

STORAGE NAME: h0489s1.ft

DATE: February 11, 1998

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 489

RELATING TO: Ad Valorem Tax Assessment on Agriculture Land

SPONSOR(S): Committee on Agriculture and Representative Minton

STATUTE(S) AFFECTED: Chapter 193, Florida Statutes

COMPANION BILL(S):

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

- (1) AGRICULTURE YEAS 6 NAYS 0
- (2) COMMUNITY AFFAIRS YEAS 8 NAYS 0
- (3) FINANCE AND TAXATION
- (4)
- (5)

I. SUMMARY:

CS/HB 489 addresses the problem of extreme fluctuations in the year-to-year property tax assessments of agricultural lands. CS/HB 489 requires county property appraisers to rely on the 5-year moving average data for property used for annual row crops and other crops produced for annual harvest. Factors included in the equation are all averaged over a 5-year period, including the factors that make up the capitalization rate. This process levels out fluctuations which occur due to the current annual appraisal process.

CS/HB 489 is a "carried over" bill from the 1997 Legislative Session.

This bill does not appear to have any fiscal impact to the Department of Revenue.

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. Section 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 In addition, the one-year data scheme frequently results in property appraisers utilizing outdated or unavailable data.

In addition, Article VII, Section 2, of the Florida Constitution provides that all ad valorem taxation must be at a uniform rate within each taxing unit.

B. EFFECT OF PROPOSED CHANGES:

CS/HB 489 requires county property appraisers to use the 5-year moving average data to assess property used for agricultural purposes. **Factors included in the equation are all averaged over a 5-year period, including the factors that make up the capitalization rate.**

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 (N/A).

(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. Lower Taxes:

- 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 5-year 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?

N/A

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

No.

3. Personal Responsibility:

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

N/A

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

N/A

4. Individual Freedom:

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

N/A

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

N/A

5. Family Empowerment:

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

N/A

(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?

N/A

- 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:

N/A

(1) parents and guardians?

(2) service providers?

(3) government employees/agencies?

D. SECTION-BY-SECTION RESEARCH:

Section 1: CS/HB 489 amends s. 193.461, F.S., by requiring property appraisers to rely on the 5-year moving average data when assessing classified agricultural land.

Section 2: CS/HB 489 provides an effective date of January 1, 1999.

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 more uniform in cost from year to year. 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:

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 does not reduce the authority that local governments have to raise revenues in the aggregate.

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

This bill does not reduce the percentage of state tax shared with local governments.

V. COMMENTS:

The bill introduced in the 1997 Legislative Session was never scheduled for a committee hearing. 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:

The bill as originally drafted provided that the property appraiser, when considering specific use factors applicable to an agricultural assessment, **could, at their discretion, rely on 5-year moving average data for certain crops.** Factors included in the equation are all averaged over a 5-year period, including the factors that make up the capitalization rate. HB 489 provided an **effective date of January 1, 1998.**

On December 3, 1997, the House Agriculture Committee passed a Committee Substitute (CS), for HB 489. The CS **set forth the Legislative intent** for requiring the use of 5-year moving average data procedure when assessing agricultural lands for tax purposes. The amendment also **required property appraisers to use 5-year moving average data when using the income methodology approach to assessing agricultural lands and applied the 5-year moving average provision uniformly to all agricultural commodities.** CS/HB 489 also provides for an **effective date of January 1, 1999.**

VII. SIGNATURES:

COMMITTEE ON AGRICULTURE:

Prepared by:

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