

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HJR 923 Ad Valorem Tax Exemption
SPONSOR(S): Local Administration & Veterans Affairs Subcommittee, Fischer
TIED BILLS: HB 1503 **IDEN./SIM. BILLS:** SJR 1266

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local Administration & Veterans Affairs Subcommittee	11 Y, 3 N, As CS	Leshko	Miller
2) Ways & Means Committee			
3) State Affairs Committee			

SUMMARY ANALYSIS

The Florida Constitution requires all real estate or tangible personal property to be assessed at just value (i.e. market value) as of January 1 of each year for purposes of ad valorem taxation. Ad valorem assessments are used to calculate property taxes that fund counties, municipalities, school districts, and special districts. The taxable value against which local governments levy tax rates each year reflects the just value as reduced by applicable exceptions and exemptions allowed by the Florida Constitution. One such exemption is on the first \$25,000 of assessed value of a homestead property, which is exempt from all taxes. A second homestead exemption is on the assessed value between \$50,000 and \$75,000, which is exempt from all taxes other than school district taxes.

The joint resolution proposes amending art. VII, s. 6 of the Florida Constitution to allow for an additional ad valorem taxation exemption up to \$25,000 on a homestead property with an assessed value that is greater than \$50,000. The joint resolution further allows for the periodic increase in the additional \$25,000 exemption as provided by general law. Additionally, the joint resolution adds a new section to art. XII of the Florida Constitution providing that the new section and the amendments to art. VII, s. 6, take effect January 1, 2023.

Each chamber of the Legislature must pass a joint resolution by a three-fifths vote in order for the proposal to be placed on the ballot. The joint resolution provides for the proposed constitutional amendment to be submitted to the electors of Florida for approval or rejection at the next general election or at an earlier special election specifically authorized by law for that purpose.

A joint resolution proposing an amendment to the State Constitution must be passed by three-fifths of the membership of each house of the Legislature.

The Constitution requires 60 percent voter approval for passage of a proposed constitutional amendment.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

Property Tax

Ad valorem tax or “property tax” is an annual tax levied by counties, municipalities, school districts, and some special districts.¹ The tax is based on the taxable value of property as of January 1 of each year.² The property appraiser annually determines the assessed or “just value”³ of property within the taxing authority and then applies relevant exclusions, assessment limitations, and exemptions to determine the property’s “taxable value.”⁴ The property appraiser then submits the certified assessment roll to the tax collector.⁵ The tax collector sends out a tax notice to each taxpayer stating the amount of current taxes due within 20 business days after receiving the certified ad valorem tax roll.⁶ All taxes are due and payable on November 1st of each year and become delinquent on the following April 1.⁷

In order to arrive at the just valuation of ad valorem taxation property contemplated in s. 4, Art. VII, Fla. Const., Florida law provides that property appraisers take into consideration the following eight criteria:

- Present cash value of the property;
- The highest and best use to which the property can be expected to be put in the immediate future and present use;
- Location;
- Quantity or size;
- Cost and present replacement value of any improvements;
- Condition;
- Income; and
- Net proceeds of the sale of the property.⁸

While the just valuation standard generally requires the property appraiser to consider the highest and best use of property,⁹ the Florida Constitution authorizes certain types of property to be valued based on current use (classified use assessments), which often result in lower assessments.¹⁰ Properties receiving classified use treatment in Florida include agricultural land, land producing high water recharge to Florida’s aquifers, land used exclusively for non-commercial recreational purposes,¹¹ land used for conservation purposes,¹² historic properties when authorized by the county or municipality,¹³ and certain working waterfront property.¹⁴

¹ Art. VII, s. 9(a), Fla. Const.; The Florida Constitution prohibits the state from levying ad valorem taxes. Art. VII, s. 1(a), Fla. Const.

² S. 193.155(1); Both real property and tangible personal property are subject to ad valorem tax. Art. VII, Fla. Const.; “Real property” is defined as land, buildings, fixtures, and all other improvements to land. S. 192.001(12), F.S.; “Tangible personal property” is defined as all goods, chattels, and other articles of value capable of manual possession and whose chief value is intrinsic to the article itself. S. 192.001(11)(d), F.S.

³ Property must be valued at “just value” for purposes of property taxation, unless the Florida Constitution provides otherwise. Art. VII, s. 4, Fla. Const.; Just value has been interpreted by the courts to mean the fair market value that a willing buyer would pay a willing seller for the property in an arm’s-length transaction. See *Walter v. Shuler*, 176 So. 2d 81 (Fla. 1965); *Deltona Corp. v. Bailey*, 336 So. 2d 1163 (Fla. 1976); and *Southern Bell Tel. & Tel. Co. v. Dade County*, 275 So. 2d 4 (Fla. 1973).

⁴ See s. 192.001(2) and (16), F.S.; The Florida Constitution limits the Legislature’s authority to provide for property valuations at less than just value, unless expressly authorized. Art. VII, s. 4, Fla. Const.

⁵ S. 197.322(1), F.S.

⁶ S. 197.322(3), F.S.

⁷ S. 197.333, F.S.

⁸ S. 193.011, F.S.

⁹ S. 193.011(2), F.S.

¹⁰ Art. VII, s. 4, Fla. Const.

¹¹ Art. VII, s. 4(a), Fla. Const.

¹² Art. VII, s. 4(b), Fla. Const.

¹³ Art. VII, s. 4(e), Fla. Const.

¹⁴ Art. VII, s. 4(j), Fla. Const.

Homestead Exemption

Every person who, on January 1, has legal or equitable title to real property who in good faith makes the property (homestead property) their permanent residence or the permanent residence of another or others legally or naturally dependent upon them, is eligible for a tax exemption of up to \$25,000 of the assessed value of the property.¹⁵ An additional exemption applies to the assessed value of homestead property greater than \$50,000 up to \$75,000. This additional exemption does not apply to ad valorem taxes levied by school districts.¹⁶

Effect of Proposed Changes

The joint resolution proposes amending art. VII, s. 6 of the Florida Constitution to allow for an additional ad valorem taxation exemption up to \$25,000 on a homestead property with an assessed value that is greater than \$50,000. The joint resolution further allows for the periodic increase in the additional \$25,000 exemption as provided by general law. Additionally, the joint resolution adds a new section to art. XII of the Florida Constitution providing that the new section and the amendments to art. VII, s. 6, take effect January 1, 2023. The joint resolution must pass each chamber with a three-fifths vote before it may be placed on the ballot. Thereafter, it must be approved by at least 60 percent of the electors voting on the measure.

B. SECTION DIRECTORY:

Not applicable.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

Article XI, s. 5(d) of the Florida Constitution requires publication of a proposed amendment in a newspaper of general circulation in each county. The Division of Elections must advertise the full text of the amendment twice in a newspaper of general circulation in each county where the amendment will appear on the ballot. The Division must also provide each supervisor of elections with either booklets or posters displaying the full text of each proposed amendment.¹⁷

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

¹⁵ Art. VII, s. 6(a), Fla. Const.; s. 196.031(1)(a), F.S.

¹⁶ Art. VII, s. 6(a), Fla. Const.; See also S. 196.031(1)(b), F.S.

¹⁷ S. 101.171, F.S.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The mandates provision applies only to general laws, not a joint resolution to amend the Constitution.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill neither authorizes nor requires administrative rulemaking by executive branch agencies.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 25, 2022, the Local Administration & Veterans Affairs Subcommittee adopted a proposed committee substitute and reported the bill favorably as a committee substitute. The joint resolution clarifies that homestead properties with an assessed valuation greater than \$50,000 may receive an ad valorem tax exemption of up to \$25,000 and allows for the periodic increase in that amount by general law.

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