# HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HB 571 Ad Valorem Tax Exemption for Nonprofit Homes for the Aged
**SPONSOR(S):** Local Administration & Veterans Affairs Subcommittee, Smith, D.
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1330

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR or BUDGET/POLICY CHIEF |
|---|---|---|---|
| 1) Local Administration & Veterans Affairs Subcommittee | 17 Y, 0 N, As CS | Darden | Miller |
| 2) Ways & Means Committee | | | |
| 3) State Affairs Committee | | | |

## SUMMARY ANALYSIS


Florida law exempts from ad valorem taxation property used as a home for the aged by certain non-profit corporations, if at least 75 percent of the occupants of the facility are over the age of 62 years or totally and permanently disabled. The exemption also applies to the extent these properties are used exclusively for the conduct of religious services or to rendering of nursing or medical services.

In addition, individual units and apartments in such a facility may be exempt from ad valorem taxation if the units of apartments are reserved for, restricted to, or actually occupied by a permanent resident of the state who is at least 62 years of age or totally and permanently disabled who meets certain income qualifications.

The bill revises eligibility for the ad valorem tax exemption for property used as a home for the aged by non-profit corporations to include property owned by a Florida limited partnership where an entity wholly owned by a corporation not-for-profit under ch. 617, F.S. is the sole general partner.

## FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

**Background**

Florida law exempts from ad valorem taxation property used as a home for the aged by certain non-profit corporations.[1] In order to qualify for the exemption, the following criteria must be met:

- The applicant for exemption must be qualified as a 501(c)(3) exempt charitable organization under federal law by January 1 of the year it requests to be exempt from Florida ad valorem taxation; and either:
  - A corporation not-for-profit pursuant to ch. 617, F.S.; or
  - A Florida limited partnership, the sole general partner of which is a corporation not-for-profit pursuant to ch. 617, F.S.; and
- 75 percent of the occupants of the facility must be over the age of 62 years or be totally and permanently disabled;
- Certain facilities must also acquire licensing by the Agency for Health Care Administration.[2]

Upon sufficient proof that the applicant meets the above criteria, the property appraiser will exempt the portions of the facility which are devoted exclusively to the conduct of religious services or the rendering of nursing or medical services.[3] In addition, the property appraiser may exempt individual units or apartments in the facility if residency in those units or apartments is reserved for or restricted to, or the unit or apartment is occupied by, a permanent resident of the state who is:

- An individual with a gross income[4] of no more than $34,374 per year who either at least 62 years of age or is totally and permanently disabled;
- A couple with a combined gross income of no more than $38,590 per year, or the surviving spouse of such a couple, if the surviving spouse lived with the deceased at the time of the deceased's death in a home for the aged, at least one of whom must be at 62 years of age or is totally and permanently disabled; or
- A totally and permanently disabled veteran who meets the requirements of s. 196.081, F.S.[5]

If any portion of the facility is used for a non-exempt purpose, those portions may be valued and placed upon the tax rolls separately from any portion entitled to the exemption.[6] Common areas of the home are exempt from taxation as long at least 25 percent of the units or apartments of the home are restricted to or are occupied by persons who meet the income requirements.[7]

In order to demonstrate to the property appraiser the facility is qualified for the exemption, the facility must annually file an application for exemption with the property appraiser.[8] The facility must also file an affidavit from each person residing in a unit or apartment in the facility that meets the disability or income requirements described above.[9] The person signing the affidavit must attest that he or she resides in the unit or apartment claiming the exemption and, in good faith, makes that unit or apartment his or her permanent residence.[10]

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[1] Fla. Const. ss. 3(a), 6(c), art. VII, implemented by s. 196.1975, F.S.
[2] Ss. 196.1975(1)-(2), F.S. Licensure by the Agency for Health Care Administration is required for facilities that furnish medical facilities or nursing services to residents or that qualifies as an assisted living facility under ch. 429, F.S. Ss. 196.1975(2)(a)-(b), F.S.
[3] S. 196.1975(3), F.S.
[4] Social security benefits are considered gross income for the purposes of this exemption. S. 196.1975(6), F.S.
[5] S. 196.1975(4)(a), F.S. Statute defines the maximum income limitation as $7,000 (for individuals) or $8,000 (for couples) in the year the provision was passed (1977), adjusted annually by the percentage change in U.S. Department of Labor's cost-of-living index. *See* s. 196.1975(4)(a)-(b). The values above reflect those present adjustments for 2021. Fla. Dept. of Revenue, *Cost of Living Adjustments*, https://floridarevenue.com/property/Documents/CostofLivingAdjust.pdf (last accessed Mar. 4, 2021).
[6] S. 196.1975(11), F.S.
[7] S. 196.1975(8), F.S.
[8] S. 196.1975(9)(b), F.S. This application is known as a DR-504HA form. Fla. Dept. of Revenue, *Property Tax Oversight Forms*, https://floridarevenue.com/property/pages/forms.aspx (last accessed Mar. 4, 2021).
[9] S. 196.1975(9)(b), F.S. This application is known as a DR-504S form.
[10] *Id*.

**Effect of Proposed Changes**

The bill revises eligibility for the ad valorem tax exemption for property used as a home for the aged by non-profit corporations to include property owned by a Florida limited partnership where an entity wholly owned by a corporation not-for-profit under ch. 617, F.S. is the sole general partner.

B. SECTION DIRECTORY:

Section 1: Amends s. 196.1975, F.S., revising criteria for the ad valorem taxation exemption for property used by non-profit homes for the aged.

Section 2: Provides an effective date of January 1, 2022.

## 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:

   The Revenue Estimating Conference estimates the provisions of the bill will reduce local government revenue by between approximately $53,000 and $534,000, beginning in fiscal year 2022-23, with a middle estimate of approximately $267,000.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may enable additional homes for the aged operated by non-for-profit corporations to qualify for the exemption.

D. FISCAL COMMENTS:

None.

## III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   The county/municipality mandates provision of Art. VII, s. 18, of the Florida Constitution may apply because this bill may enable additional homes for the aged operated by a non-for-profit corporation to qualify for an ad valorem tax exemption. However, an exemption may apply if the fiscal impact of the bill is insignificant.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

The bill neither provides authority for nor requires rulemaking by executive branch agencies.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

## IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 11, 2021, the Local Administration & Veterans Affairs Subcommittee adopted an amendment and reported the bill favorably as a committee substitute. The amendment removed the reduction in the minimum age requirement for the exemption for a unit or apartment occupied by a couple.

This analysis is drafted to the committee substitute as passed by the Local Administration & Veterans Affairs Subcommittee.