted from taxation.

A homestead property must be assessed at just value, which may only be increased by up to 3 percent every year pursuant to the Save Our Homes (SOH) assessment limitation. The accumulated difference between the just value and the assessed value is the SOH benefit. Homestead property owners may transfer the SOH benefit to a new homestead if the new homestead is established by January 1 of the second year subsequent to abandonment of their old homestead.

The joint resolution proposes an amendment to the Florida Constitution extending the period to transfer the SOH assessment limitation from a prior homestead to a new homestead by an additional year. As such, the SOH benefit can be transferred to a new homestead if the new homestead is established by January 1 of the third year subsequent to abandonment of the old homestead.

The joint resolution, if passed by the Legislature, would be considered by the electorate at the next general election on November 3, 2020. If adopted at the 2020 general election, the resolution would take effect January 1, 2021.

The Revenue Estimating Conference (REC) determined the joint resolution had a zero/negative indeterminate impact because of the need for voter approval. If the constitutional amendment does not pass, the impact is zero. However, if approved, REC estimates the joint resolution would reduce local property taxes by \$1.8 million, beginning in fiscal year 2021-2022, eventually growing to an annual reduction of \$10.2 million.

The Constitution requires 60 percent voter approval for passage of a proposed constitutional amendment.

The joint resolution is not subject to the Governor's veto powers.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Present Situation

Property Taxes in Florida

The Florida Constitution reserves ad valorem taxation on real and tangible personal property to local governments and prohibits the state from levying ad valorem taxes on such property.¹ The ad valorem tax is an annual tax levied by counties, cities, 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 purposes³ and 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

Property Tax Exemptions

Unless expressly exempted from taxation, all real and personal property and leasehold interests in the state are subject to taxation.⁶ The Legislature is without authority to grant an exemption from taxes without a constitutional basis⁷ and any modifications to existing ad valorem tax exemptions must be consistent with the constitutional provision authorizing the exemption.⁸ Article VII, sections 3 and 6 of the Florida Constitution, authorize specific tax exemptions, including the Homestead exemption.

Homestead Exemption

Article VII, section 6 of the Florida Constitution provides that every person who owns real estate with legal and equitable title and maintains their permanent residence, or the permanent residence of their dependent, upon such real estate, is eligible for a \$25,000 homestead tax exemption. This exemption reduces the taxable value of the property used to calculate all ad valorem tax levies, including school district levies. An additional \$25,000 homestead exemption applies to homesteads that have an assessed value greater than \$50,000 and up to \$75,000, excluding school district levies.⁹ Certain classes of Florida residents may receive additional homestead exemptions, including certain disabled veterans who are 65 years or older,¹⁰ surviving spouses of veterans who died in active duty,¹¹ and first responders suffering total or permanent disability from injuries sustained while on duty.¹²

¹ Art. VII, s. 1(a), Fla. Const.

² Section 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. Section 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 article VII, section 1(b) of the Florida Constitution 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. 196.001, F.S.; *see also Sebring Airport Authority v. McIntyre*, 642 So. 2d 1072, 1073 (Fla. 1994), noting exemptions are strictly construed against the party claiming them.

⁷ *Archer v. Marshall*, 355 So. 2d 781, 784 (Fla. 1978).

⁸ *Sebring Airport Auth. v. McIntyre*, 783 So. 2d 238, 248 (Fla. 2001); *Archer v. Marshall*, 355 So. 2d 781, 784. (Fla. 1978); *Am Fi Inv. Corp v. Kinney*, 360 So. 2d 415 (Fla. 1978); *See also Sparkman v. State*, 58 So. 2d 431, 432 (Fla. 1952).

⁹ Art. VII, s. 6(a), Fla. Const. and s. 196.031, F.S.

¹⁰ Art. VII, s. 6(e), Fla. Const. and s. 196.082, F.S.

¹¹ Art. VII, s. 6(f)(1), Fla. Const. and s. 196.081(4), F.S.

¹² Art VII, s. 6(f)(3), Fla. Const. and s. 196.102(2), F.S.

*Save Our Homes Assessment Limitation and Portability*¹³

A property receiving a homestead exemption must be assessed at just value as of January 1 of the year the property receives the exemption, unless there is a change of ownership, and cannot be assessed at more than just value.¹⁴ The Florida Constitution limits the amount of change in the assessed value of a homestead property as of each January 1 to the lesser of 3 percent or the percentage change in the Consumer Price Index (CPI).¹⁵ This cap on the change in the assessed value is called the Save Our Homes (SOH) assessment limitation and the accumulated difference between the assessed value and the just value is the SOH benefit.¹⁶

If there is a change in ownership¹⁷ and a new homestead is established, the property must be assessed at just value as of January 1 of the year following the change unless the new owner transfers a SOH benefit from a previous homestead to the new homestead.¹⁸ The ability to transfer the SOH benefit is known as portability. A homestead property owner may transfer up to \$500,000 of the SOH benefit to the new homestead if the owner received a homestead exemption as of January 1 in either of the immediately preceding two years.¹⁹ Beginning January 1, 2017, an owner of homestead property that was significantly damaged or destroyed as the result of a hurricane or tropical storm may elect to abandon his or her homestead as of the date of the storm, even if a homestead exemption was received in the following year, and transfer the SOH benefit to a new homestead within two years of the storm.²⁰

Effect of Proposed Changes

The joint resolution proposes an amendment to Article VII, section 4(d) of the Florida Constitution, to extend the period for a homestead property owner to transfer a prior SOH benefit to a new homestead from two years to three years. If approved by the voters, a homeowner who establishes a new homestead as of January 1 would be able to have the new homestead assessed at less than just value if the homeowner received a prior homestead exemption as of January 1 of any of the immediately preceding three years.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

¹³ In 1992 and 2008, Florida voters approved amendments to the Florida Constitution known as the Save Our Homes amendments which limited the increase in assessed value of homestead property and allowed the accrued benefit to be transferred to a new homestead property within a two-year timeframe. See art. VII, s. 4(d), Fla. Const.

¹⁴ Art. VII, s. 4(d)(2), Fla. Const. and s. 193.155, F.S.

¹⁵ Art. VII, s. 4(d)(1), Fla. Const. and s. 193.155, F.S.

¹⁶ See Department of Revenue, Save Our Homes Assessment Limitation and Portability Transfer Brochure, <http://floridarevenue.com/property/Documents/pt112.pdf> (last visited Feb. 12, 2020).

¹⁷ A change of ownership is any sale, foreclosure, or transfer of legal title or beneficial title in equity to any person. See s. 193.155(3), F.S.

¹⁸ Art. VII, s. 4(d)(3), Fla. Const.

¹⁹ Art. VII, s. 4(d)(8), Fla. Const.; s. 193.155(8), F.S. The two-year timeframe is calculated from the time the old homestead exemption is abandoned and not the sale of the old homestead. See Department of Revenue, Save Our Homes Assessment Limitation and Portability Transfer Brochure, <http://floridarevenue.com/property/Documents/pt112.pdf> (last visited Feb. 12, 2020).

²⁰ S. 193.155(8)(m), F.S.

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 10th week and again in the sixth week immediately preceding the week the election is held. The statewide average cost for the Division of Elections (division) within the Department of State to advertise constitutional amendments, in English and Spanish,²¹ in newspapers for the 2018 election cycle was \$92.93 per English word of the originating document. The division estimates the publication costs for advertising the proposed amendment will be at least \$58,174.18.²² This cost will likely be paid from non-recurring General Revenue funds.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If the proposed amendment is approved by the electorate and implemented by the Legislature, an increased number of homeowners would be able to transfer their SOH benefit to a new homestead.

D. FISCAL COMMENTS:

The Revenue Estimating Conference (REC) determined the joint resolution had a zero/negative indeterminate impact because of the need for voter approval. If the constitutional amendment does not pass, the impact is zero. However, if approved, REC estimates that the joint resolution would reduce local property taxes by \$1.8 million, beginning in fiscal year 2021-2022, eventually growing to an annual reduction of \$10.2 million.

²¹ Section 203 of the Federal Voting Rights Act requires the Department of State (DOS) to publish a Spanish version of the amendment in addition to an English version. See Email from Brittany N. Dover, Legislative Affairs Director, DOS, "RE: Information Requested - Amendment Costs for HJR 369 (HB 671)" (January 7, 2020) (on file with the Local, Federal & Veterans Affairs Subcommittee).

²² See Email from Brittany N. Dover, Legislative Affairs Director, DOS, "RE: Information Requested - Amendment Costs for HJR 369 (HB 671)" (January 7, 2020) (on file with the Local, Federal & Veterans Affairs Subcommittee).