

# 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: CS/SB 1366

SPONSOR: Finance and Taxation Committee and Senator Cowin

SUBJECT: Tax Exemption

DATE: April 18, 2001

REVISED: \_\_\_\_\_

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

## I. Summary:

This committee substitute reduces the number of physicians, from two to one, required to certify a person as “totally and permanently disabled,” to qualify for a reduction in taxable value of property owned by widows, widowers, blind persons, and totally and permanently disabled persons.

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 define "totally and permanently disabled person" to mean a person who is currently certified by a physician licensed in this state, by the United States Department of veterans Affairs or its predecessor, or by the Social Security Administration to be totally and permanently disabled.

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

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

This bill falls initially 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 providing that only one physician is required to certify a person as “totally and permanently disabled” the bill could reduce the municipalities’ and counties property tax base, thereby reducing their revenue-raising authority. The fiscal impact of the bill on counties and municipalities is estimated to be insignificant, however, and does not trigger the provisions of section 18 of Article VII, Florida Constitution.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

The impact of this committee substitute on local property tax revenue is expected to be insignificant.

**B. Private Sector Impact:**

If this bill is enacted into law, it will be somewhat less burdensome to establish total and permanent disability for property tax purposes.

**C. Government Sector Impact:**

None.

**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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