HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 753 CS Homestead Tax Deferral
SPONSOR(S): Rivera
TIED BILLS: **IDEN./SIM. BILLS:** SB 1268

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee	9 Y, 0 N, w/CS	Monroe	Diez-Arguelles
2) Local Government Council		Camechis	Hamby
3) Fiscal Council			
4)			
5)			

SUMMARY ANALYSIS

Section 197.252, F.S. allows qualified persons to defer payment of property taxes on homestead property until ownership of the property has changed. The amount of taxes which can be deferred depends on the age and household income of the person deferring the taxes. Under current law:

- Any person may defer that portion of their tax bill which exceeds 5 percent of their household income.
- A person 65 or older may defer that portion of their tax bill which exceeds 3 percent of their household income.
- A person 70 or older whose household income is $12,000 or under may defer their entire tax bill.
- Any person with a household income under $10,000 may defer their entire tax bill.

Under this bill, a person 65 or older whose household income qualifies them for the additional homestead exemption under s. 196.075, F.S. may defer their entire tax bill. In 2006, the maximum qualified income under this statute is $23,463.

In addition, the maximum interest rate which can be charged on a tax certificate for deferred taxes will be lowered from 9.5 percent to 7 percent.

The Revenue Estimating Conference has not yet determined the official estimate of the impact of this bill. However, staff anticipates that the bill will have a small indeterminate negative impact to local revenues.

This bill has an effective date of January 1, 2007.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

This bill does not appear to implicate any of the house principles.

B. EFFECT OF PROPOSED CHANGES:

Current Situation

Section 197.252, F.S., allows people to defer payment of property taxes on homestead property until ownership of the property has changed. Under current law:

- Any person may defer that portion of their tax bill which exceeds 5 percent of their household income.
- A person 65 or older may defer that portion of their tax bill which exceeds 3 percent of their household income.
- A person 70 or older whose household income is $12,000 or under may defer their entire tax bill.
- Any person with a household income under $10,000 may defer their entire tax bill.

Under this program, payment of both ad valorem taxes and some non ad-valorem assessments may be deferred. Taxes cannot be deferred if the value of the primary mortgage is greater than 70 percent of the just value of the property or if all unsatisfied debt on the property, including deferred taxes, exceeds 85 percent of the just value of the homestead.

A tax certificate is issued to the county for any taxes deferred under this statute. The county then holds these certificates until such time as the taxes become due and payable. These taxes become due and payable if ownership or use of the homesteaded property changes or if all unsatisfied liens on the property grow to an amount which exceeds 85% of the property's just value.

During the time the county holds the certificates, interest is accrued at a rate of "0.5 percent plus the average yield to maturity of the long-term fixed-income portion of the Florida Retirement System investments as of the end of the quarter preceding the date of the sale of the deferred payment tax certificates; however, the interest rate may not exceed 9.5 percent."[1] In 2005 this interest rate was 5.59 percent.

Proposed Changes

Under this bill, the payment of the entire tax bill could be deferred by individuals who are 65 or older and have a household income that would qualify them for the additional homestead exemption for low income seniors, governed by s. 196.075, F.S., which reads:

> (2) . . . .any person . . . who has attained age 65, and whose household income does not exceed $20,000.
>
> (3) Beginning January 1, 2001, the $20,000 income limitation shall be adjusted annually, on January 1, by the percentage change in the average cost-of-living index in the period January 1, through December 31 of the immediate prior year compared with the same period for the year prior to that. The index is the average of the monthly consumer-price-index figures for the state 12-month

[1] s. 197.262(2), F.S.

period, relative to the United States as a whole, issued by the United States Department of Labor.

In 2006, the maximum qualified income under this statute is $23,463.

Thus, if this bill passes, the amount of taxes which may be deferred by an individual would change so that:

- Any person may defer that portion of their tax bill which exceeds 5 percent of their household income.
- A person 65 or older may defer that portion of their tax bill which exceeds 3 percent of their household income.
- A person 65 or older whose household income qualifies them for the additional homestead exemption under s. 196.075, F.S., may defer their entire tax bill.
- Any person with a household income under $10,000 may defer their entire tax bill.

In addition, the maximum interest rate which can be charged on a tax certificate for deferred taxes will be lowered from 9.5 percent to 7 percent.

C. SECTION DIRECTORY:

Section 1. Amends s. 197.252, F.S., changing the eligibility criteria for participating in the tax deferral program.

Section 2. Provides that the bill shall take effect January 1, 2007.

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: This bill will allow qualified seniors to defer payment of their property taxes until such time as their property experiences a change in ownership. As such, it may delay the collection of some taxes. However, it will not reduce local revenue raising capacity on the whole and the amount of taxes deferred under this program should be minimal.

   In addition, the maximum interest rate which can be charged on a tax certificate for deferred taxes will be lowered from 9.5 percent to 7 percent.

2. Expenditures: None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill will allow qualified low income seniors to defer the payment of their property taxes allowing them another option in managing their financial needs.

D. FISCAL COMMENTS: None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision of the State Constitution is not applicable because: this bill does not require cities or counties to spend funds or take actions requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other: None

B. RULE-MAKING AUTHORITY: Not applicable.

C. DRAFTING ISSUES OR OTHER COMMENTS: None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 10, 2006, the Finance and Tax Committee adopted a strike everything amendment to the bill. The amendment reworded the bill to conform to the language of its Senate companion. In addition, the amendment lowered the maximum interest rate which can be charged on a tax certificate for deferred taxes from 9.5 percent to 7 percent.