

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.)

Prepared By: Government Efficiency Appropriations Committee

BILL: CS/ SB 832

SPONSOR: Agriculture Committee and Senators Smith and Haridopolos

SUBJECT: Obsolete Agricultural Equipment

DATE: March 14, 2005

REVISED: 3/17/05

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Weidenbenner	Poole	AG	Fav/CS
2.	Fournier	Johansen	GE	Fav/1 amendment
3.				
4.				
5.				
6.				

Please see last section for Summary of Amendments

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Technical amendments were recommended

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Amendments were recommended

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Significant amendments were recommended

I. Summary:

This bill characterizes certain agricultural equipment as being obsolete and provides that such equipment will be assessed at salvage value for ad valorem tax purposes.

This bill creates a new section of the Florida Statutes.

II. Present Situation:

For ad valorem tax purposes, taxpayers owning agricultural equipment must file an annual return to report equipment owned as of January 1st of each year. The county property appraiser is required to assess the value of property at a just valuation which has been held to mean 100% of fair market value. The Florida Department of Revenue adheres to life expectancy guidelines that establish a 10 year life for agriculture, machinery and equipment, which results in agricultural equipment being assessed at salvage value after it is ten years old. Agricultural equipment that is less than ten years old but is not commonly used by the taxpayer for a variety of reasons is assessed at fair market value rather than salvage value.

III. Effect of Proposed Changes:

Section 1. Creates an unnumbered section of the Florida Statutes which provides that:

(1) obsolete agricultural equipment shall be assessed for ad valorem property tax purposes at salvage value. "Agricultural equipment" is defined as that equipment that qualifies for the sales tax exemption provided in s. 212.08(3), F.S., whether purchased in Florida or outside the state. Agricultural equipment will be considered obsolete if it is no longer commonly used by the taxpayer in agricultural production.

(2) a taxpayer must claim this right of assessment by filing a return and the property appraiser may require additional information to establish the taxpayer's right to have such property classified as obsolete.

Section 2. Provides that this act shall take effect upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

B. By providing for the assessment of obsolete agricultural equipment at salvage value, the bill is anticipated to reduce the municipalities' and counties' property tax base, thereby reducing their revenue-raising authority. As such, this bill could fall 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. However, the bill's estimated impact on local revenue is (\$.9) million, and therefore is deemed insignificant and not subject to the two-thirds vote requirement.

C. Public Records/Open Meetings Issues:

None.

D. Trust Funds Restrictions:

None.

E. Other Constitutional Issues:

Section 4, Article VII of the Florida Constitution states that "By general law regulations shall be prescribed which shall secure a just valuation of all property for ad valorem taxation,....." The Florida Supreme Court has consistently held that all property is subject to ad valorem taxation unless it is constitutionally exempted, and that "just valuation" of property for ad valorem tax purposes is synonymous with 100 % of "fair market value." This bill, as written, may violate this standard.

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

The Revenue Estimating Conference projects that the reduced assessment for obsolete agricultural equipment would result in a loss of local revenue on an annualized basis of \$.9 million for FY 2005-06 and FY 2006-07, assuming that local governments do not make offsetting changes in their millage rates.

B. Private Sector Impact:

This bill reduces the ad valorem taxes imposed on agricultural equipment that meets the statutory definition of obsolete.

C. Government Sector Impact:

This bill reduces the value of property subject to ad valorem taxation by local governments.

VI. Technical Deficiencies:

The bill provides that agricultural equipment shall be considered obsolete if it is no longer used *by the taxpayer* in agricultural production. (Emphasis added.) This language may allow agricultural equipment that is used by someone other than the taxpayer in agricultural production to be considered obsolete, even though it is still used for the purpose for which it was designed.

VII. Related Issues:

None.

VIII. Summary of Amendments:

Barcode 105730 by Government Efficiency Appropriations

This amendment provides that agricultural equipment is obsolete if it is no longer commonly used in agricultural production.

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