

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HJR 631 World War II Permanently Disabled Veterans' Discount on Homestead
Ad Valorem Tax
SPONSOR(S): Sansom and others
TIED BILLS: **IDEN./SIM. BILLS:** SJR 194

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Military & Veteran Affairs Committee	7 Y, 0 N	Marino	Cutchins
2) Finance & Tax Committee			
3) State Administration Council			
4) _____			
5) _____			

SUMMARY ANALYSIS

House Joint Resolution 631, if approved by the electorate, would allow certain disabled veterans of World War II to receive a discount from the amount of the ad valorem tax otherwise owed on homestead property. In order to qualify for this discount, the World War II veteran must demonstrate:

- He or she was a Florida resident at the time of entering the military service;
- The disability was combat-related; and
- The veteran was honorably discharged upon separation from military service.

The discount is in a percentage equal to the percentage of the veteran's permanent, combat-related disability, as determined by the U.S. Department of Veterans Affairs.

The Legislature may only grant property tax exemptions that are authorized in the constitution, and modifications to property tax exemptions must be consistent with the constitutional provision authorizing the exemption. Chapter 196, F.S., establishes a number of homestead property tax exemptions for permanently and totally disabled veterans and, in some cases, their spouses.

The Division of Elections estimates the cost to the state to be approximately \$50,000 to meet constitutional requirements to publish this joint resolution to the electorate.

This joint resolution will have an indeterminate negative effect on local government revenues; however, it is not expected to have a large fiscal impact on local government revenues.

This constitutional amendment, if approved, would take effect December 7, 2006, be self-executing, and not need implementing legislation.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure Lower Taxes - This joint resolution lowers taxes for certain disabled World War II veterans by allowing them to take a discount on their homestead property tax based on the percentage of their disability as determined by the United States Department of Veteran's Affairs.

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

Constitutional Amendments by Joint Resolution

Section 1 of Article XI of the State Constitution provides that a proposal to amend the constitution by joint resolution must be agreed to by three-fifths of the membership of each house of the Legislature. Section 5 of Article XI of the State Constitution provides for the submission of the proposed amendment to the electors for approval.

Property Tax Exemptions for Disabled Veterans

The Legislature may only grant property tax exemptions that are authorized in the constitution, and modifications to property tax exemptions must be consistent with the constitutional provision authorizing the exemption. Article VII, Section 3(b) of the State Constitution authorizes the Legislature to enact homestead exemptions "to every widow or widower or person who is blind or totally and permanently disabled." Chapter 196, F.S., establishes a number of homestead property tax exemptions for permanently and totally disabled veterans and, in some cases, their spouses.

Section 196.081, F.S., provides an exemption from taxation on homesteads owned by certain veterans who received a disability or died as a result of their military service. The surviving un-remarried spouses may receive this tax exemption upon the death of such veterans. The Department of Revenue (DOR) reported that in 2005, 30,080¹ parcels of property were exempted through this statute costing local governments across the state \$ 64,371,200 using an average statewide millage rate of 19.6 mills².

Section 196.091, F.S., provides an exemption from taxation on homesteads owned by certain ex-service members who have a service-connected total disability and are confined to a wheelchair. The surviving un-remarried spouses may receive this homestead tax exemption upon the death of such ex-service members as long as they reside on that property. The DOR reported that in 2005, 240³ parcels of property were exempted through this statute costing local governments across the state \$744,240.

Section 196.24, F.S., provides a reduction of \$5,000 off property values for homesteads owned by certain ex-service members who are disabled at a rate of 10% or more provided such disability occurred during wartime or through misfortune. The surviving un-remarried spouses may receive this property value reduction upon the death of such ex-service members if they had been married for 5 years. The DOR reported that in 2005, 89,583⁴ parcels of property took advantage of this statute costing local governments across the state \$ 8,779,134.

¹ Communication with Brian Jacobik, Florida Department of Revenue. February 10, 2006. Email on file with Committee on Military & Veteran Affairs.

² Id.

³ Id.

⁴ Id.

Incidentally, widows and widowers of deceased veterans would also be eligible for the \$500 homestead exemption in Article VII, s. 3(b) of the State Constitution allowed for all widows and widowers.

Effect of Proposed Changes:

This joint resolution would allow certain partially disabled veterans of World War II to receive a discount from the amount of the ad valorem tax otherwise owed on homestead property. In order to qualify for this discount, the World War II veteran must demonstrate:

- He or she was a Florida resident at the time of entering the military service;
- The disability was combat-related; and
- The veteran was honorably discharged upon separation from military service.

The discount is in a percentage equal to the percentage of the veteran's permanent, combat-related disability, as determined by the U.S. Department of Veterans Affairs.

Applicants for this discount are required to submit documentation supporting their eligibility to the county tax appraiser at least 180 days before the scheduled mailing of the current year's property tax notice. Required documentation includes the following:

- Proof of residency at the time of entering military service;
- Proof that the injury was combat-related; an official letter from the United States Department of Veteran's Affairs stating the percentage of the veteran's permanent disability; and
- A copy of the veteran's honorable discharge.

The joint resolution provides that if the property appraiser denies the request for a discount, the appraiser must notify the applicant in writing of the reasons for the denial, and the veteran may reapply.

The joint resolution provides ballot language and specifies that the amendment shall be submitted to the electors of Florida at the next general election or at an earlier special election specifically authorized for that purpose.

The DOR reported that in 2005, 89,583 partially disabled veterans used the reduction of property value provided in s. 196.24, F.S. The number of partially disabled veterans that would qualify for this joint resolution would be from this population. Since, the 89,583 includes veterans of all conflicts, the number of partially disabled World War II veterans, as specified in this joint resolution, would be a small portion of this number.

This constitutional amendment, if approved, would take effect December 7, 2006, be self-executing, and not need implementing legislation.

C. SECTION DIRECTORY:

Not Applicable.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This joint resolution does not appear to have a fiscal impact on state revenues.

2. Expenditures:

Non-Recurring

FY 2006-07

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This joint resolution will have an indeterminate but negative effect on local revenues. Expanding the class of people who are eligible to receive homestead tax exemptions will reduce the tax base upon which a local jurisdiction levies ad valorem taxes resulting in either a loss of revenue or an increase in the tax rate. The Revenue Estimating Conference has not yet provided an official estimate of the fiscal impact of the constitutional amendment proposed by the joint resolution, but it is expected to at some point.

The impact is indeterminate because, of the 248,000⁷ Floridians who served and fought in World War II, it is unknown:

- How many resided in Florida at the time they entered military service;
- How many were disabled and to what extent; and
- How many remain alive today.

Although, the number of eligible partially disabled veterans able to take advantage of this joint resolution is steadily decreasing more than 60 years after the war's end.

In addition, this joint resolution is not expected to have a large fiscal impact.

2. Expenditures:

This joint resolution does not appear to have a fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The table below shows what eligible disabled veterans saved in 2005 off their property taxes based on the current statutes and numbers provided by the DOR.

2005 Ad valorem Tax Exemptions for Certain Disabled Veterans*	Exemption Value ^{8**}	Parcels ^{9**}	Average Exemption Value per Veteran	Average Savings per Veteran
Section 196.081, F.S.: Total Exemption	\$3,285,135,432	30,080	\$109,213	\$2,140
Section 196.091, F.S.: Total Exemption	37,981,598	240	158,256	3,101
Section 196.24, F.S.: \$5,000 off property value		89,583	5,000	98

* using statewide average millage rate of 19.6mills¹⁰

**total statewide

Those partially disabled World War II veterans that this joint resolution would benefit could, depending on the extent of their disability rating, save hundreds of dollars a year on their homestead property taxes. For example, using the average exemption value of \$109,213 per veteran in 2005 under s.

⁵ See Art. XI, Sec. 5(d), Fla. Const.

⁶ Communication with Logan Mitchell, Department of State Division of Elections. February 10, 2006.

⁷ Florida Department of State Division of Historical Resources. [Florida's World War II Heritage Trail](#).

⁸ Communication with Brian Jacobik, Florida Department of Revenue. February 10, 2006. Email on file with Committee on Military & Veteran Affairs.

⁹ Id.

¹⁰ Id.

196.081, F.S., from the chart above, a disabled veteran with a 50-percent disability rating from the U.S. Department of Veteran's Affairs could be estimated to save approximately \$825¹¹.

D. FISCAL COMMENTS:

Article XI, s. 5(d) of the State Constitution requires the state to publish the proposed amendment along with notice of the date of the election at which it will be submitted before electors in one newspaper in each county in which a newspaper is published once in the tenth week and once in the sixth week immediately preceding the week the election is held. The Division of Elections estimates this cost to be approximately \$50,000¹² to meet the requirements of this provision.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provisions of Article VII, section 18 of the Florida Constitution do not apply to joint resolutions.

2. Other:

Article XI, s. 1 of the Florida Constitution, provides the Legislature the authority to propose amendments to the constitution by joint resolution approved by three-fifths of the membership of each house. The amendment must be placed before the electorate at the next general election held after the proposal has been filed with the Secretary of State's office or may be placed at a special election held for that purpose.

This constitutional amendment, if approved, would take effect December 7, 2006, be self-executing, and not need implementing legislation.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Amendments or revisions to the Florida Constitution may be proposed by joint resolution agreed to by three-fifths of the membership of each house of the Legislature.¹³ Passage in a committee requires a simple majority vote. If the joint resolution is passed in this session, the proposed amendment would be placed before the electorate at the 2006 general election, unless it is submitted at an earlier special election pursuant to a law enacted by an affirmative vote of three-fifths of the membership of each house of the Legislature and is limited to a single amendment or revision.¹⁴ Once in the tenth week, and once in the sixth week immediately preceding the week in which the election is held, the proposed amendment or revision, with notice of the date of election at which it will be submitted to the electors, must be published in one newspaper of general circulation in each county in which a newspaper is published.¹⁵

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.

¹¹ $((\$109,213 \text{ (avg. home value)} - \$25,000 \text{ (homestead tax exemption)}) \times 19.6 \text{ mills}) \times 50\% \text{ (disability rating)} = \825 savings

¹² Communication with Logan Mitchell, Department of State Division of Elections. February 10, 2006.

¹³ See Art. XI, Sec. 1, Fla. Const.

¹⁴ See Art. XI, Sec. 5(a), Fla. Const. The 2006 general election is on November 7, 2006.

¹⁵ See Art. XI, Sec. 5(c), Fla. Const.