

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 1366

SPONSOR: Senator Cowin

SUBJECT: Tax Exemption

DATE: March 21, 2001

REVISED: 03/27/01 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Cooper</u>	<u>Yeatman</u>	<u>CA</u>	<u>Fav/1 amendment</u>
2.	_____	_____	<u>FT</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill increases from \$500 to \$1,000 the reduction in taxable value of property owned by widows, widowers, blind persons, and totally and permanently disabled persons. In addition, the bill reduces the number of physicians, from two to one, required to certify a person as "totally and permanently disabled," to qualify for this benefit.

This bill amends section 196.202 of the Florida Statutes.

II. Present Situation:

Article VII, s. 4 of the State Constitution requires that all property be assessed at its just value for ad valorem tax purposes. Just value has been interpreted to mean fair market value. Section 4 provides exceptions to this requirement for agricultural land, land producing high water recharge to Florida's aquifers, and land used exclusively for non-commercial recreational purposes, all of which may be assessed solely on the basis of their character or use. Additionally, tangible personal property that is held as inventory may be assessed at a specified percentage of its value or totally exempted.

Article VII, s. 4(c) of the State Constitution, provides for a homestead property assessment increase limitation. Annual increases in homestead property values is limited to 3 percent or the Consumer Price Index percentage, whichever is lower, not to exceed just value. If there is a change in ownership, the property is to be assessed at its just value on the following January 1. The value of changes, additions, reductions or improvements to the homestead property is assessed as provided by general law.

Article VII, s. 3(b) of the State Constitution requires that not less than \$500 of property, as established in general law, of widows or widowers, or persons who are blind or totally and permanently disabled, be exempt from taxation.

Article VII, s. 6 of the State Constitution authorizes an exemption from ad valorem taxation for homestead property owned by a taxpayer and used as the owner's permanent residence or the permanent residence of another legally or naturally dependent upon the owner. The value of the homestead exemption is currently \$25,000 of the assessed value of the real estate. Section 196.031, F.S., primarily implements the homestead exemption, although other statutory sections provide specific procedures and conditions, i.e., procedures for application for the exemption (s. 196.011, F.S.), the extent of the exemption (s. 196.041, F.S.), and the effect of rental of homestead property (s. 196.061, F.S.).

Article VII, s. 6 of the State Constitution also authorizes the Legislature to allow counties and municipalities, for the purpose of their respective tax levies, to grant an additional homestead exemption, not to exceed \$25,000, to persons 65 years old or older. However, the exemption is available to persons whose income does not exceed \$20,000 annually, adjusted periodically to changes in the cost of living. Section 196.075, F.S., implements this provision.

The exemption for totally and permanently disabled persons authorized in Article VII, s. 3(b) of the State Constitution, is implemented in chap. 196, F.S. Sections 196.081 and 196.091, F.S., provide for total homestead exemptions for disabled veterans and their surviving spouses. Section 196.101, F.S., exempts the total value of homesteads used and owned by a quadriplegic, paraplegic, hemiplegic, or "other totally and permanently disabled person, as defined in s. 196.012(11), who must use a wheel chair for mobility or who is legally blind ..." Qualification for this exemption is also contingent upon meeting specified income requirements and disability certifications.

Section 196.202, F.S., provides a \$500 reduction in taxable value to widows, widowers, blind persons, and totally and permanently disabled persons who are residents of this state. On average, each person qualifying for the exemption receives a reduction of \$10 per year property taxes.

Section 196.012(11), F.S., defines a "totally and permanently disabled person" as a person who is currently certified by two licensed physicians of this state who are professionally unrelated, by the United States Department of Veterans Affairs or its predecessor, or by the Social Security Administration, to be totally and permanently disabled.

III. Effect of Proposed Changes:

Section 1 amends s. 196.202, F.S., to increase from \$500 to \$1,000 the reduction in taxable value to widows, widowers, blind persons, and totally and permanently disabled persons.

In addition, the bill defines the term "totally and permanently disabled person," as used in this section, to be a person so certified by a physician licensed in this state, by the U.S. Department of Veterans' Affairs, or its predecessor, or by the Social Security Administration. Consequently,

the bill reduces the number of physicians, from two to one, required to certify a person as “totally and permanently disabled” to qualify for this benefit.

Section 2 provides that the bill will take effect January 1, 2002.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill 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 increasing the reduction in taxable value from \$500 to \$1,000 for qualified widows, widowers, blind persons, and totally and permanently disabled persons, the bill reduced the municipalities’ and counties property tax base, thereby reducing their revenue-raising authority. The fiscal impact of the bill on counties and municipalities is an estimated \$2.6 million per year. (See Tax/Fee Issues) Therefore, the bill will require a two-thirds vote of the membership of each house of the Legislature.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

According to the Florida Tax Handbook, 2001, it is estimated that value of the current assessment reduction provided for in s. 196.202, F.S., is tax base loss of \$241.9 million for all local governments levying property taxes. This results in an estimated \$5.1 million reduction in total tax collections.

This bill increases from \$500 to \$1,000 the reduction in taxable value to widows, widowers, blind persons, and totally and permanently disabled persons. As a result, local governments levying property taxes will lose at least an estimated additional \$5.1 million in revenues in FY 2002-03. Counties’ and municipalities’ share of this impact is an estimated at \$2.6 million.

B. Private Sector Impact:

If enacted into law, qualified widows, widowers, blind persons, and totally and permanently disabled persons will benefit from reduced ad valorem taxes. On average, each person

qualifying for the exemption will receive an additional reduction of \$10 per year in property taxes.

This reduction in the property tax base will result in a corresponding shift in property tax burden to other property owners.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Comprehensive Planning, Local and Military Affairs:

Deletes the increase in the exemption and restores the amount in current law.

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