

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/SJR 504

SPONSOR: Comprehensive Planning, Local and Military Affairs and Senator Brown-Waite

SUBJECT: Homestead Property/Elderly Housing

DATE: January 29, 2002 REVISED: _____

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

I. Summary:

The bill contains a joint resolution proposing an amendment to Section 4, Article VII of the State Constitution to allow counties to provide for a reduction in the assessed value of homestead property to the extent an increase in valuation results from the construction of improvements for the purpose of providing living quarters to the parents or grandparents of the owner of the property, or of the owner's spouse. If the Senate Joint Resolution becomes law, the proposed constitutional amendment would appear on the ballot at the next general election or at an earlier special election specifically authorized by law.

II. Present Situation:

Section 4, Article VII, of the Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes. Just value has been interpreted to mean fair market value.

Paragraph (c) of Section 4 provides that all persons entitled to a homestead exemption under Section 6 of Article VII of the State Constitution must have their homestead assessed at just value as of January 1 of the year following the effective date of the constitutional amendment creating the section, or as of January 1 of the year following establishment of the homestead. This provision is known as the "Save our Homes" constitutional amendment. For homestead property subject to the paragraph, assessments must be made annually on January 1st of each year, but shall not exceed the lower of the following: a) three percent of the assessment for the prior year; or b) the percent change in the Consumer Price Index. After a change in ownership or the establishment of a new homestead, such property shall be assessed at just value.

Section 6, Article VII, of the Florida Constitution authorizes an exemption from ad valorem taxation for homestead property used by taxpayers as their permanent residence, as follows:

Subsection (a) provides a basic \$5,000 exemption to all qualified homeowners.

Subsection (b) prohibits the granting of more than one exemption to any one person or the granting of an exemption that is in excess of the total assessed value of the property.

Subsection (c) increases the exemption to \$25,000 for school district levies for all qualified homestead owners and to \$10,000 for all other ad valorem tax levies if the homestead owner has attained age 65 or is totally and permanently disabled and is not entitled to the exemption provided in subsection (d).

Subsection (d) increases the exemption to \$25,000 for non-school district levies. This subsection further provides that the increase is not applicable upon the effective date of any amendment to Article VII, Section 4 of the Florida Constitution that would authorize the assessment of homestead property at a specified percentage of its just value. A third provision of subsection (d) disallows the increased exemption in counties in which the tax roll has not been certified as in compliance with Section 4, Article VII, of the Florida Constitution.

Section 196.031, F.S., primarily implements homestead exemption, although other statutory sections provide specific procedures and conditions, e.g., 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 renting homestead property. Additionally, four sections of chapter 196, F.S., provide for additional homestead exemptions as follows:

- Section 196.075, F.S., provides counties and municipalities with the option of granting an additional \$25,000 exemption to persons 65 and older whose household income does not exceed \$20,000;
- Section 196.081, F.S., exempts the homesteads of certain permanently and totally disabled veterans and surviving spouses of certain veterans;
- Section 196.091, F.S., exempts the homesteads of disabled veterans confined to wheelchairs; and
- Section 196.101, F.S., exempts the homestead of certain totally and permanently disabled persons.

Section 197.242, F.S., establishes the “Homestead Property Tax Deferral Act.” Section 197.252, F.S., provides for deferral of ad valorem taxes for qualified individuals. Ad valorem tax deferral is available to any homeowner whose tax burden is greater than five percent of household income, and homeowners over 70 years of age whose tax burden is greater than three percent of the household income. Social security income is not included in this calculation. Participation in the tax deferral plan varies by county.

Pursuant to s. 193.155(4)(a), F.S., changes, additions or improvements to homestead property shall be assessed at just value as of the first January 1 after the changes, additions, or improvements are substantially completed. Under current law, if the property is a homestead limited by the Save Our Homes amendment, the additional value attributed to the improvement is put on the roll at just value and the cap separately applied to the existing home and the new construction in future years.

III. Effect of Proposed Changes:

The bill contains a joint resolution proposing a constitutional amendment to give counties the option of reducing the assessed value of homestead property resulting from the construction or reconstruction of property for the purposes of housing the natural or “adoptive” parents or grandparents of the owner of the property or the owner’s spouse. To qualify for the exemption the individual for whom the living quarters are provided must be 62 years of age or older.

The reduction in property assessment cannot exceed the lesser of:

1. The increase in the assessed value resulting from construction or reconstruction of the property.
2. Twenty percent of the total assessed value of the property as improved.

If passed, the Senate Joint Resolution will be submitted to the electors at the next general election or at an earlier special election authorized by law for that purpose.

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

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

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

The Impact Conference estimates that the maximum statewide impact on local ad valorem taxes of the constitutional amendment would be \$4.5 million recurring loss, based on the 2002 tax roll. In making this estimate, the Impact Conference assumed that family composition data for the United States as a whole generally applied to Florida, and that the county option for implementing the reduction applied to all ad valorem taxes levied within the county, not just those levied by the county government.

B. Private Sector Impact:

This bill may result in more individuals housing their elderly parents or grandparents within their homestead as an alternative to other arrangements, such as placing their parents or grandparents in an assisted living facility or nursing home.

C. Government Sector Impact:

The Division of Elections estimates that the cost to advertise the proposed constitutional amendment twice in a newspaper of general circulation in each county prior to the 2002 general election will be \$58,800.

County Property Appraisers may experience increased administrative costs associated with the implementation of the reduction in assessment of homestead property for the construction or reconstruction of living quarters for parents and grandparents.

This constitutional amendment, if approved by the voters and implemented by the Legislature, would disequalize education funding in the state. Any county that adopts the proposed exemption will reduce its property tax base with respect to the required local effort for the Florida Education Funding Program. Taxpayers in counties that decline to adopt the exemption will subsidize taxpayers in counties that adopt it.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.