

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

Date: April 3, 1998 Revised: \_\_\_\_\_

Subject: Ad Valorem Tax Exemption

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Maclure</u>	<u>Austin</u>	<u>CM</u>	<u>Favorable</u>
2.	_____	_____	<u>WM</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

**I. Summary:**

This bill requires the property appraiser to grant a charitable exemption from ad valorem taxation for the 1994 tax year to a property owner that is a charitable organization under s. 501(c)(3) of the Internal Revenue Code and that otherwise qualified for the exemption but that failed to file a timely exemption application due to inadvertent error. Assessed taxes on the property shall be canceled and refunded, if already paid. Tax certificates outstanding on the property shall be canceled and a refund made.

This bill amends section 196.011, Florida Statutes.

**II. 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. With limited exceptions, 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, is required 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 (s. 196.011(7), F.S.). 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 non-refundable 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 (s. 196.011(8), F.S.).

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 (s. 196.011(12), F.S.).

### **III. Effect of Proposed Changes:**

This bill provides that if a property owner that qualifies as a charitable organization under s. 501(c)(3) of the Internal Revenue Code was otherwise entitled to a charitable exemption from ad valorem taxation for the 1994 tax year but failed to timely file an exemption application due to inadvertent error, the property owner may file an exemption application with the property appraiser. The property appraiser must grant the exemption if he or she determines that the property owner would have been entitled to the exemption had the owner applied on time. Any assessed taxes on the property shall be canceled and, if paid, refunded. Any outstanding tax certificates on the property shall be canceled and a refund made.

These provisions expire one year after taking effect. The bill provides that the act takes effect upon becoming a law.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

This bill initially falls under subsection (b) of section 18 of Article VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each house of the Legislature in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate. By requiring the property appraiser, under certain conditions, to grant an ad valorem tax exemption for the 1994 tax year after the period for timely application has passed, the bill potentially has the effect of reducing local revenue-raising authority. The bill's total fiscal impact is indeterminate; however, it is estimated to result in a minimum local revenue loss of approximately \$97,000. (See "Economic Impact and Fiscal Note," below.) Unless it is determined that the estimated total

local government revenue loss from this bill is \$1.4 million or more, the measure appears to be exempt from the requirements of subsection (b) due to insignificant fiscal impact.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:**

**A. Tax/Fee Issues:**

This particular bill has not been reviewed by the Revenue Impact Conference. However, the conference reported that a similar measure considered during the 1997 legislative session had an indeterminate fiscal impact, in part because of difficulty in determining how many properties might qualify for the authority to file for a 1994 charitable exemption after the deadline has passed. That measure was estimated to result in a minimum local revenue loss of approximately \$97,000 in 1997-98.

**B. Private Sector Impact:**

Charitable organizations that failed to meet the deadline for filing for an ad valorem tax exemption for the 1994 tax year due to an inadvertent error will be allowed to file for the exemption within one year after the bill takes effect. The sponsor's office reports that this measure is specifically designed to assist a charitable organization that operates housing developments in Palm Beach County. The organization filed a timely exemption application that covered one of its projects, but inadvertently failed to file a separate application covering a second development that rents primarily to indigent farm workers.

**C. Government Sector Impact:**

The Palm Beach County property appraiser's office is not opposed to this bill and does not anticipate that the measure will pose any administrative difficulties or costs upon the office. It is difficult to determine, statewide, how many charitable organizations might qualify for the bill's authority to file for a 1994 property tax exemption after the deadline has passed. Consequently, the exact impact of this measure on the government sector as a whole is indeterminate.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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