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DATE: January 30, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 29

RELATING TO: Ad Valorem Tax Exemption

SPONSOR(S): The Committee on Community Affairs and Representative Greene

STATUTE(S) AFFECTED: Section 196.011, Florida Statutes

COMPANION BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY AFFAIRS YEAS 5 NAYS 0
- (2) FINANCE & TAXATION
- (3) GENERAL GOVERNMENT (FISCAL)
- (4)
- (5)

I. SUMMARY:

This bill requires property appraisers to grant the charitable exemption from ad valorem taxation to property owners who fail to timely file an application for the exemption due to an inadvertent error but who otherwise are entitled to the exemption. Any taxes assessed on the property are to be canceled and, if paid, refunded. Any tax certificates outstanding on the property are to be canceled and a refund made.

This special process only applies 1994 tax year exemptions and it expires 1 year after the bill takes effect.

This bill has no fiscal impact on state agencies or state funds.

This bill has a negative indeterminate fiscal impact on local governments. **This bill is scheduled to be heard at the February 7, 1997, meeting of the Revenue Estimating Conference.**

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 196.011, F.S., states that every person or organization who, on January 1, has the legal right to exemption from property tax must file an application for the exemption with the county property appraiser on or before March 1 of each year. The Department of Revenue prescribes the forms upon which the application is made. The application lists and describes the property for which the exemption is claimed and certifies its ownership and use. Failure to make application, when required, on or before March 1 of any year constitutes a waiver of the exemption privilege for that year.

The value adjustment board, however, has the authority to grant any exemption for an otherwise eligible applicant if the applicant can clearly document that failure to apply by March 1 was the result of postal error. In addition, any applicant who is qualified to receive any exemption but who fails to file an application by March 1, may file an application for the exemption and may file a petition with the value adjustment board requesting that the exemption be granted. Such petition may be filed at any time during the taxable year on or before the 25th day following the mailing of the notice by the property appraiser. The applicant must pay a nonrefundable fee of \$15 upon filing the petition. Upon reviewing the petition, if the person is qualified to receive the exemption and demonstrates particular extenuating circumstances judged by the property appraiser or the value adjustment board to warrant granting the exemption, the property appraiser or the value adjustment board may grant the exemption.

When the owner of property otherwise entitled to a religious exemption from ad valorem taxation fails to timely file an application for exemption, and because of a misidentification of property ownership on the property tax roll, the owner is not properly notified of the tax obligation by the property appraiser and the tax collector, the owner of the property may file an application for exemption with the property appraiser. The property appraiser must consider the application, and if he or she determines the owner of the property would have been entitled to the exemption had the property owner timely applied, the property appraiser must grant the exemption. Any taxes assessed on such property shall be canceled, and if paid, refunded. Any tax certificates outstanding on such property shall be canceled and a refund made.

B. EFFECT OF PROPOSED CHANGES:

This bill requires property appraisers to grant the charitable exemption from ad valorem taxation to property owners who fail to timely file an application for the exemption due to an inadvertent error but who otherwise are entitled to the exemption. To qualify the property must be a charitable organization under section 501(c)(3) of the Internal Revenue Code. The exemption can only be granted for an error made during the 1994 tax year. The bill expires 1 year after the date it takes effect.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

By requiring that the property appraiser grant the charitable exemption when an error occurred during the 1994 tax year, this bill directly increases the authority of the property appraisers in each county to adjudicate disputes over late filed applications for charitable exemptions from ad valorem taxation. It also directly increases the authority of each county property appraiser to grant the exemption if he or she determines a late filing was due to an inadvertent error.

The bill directly decreases the authority of the Department of Revenue to determine that an exemption cannot be granted if an application was not timely filed.

2. Lower Taxes:

This bill decreases future taxes on charitable organizations who will be granted an exemption that otherwise would not be given the exemption under current law. However, these taxes possibly will be shifted to other taxpayers. Therefore, in the aggregate the bill probably does not lower taxes.

3. Personal Responsibility:

Beneficiaries of the bill do not pay the cost of implementation of the provisions of the bill. Costs would be passed on to individuals and organizations that pay taxes.

4. Individual Freedom:

The bill increases the allowable options of charitable organizations to conduct their affairs by allowing property appraisers some flexibility in adjudicating errors in filing.

5. Family Empowerment:

This bill allows the NOAH Development Corporation, a non-profit 501(c)(3) charitable organization in Palm Beach County, to continue to operate a multi-family housing project renting to mostly indigent farm workers.

It may also reduce a tax burden on other charitable organizations that benefit families that might have made an error in filing for an ad valorem tax exemption.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Adds subsection (13) to section 196.011, F.S., to require property appraisers to grant charitable exemptions from property tax to property owners which qualify as a charitable organization (under section 501(c)(3) of the Internal Revenue Code) otherwise entitled to the exemption but who fail to timely file an application for exemption due to an inadvertent error. Any taxes assessed on the property are to be canceled and, if paid, refunded. Any tax certificates outstanding on the property are to be canceled and a refund made. Provides that this process only applies for the 1994 tax year. Provides that the bill expires 1 year after it takes effect.

Section 2: Provides that the act shall take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

The sponsor has filed this bill to correct an inadvertent error that occurred in Palm Beach County. According to the Palm Beach County Tax Collector, the fiscal impact of this bill for that situation would be a loss of tax revenue and costs associated with sale of the tax certificate in Palm Beach County of approximately \$97,000.

It is difficult, however, to determine how many other properties might qualify for an exemption under the provisions of this bill. Therefore, the fiscal impact on local governments as a whole is indeterminate.

2. Recurring Effects:

This bill does not change the criteria for charitable tax exemptions from ad valorem taxation. However, it is possible that by allowing charitable entities to file applications that they have not already filed for the 1994 tax year, additional entities may file for the tax exemption as they become aware of the exemption or get their affairs in order. Such late filing would result in additional costs to property appraisers to process late applications, and additional costs for granting any new charitable exemptions. It is impossible, however, to predict if this bill will change the filing behavior of those charitable entities who are entitled to a tax exemption. Therefore, the fiscal impact on local governments as a whole is indeterminate.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Charitable entities that fail to meet the deadline for filing for an ad valorem tax exemption for the 1994 tax year due to an error will be allowed to file at any time and be granted the exemption.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill reduces the authority counties and municipalities to raise revenue in the aggregate. The fiscal impact is indeterminate. Therefore, the bill requires a two-thirds vote of each house for passage.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties and municipalities.

V. COMMENTS:

The sponsor has indicated that she has filed this legislation to correct an error whereby the NOAH Development Corporation, a non-profit 501(c)(3) charitable organization in Palm Beach County, failed to properly file for a tax exemption for a property known as Doveland Villas. Doveland Villas is a multi-family housing project renting to mostly indigent farm

workers. Because the NOAH Development Corporation has another project named Doveland, Inc., an inadvertent error occurred when it was assumed that the two were included together in the exemption application. The Department of Revenue has issued an opinion that under current law it cannot issue a correction to the 1994 tax roll for this error. The NOAH Development Corporation does not have the \$97,000 in taxes that would be due and therefore the property would be sold if this exemption is not granted. The concern is that this needed affordable housing would be lost.

The Palm Beach Property Appraiser is supportive of this bill, however, there is a potential adverse impact to property appraisers in general if there are numerous charitable organizations that take advantage of this law and file for exemptions.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Committee substitute for HB 29 makes three changes to the bill as originally filed. First, it requires that the charitable organization have section 501(c)(3) status in Florida. Second, the charitable exemption must have been for the 1994 tax year. Third, the law expires one year from the date that it becomes law.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

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