

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.)

BILL: SB 1582

SPONSOR: Senator Laurent

SUBJECT: Ad Valorem Taxation Agricultural Lands

DATE: April 5, 1999 REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|------------------|----------------|-----------|------------------------|
| 1. | <u>Henderson</u> | <u>Poole</u> | <u>AG</u> | <u>Fav/1 amendment</u> |
| 2. | <u>Fournier</u> | <u>Wood</u> | <u>FR</u> | <u>Favorable</u> |
| 3. | _____ | _____ | _____ | _____ |
| 4. | _____ | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ | _____ |

I. Summary:

This bill limits the assessment of irrigation systems when using the income methodology approach is used to assess agricultural property. It provides that the value of these systems shall be included only in the calculation of production revenue.

This bill amends section 193.461, Florida Statutes.

II. Present Situation:

The Florida Department of Revenue provides guidelines for property appraisers to utilize in calculation of property value; however, the guidelines do not specify which personal property is to be included in that calculation. As a result, there is no uniformity among the state's counties regarding treatment of certain personal property used to create agricultural revenue. Agriculture industry representatives assert that this creates a form of "double taxation." Personal property, such as irrigation systems, is taxed as tangible personal property and also as a land improvement to increase production revenue.

Currently, the law does not require the production revenue of agricultural property such as irrigation systems that are attached to farm land to be included when using the income methodology approach in appraising the value of agricultural lands. Property appraisers are required to assess land based solely on its agricultural use according to the following factors:

- The quantity and size of the property;
- The condition of the property;
- The present market value of the property as agricultural land;
- The income produced by the property;
- The productivity of land in its present use;
- The economic merchantability of the agricultural product; and
- Such other factors as may from time to time become applicable.

Chapter 98-313, L.O.F., amended s. 193.461, F.S., to require property appraisers to rely on five-year moving average data when using the income methodology approach to assessing agricultural lands and applies the five-year moving average that provides uniformity to all agricultural commodities.

III. Effect of Proposed Changes:

Section 1. Amends s. 193.461, F.S., to include the production revenue of agricultural property such as irrigation systems that are attached to farm land when using the income methodology approach in assessing agricultural lands.

Section 2. Provides that this act shall take effect upon becoming a law, and shall first apply to assessments effective January 1, 2000.

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 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 limiting the assessment of irrigation property, the bill has the effect of reducing the ad valorem tax base. Since the annual local revenue loss is estimated to be more than \$1.4 million, the bill will not be exempt from the requirements of subsection (b).

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

County property appraisers could only include the production revenue of irrigation systems that are attached to farm land when assessing that land. The revenue estimating conference has estimated the impact of this bill to be a loss of \$6.8 million in local ad valorem tax revenue.

B. Private Sector Impact:

Individuals with irrigation systems attached to farm land could not have the systems assessed

as tangible personal property, reducing their ad valorem taxes.

C. Government Sector Impact:

Indeterminate.

VI. Technical Deficiencies:

According to the Department of Revenue, the proposed bill presents some difficulty in administration of enforcement. The bill provides no definition of the term “production revenue,” nor is the term currently defined in statute. It is unclear to the department how this terminology relates to appraisal methodology. The department believes the language is subject to broad interpretation by property appraisers and will result in inconsistent treatment throughout the state. The department believes the issue can be resolved with clarification of the language and intent.

Amendment #1 corrects this technical deficiency.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Agriculture and Consumer Services:

This amendment clarifies the definition of production revenue. When property appraisers use the income methodology approach for assessing agricultural property, irrigation systems, including pumps and motors, that are physically attached to the land are to be considered a part of the average yields per acre and are not to have any separately assessable contributory value.