

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 1343                      Relating to Ad Valorem Taxes  
**SPONSOR(S):** Antone  
**TIED BILLS:**    **IDEN./SIM. BILLS:**

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Business Regulation</u>	_____	<u>Gallen</u>	<u>Liepshutz</u>
2) <u>Judiciary</u>	_____	_____	_____
3) <u>Finance &amp; Tax</u>	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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**SUMMARY ANALYSIS**

Section 193.155, F.S., provides that real property must be reassessed at just value upon a change of ownership. The county property appraiser must conduct reassessments as of January 1 of the year following a change in ownership.

The bill provides that a seller of residential property must provide the purchaser a disclosure form that notifies the purchaser that the property tax on that property may increase due to reassessment of property value.

The bill will put purchasers of residential property on notice that the property taxes of the purchased property are subject to increase.

The bill will not have a fiscal impact on the state.

The bill takes effect July 1, 2004.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. DOES THE BILL:

- |                                      |   |                             |   |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government?                | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes?                      | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom?        | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 5. Empower families?                 | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

#### B. EFFECT OF PROPOSED CHANGES:

##### Current Situation

Section 193.155, F.S., provides that real property must be reassessed at just value<sup>1</sup> after a change in property ownership.<sup>2</sup> The county property appraiser must conduct reassessments as of January 1 of the year following a change in ownership. When the just value in the real property increases the annual taxes on that property will also increase.

Section 4(c), Art. VII, of the Florida Constitution limits the increase in assessment of homestead property to not exceed the lower of 3 percent or the percentage change in the Consumer Price Index

Currently, the law does not require disclosure by a seller notifying the purchaser that the property is subject to reassessment of just value or that the property taxes may increase. Disclosures that are required by sellers prior to sale include; Notice of Homeowner's Association, Lead-Based Paint Hazard, Radon Gas, Community Development District, Coastal Construction Zone, and Energy-Efficiency Rating.

##### Effect of Proposed Changes

The bill provides that a seller of residential property must provide the purchaser a disclosure form that notifies the purchaser that the property tax on that property may increase due to reassessment of the just value of the property.

The disclosure form must be substantially similar to the following:

##### DISCLOSURE OF AD VALOREM TAX RAMIFICATIONS

You are purchasing land on which a residence is located. As with all nonexempt land and buildings, the property is subject each year to property taxes levied by various taxing authorities, such as counties, municipalities, and school boards. However, as explained below, your property taxes in subsequent years may be

<sup>1</sup> "Just value" means market value.

<sup>2</sup> "Change of ownership" means any sale, foreclosure, or transfer of legal title or beneficial title in equity to any person, except as provided in this subsection. There is no change of ownership if: (a) Subsequent to the change or transfer, the same person is entitled to the homestead exemption as was previously entitled and: 1. The transfer of title is to correct an error; or 2. The transfer is between legal and equitable title; (b) The transfer is between husband and wife, including a transfer to a surviving spouse or a transfer due to a dissolution of marriage; (c) The transfer occurs by operation of law under s. 732.4015; or (d) Upon the death of the owner, the transfer is between the owner and another who is a permanent resident and is legally or naturally dependent upon the owner. S. 193.155, F.S.

substantially more than the taxes paid in recent years by the seller.

Florida's State Constitution and laws limit the amount by which the value of homestead property can increase each year for tax purposes. This limitation is known as the "Save Our Homes" cap.

As time goes on, the "just" value or "market" value of a home can increase at a higher rate than the "taxable" value because the Save Our Homes cap limits the rate at which the taxable value can increase. However, when the property is sold to a new owner, by law the taxable value is reassessed and, in many cases, raised to "just" or "market" value. The result is that property taxes on the same home can be substantially higher for a buyer than they were for the seller.

The bill will put all purchasers of residential property on notice that the property taxes of the purchased property may be increased.

C. SECTION DIRECTORY:

Section 1: Creates s. 689.28, F.S.; requires a seller of residential property to provide to the purchaser a disclosure form that states that the property may be subject to an ad valorem tax increase.

Section 1: Provides an effective date of July 1, 2004.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill will require sellers of residential property to provide a disclosure form when selling their residential property.

D. FISCAL COMMENTS:

None

### **III. COMMENTS**

#### **A. CONSTITUTIONAL ISSUES:**

##### **1. Applicability of Municipality/County Mandates Provision:**

Not Applicable. This bill does not affect municipal or county governments.

##### **2. Other:**

#### **B. RULE-MAKING AUTHORITY:**

None

#### **C. DRAFTING ISSUES OR OTHER COMMENTS:**

None

### **IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES**