

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 Appropriations Subcommittee on Finance and Tax

BILL: PCS/SJR 76 (967958)

INTRODUCER: Senator Lee

SUBJECT: Limitations on Property Tax Assessments

DATE: February 24, 2017 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Babin	Diez-Arguelles	AFT	Recommend: Fav/CS
2.			AP	
3.			RC	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

PCS/SJR 76 proposes an amendment to the Florida Constitution to remove the scheduled January 1, 2019, repeal of the 10-percent assessment limitation on non-homestead property. If approved by at least 60 percent of the electors, the 10-percent assessment limitation will continue.

The Revenue Estimating Conference has not yet determined the fiscal impact of SJR 76. The Department of State expects to incur costs of \$38,916 to advertise the constitutional amendment.

II. Present Situation:

General Overview of Property Taxation

The ad valorem tax (property tax) is levied annually by counties, cities, school districts, and some special districts. Taxing jurisdictions impose their tax on the taxable value of property as of January 1 of each year.¹ The property appraiser annually determines the “just value”² of property

¹ Both real property and tangible personal property can be subject to the 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 Walter v. Shuler*, 176 So. 2d 81 (Fla. 1965);

and then applies relevant exclusions, assessment limitations, and exemptions to determine the property's "taxable value."³ Tax collectors mail tax bills in November of each year based on the previous January 1 valuation. Payment is due before April 1.⁴ The Florida Constitution prohibits the state from levying ad valorem taxes⁵ and requires property valuations to be at just value, unless a lesser valuation is expressly authorized.⁶

The Save Our Homes Assessment Limitation for Homestead Property

Property assessment limitations limit the annual increase in a property's value for tax purposes, regardless of the property's increase in fair market value. For example, even though a property's market value may increase by 15 percent in a given year, an assessment limitation will limit the increase in assessed value to a lesser amount for tax purposes.

Voters approved Florida's first property assessment limitation, known as Save Our Homes (SOH) in 1992, and it became effective for homestead assessments as of January 1, 1995.⁷ The SOH limitation limits the annual increase in the assessed value of homesteads to the lesser of three percent or the percentage change in the consumer price index (CPI).⁸ The CPI often limits the increase to below three percent. For example, the change in CPI resulted in a SOH limitation of 0.7 percent⁹ in 2016 and 2.1 percent¹⁰ in 2017.

The 10-Percent Assessment Limitation for Non-homestead Property

In 2007, the Legislature passed a joint resolution,¹¹ which, among other things, proposed a 10-percent assessment limitation for non-homestead property. The limitation does not apply to property taxes levied by school districts.¹² The voters approved the constitutional amendment in the primary election held on January 29, 2008. It first applied to assessments as of January 1, 2009.

Recapture

An administrative rule requires the property appraiser to increase the assessed value of a homestead property that is benefitting from the SOH limitation even though the just (or fair market) value of the property has remained the same, decreased, or increased less than the applicable SOH limit.¹³ Pursuant to SOH, the increase is limited to the lesser of 3 percent or the percentage change in the CPI, but the assessed value can never exceed the just value.

Deltona Corp. v. Bailey, 336 So. 2d 1163 (Fla. 1976); *Southern Bell Tel. & Tel. Co. v. Dade County*, 275 So. 2d 4 (Fla. 1973).

³ See s. 192.001(2) and (16), F.S.

⁴ Section 197.333, F.S.

⁵ FLA. CONST. art. VII, s. 1(a)

⁶ See FLA. CONST. art. VII, s. 4

⁷ See FLA. CONST. art. VII, s. (4)(d); s. 193.155, F.S.

⁸ Section 193.155(1), F.S.

⁹ Department of Revenue, Property Tax Valuation and Income Limitation Rates, *available at* www.floridarevenue.com/dor/property/resources/limitations.html (last visited Feb. 13, 2017).

¹⁰ *Id.*

¹¹ SJR 2-D (2007, Special Session D)

¹² See FLA. CONST. art. VII, s. 4(g) & (h); ss. 193.1554 and 193.1555, F.S.

¹³ Rule 12D-8.0062(5), F.A.C.

For an example of the rule's operation, assume that in year 1 a homestead property has a just value of \$250,000 and an assessed value of \$200,000. The assessed value is lower than the just value because the property has received the benefit of the SOH limitation for a few years. In year 2, assume that the applicable SOH percentage is 3 percent, but that the real estate market is flat and the property's just value remains at \$250,000. In this situation, the property appraiser must increase the assessed value to \$206,000. This treatment is also required for the 10-percent limitation for non-homestead property.

Repeal of the 10-Percent Assessment Limitation

The 2008 constitutional amendment included a repeal of the 10-percent assessment limitation, effective January 1, 2019. However, it also provided that the “[L]egislature shall by joint resolution propose an amendment abrogating the repeal..., which shall be submitted to the electors of the state for approval or rejection at the general election of 2018....”¹⁴

III. Effect of Proposed Changes:

The bill amends the State Constitution to remove the repeal of the 10-percent assessment limitation for non-homestead property scheduled for January 1, 2019. If approved by at least 60 percent of the electors, the 10-percent assessment limitation will continue.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The mandate provisions in Art. VII, s. 18 of the State Constitution do not apply to joint resolutions.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

A joint resolution must be passed by three-fifths of the membership of each house of the Legislature. It must be submitted to the electors at the next general election held more than 90 days after the joint resolution proposing it is filed with the custodian of state records, unless, pursuant to law enacted by the affirmative vote of three-fourths of the membership of each house of the Legislature and limited to a single amendment or revision, it is submitted at an earlier special election held more than 90 days after such filing.¹⁵ To pass, a proposed constitutional amendment must be approved by at least 60

¹⁴ FLA. CONST. art. XII, s. 27

¹⁵ FLA. CONST. art. XI, s. 5(a).

percent of the electors voting on the measure, and if passed, it becomes effective as an amendment on the first Tuesday after the first Monday in January following the election, or on such other date as may be specified in the amendment or revision.¹⁶

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference has not yet estimated the impact of this joint resolution. The joint resolution will reduce the non-school property tax base beginning in Fiscal Year 2019-2020, but the tax impact will depend upon the Fiscal Year 2019-2020 millage rates. Applying the Fiscal Year 2016-2017 millage rates, staff estimates that the joint resolution will reduce non-school property taxes by \$432.5 million, beginning in Fiscal Year 2019-2020.

B. Private Sector Impact:

If the voters approve the amendment in the 2018 general election, some owners of non-homestead property will pay less property tax.

C. Government Sector Impact:

The Division of Elections is required to advertise the full text of proposed constitutional amendments in English and Spanish twice in a newspaper of general circulation in each county before the election in which the amendment is submitted to the electors.¹⁷ The Division is also required to provide each Supervisor of Elections with either booklets or posters displaying the full text of proposed amendments. The cost to advertise constitutional amendments for the 2016 general election was \$117.56 per word. Using 2016 rates, the Division estimates that the cost to advertise this amendment for the 2018 general election will be at least \$38,916.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends Article XII, section 27 of the State Constitution.

¹⁶ FLA. CONST. art. XI, s. 5(e).

¹⁷ FLA. CONST. art. XI, s. 5(d).

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

Recommend CS by Appropriations Subcommittee on Finance and Tax on February 22, 2017:

The proposed CS clarifies that, if approved by the voters, the constitutional amendment becomes effective on January 1, 2019.

- B. **Amendments:**

None.