STORAGE NAME: h0489.ag
DATE: November 7, 1997

HOUSE OF REPRESENTATIVES
COMMITTEE ON
AGRICULTURE
BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: HB 489

RELATING TO: Ad Valorem Tax Assessment on Agriculture Land

SPONSOR(S): Representative Minton

STATUTE(S) AFFECTED: Chapter 193, Florida Statutes

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) AGRICULTURE
(2)
(3)
(4)
(5)

I. SUMMARY:

As pertains to taxation, the Florida Constitution provides that agricultural land may be classified by general law and assessed solely on the basis of character or use. To assess agricultural land, Florida Statutes require county property appraisers to use one-year data. Agriculture land owners and county property appraisers find that this requirement causes extreme fluctuations in tax obligations on agricultural land from one year to the next.

To remedy, this bill provides an assessment scheme to steady such fluctuations. The scheme allows county property appraisers the discretion to rely on 5-year moving average data for annual row crops and other crops produced for annual harvest.

There is no fiscal impact to the Department of Revenue in implementing the provisions of this bill.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Article VII, Section 4(a) of the Florida Constitution provides that agricultural land may be classified by general law and assessed solely on the basis of character or use. Accordingly, s. 193.461, Florida Statutes, requires county appraisers to use one-year data in the assessment of agricultural land. The section requires the county property appraisers to base their agricultural property assessments on certain data including: (1) quantity and size of the property, (2) income produced by the property, (3) productivity of the land, and (4) other applicable agricultural factors that might arise.

Many agricultural land owners, their representatives, county property appraisers, and the Department of Revenue agree that using one-year data for assessment purposes often produces extreme fluctuations in the year-to-year tax obligations of agricultural land owners. In addition, the one-year data scheme frequently forces property appraisers to deal with outdated or unavailable data.

B. EFFECT OF PROPOSED CHANGES:

This bill allows county property appraisers discretion to use 5-year moving average data to assess annual row crops and other crops produced for annual harvest, such as citrus. Non-annual crops would be valued under the current one-year statutory scheme.

Although 5-year moving average data helps eliminate substantial fluctuations in yearly tax obligations, it does so for some classified agricultural properties, but not for others. For example, timber is a long-term crop and would be excluded from the bill's provisions, along with perennial crops such as nursery crops, horticulture and various livestock operations. Such inconsistency could give rise to constitutional challenges to the bill. Article VII, Section 2, of the Florida Constitution provides that all ad valorem taxation must be at a uniform rate within each taxing unit.

Furthermore, permitting county property appraisers a choice of relying on one-year or 5-year moving average data could result in changes in data methodologies from one year to the next. This would present an administrative problem in the Department of Revenue's in-depth study of the assessment rolls of each county.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

   a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

The Department of Revenue would need to promulgate guidelines for county property appraisers to use a 5-year moving averaging data to assess classified agricultural land.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

None.

(3) any entitlement to a government service or benefit?

None.

b. If an agency or program is eliminated or reduced: **Not applicable.**

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

(2) what is the cost of such responsibility at the new level/agency?

(3) how is the new agency accountable to the people governed?

2. <u>Lower Taxes:</u>

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No. The effect of the bill would spread the tax obligations for classified agricultural land owners over a period of time. Instead of experiencing a very high tax obligation in one year and significantly lower taxes in the next, agricultural land owners could expect fewer excessive shifts in their tax obligations.

d. Does the bill reduce total fees, both rates and revenues?

Not applicable.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility: **Not applicable.**

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

4. Individual Freedom: **Not applicable.**

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

5. Family Empowerment: **Not applicable.**

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

(2) Who makes the decisions?

(3) Are private alternatives permitted?

(4) Are families required to participate in a program?

(5) Are families penalized for not participating in a program?

b. Does the bill directly affect the legal rights and obligations between family members?

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

(2) service providers?

(3) government employees/agencies?

D. SECTION-BY-SECTION RESEARCH:

Section 1: Amends s. 193.461, F.S., allowing property appraisers the discretion to rely on 5-year moving average data for annual row crops and other crops produced for annual harvest in considering factors to assess classified agricultural land.

Section 2: Provides an effective date of January 1, 1998.

III. FISCAL RESEARCH & 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:

None.

2. Recurring Effects:

None.

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:

Under the bill, classified agricultural land owners could expect each of their tax years to be closer in cost from one year to the next. Such a benefit allows agricultural land owners to budget for their businesses more accurately and efficiently.

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

   Indirectly, the bill could increase employment markets. Improved year-to-year stability of tax obligations equates to better control of agricultural businesses and investments. Consequently, classified agricultural land owners may be more inclined to hire.

D. FISCAL COMMENTS:

   None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

   The mandates provision is not applicable to an analysis of HB 489 because the bill does not require municipalities or counties to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

   HB 489 does not reduce the authority of municipalities or counties to raise revenues.

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

   HB 489 does not reduce any state tax revenues shared with municipalities and counties.

V. COMMENTS:

During the 1997 interim, the Commissioner of Agriculture appointed an Ad Valorem Agriculture Land Tax Task Force to address the agriculture community, county property appraisers, and the Department of Revenue's concerns with the bill. Since that time, the task force has held a series of meetings and generated an amendment that appears to resolve possible constitutional and administrative concerns posed by the bill.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON AGRICULTURE:

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