

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Finance and Tax

BILL: CS/CS/SB 1684

INTRODUCER: Finance and Tax Committee; Community Affairs Committee; and Senator Collins

SUBJECT: Property Tax Exemption of Ex-servicemembers

DATE: February 15, 2024

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Hackett</u>	<u>Ryon</u>	<u>CA</u>	Fav/CS
2.	<u>Shuler</u>	<u>Khan</u>	<u>FT</u>	Fav/CS
3.	_____	_____	<u>AP</u>	_____

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/CS/SB 1684 provides that a veteran or such veteran's unremarried surviving spouse is eligible for an additional \$10,000 ad valorem homestead tax exemption if the veteran has been awarded the Purple Heart medal or any of the 9 additional listed medals of superior precedence.

The bill specifies qualification and application requirements, and authorizes appeals of denials and application before documentation has been received.

The bill will take effect on the effective date of the constitutional amendment proposed by CS/SJR 1686, or a similar joint resolution having substantially the same specific intent and purpose.

II. Present Situation:

General Overview of Property Taxation

The ad valorem tax or "property tax" is an annual tax levied by counties, municipalities, school districts, and some special districts. The tax is based on the taxable value of property as of

January 1 of each year.¹ The property appraiser annually determines the “just value”² of property within the taxing authority and then applies relevant exclusions, assessment limitations, and exemptions to determine the property’s “taxable value.”³ Property tax bills are mailed in November of each year based on the previous January 1 valuation.⁴ If a taxpayer furnishes the outstanding taxes within 30 days after the tax collector mailed the tax notice, the taxpayer will receive a 4 percent discount on the total amount of taxes due.⁵ The full amount of taxes is due by March 31 of the following year.⁶

The Florida Constitution prohibits the state from levying ad valorem taxes,⁷ and it limits the Legislature’s authority to provide for property valuations at less than just value, unless expressly authorized.⁸

Homestead Exemptions

The Florida Constitution establishes homestead protections for certain residential real estate in the state in three distinct ways. First, it provides homesteads, property owned and maintained as a person’s primary residence, with an exemption from taxes.⁹ Second, the homestead provisions protect the homestead from forced sale by creditors.¹⁰ Third, the homestead provisions delineate the restrictions a homestead owner faces when attempting to alienate or devise the homestead property.¹¹

Every person having legal or equitable title to real estate and who maintains a permanent residence on the real estate is deemed to establish homestead property. Homestead property is eligible for a \$25,000 tax exemption applicable to all ad valorem tax levies, including levies by school districts.¹² An additional \$25,000 exemption applies to homestead property value between \$50,000 and \$75,000. This exemption does not apply to ad valorem taxes levied by school districts.¹³

¹ Both real property and tangible personal property are subject to tax. Section 192.001(12), F.S., defines “real property” as land, buildings, fixtures, and all other improvements to land. Section 192.001(11)(d), F.S., defines “tangible personal property” as all goods, chattels, and other articles of value capable of manual possession and whose chief value is intrinsic to the article itself.

² Property must be valued at “just value” for purposes of property taxation, unless the Florida Constitution provides otherwise. FLA. CONST. Art VII, s. 4. 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, e.g., Walter v. Schuler*, 176 So. 2d 81 (Fla. 1965); *Deltona Corp. v. Bailey*, 336 So. 2d 1163 (Fla. 1976); *S. Bell Tel. & Tel. Co. v. Dade Cnty.*, 275 So. 2d 4 (Fla. 1973).

³ *See* ss. 192.001(2) and (16), F.S.

⁴ Section 197.322, F.S.; *see also* Florida Department of Revenue, Florida Property Tax Calendar, *available at* <https://floridarevenue.com/property/Documents/taxcalendar.pdf> (last visited Feb. 7, 2024).

⁵ Section 197.162, F.S.; *see also* Florida Department of Revenue, Tax Collector Calendar, *available at* <https://floridarevenue.com/property/Documents/tccalendar.pdf> (last visited Feb. 7, 2024).

⁶ Section 197.333, F.S.

⁷ FLA. CONST. art. VII, s. 1(a).

⁸ *See* FLA. CONST. art. VII, s. 4.

⁹ FLA. CONST. art. VII, s. 6.

¹⁰ FLA. CONST. art. X, s. 4.

¹¹ *Id.* at (c).

¹² FLA. CONST. art. VII, s. 6(a).

¹³ *Id.*

Annual Application

Each person or organization meeting the criteria for an ad valorem tax exemption may claim the exemption if the claimant held legal title to the real or personal property subject to the exemption on January 1.¹⁴ The application for exemption must be filed with the property appraiser on or before March 1, and failure to make an application constitutes a waiver of the exemption for that year.¹⁵ The application must list and describe the property for which the exemption is being claimed and certify the ownership and use of the property.¹⁶ The claimant must reapply for the exemption on an annual basis unless the property appraiser (subject to approval by a vote of the governing body of the county) has waived the annual application requirement for a property after an initial application is made and the exemption granted.¹⁷

Exemption for Veterans with Total and Permanent Service-Connected Disability

The homestead property of a veteran who was honorably discharged with a service-connected total and permanent disability is exempt from taxation.¹⁸ To qualify for this exemption, the veteran must be a permanent resident of the state on January 1 of the tax year for which exemption is being claimed or must have been a permanent resident of this state on January 1 of the year the veteran died.¹⁹ If the veteran predeceases their spouse, the spouse may continue to receive the exemption as long as the property remains the homestead property of the spouse, and the spouse is unmarried.²⁰

A totally and permanently disabled veteran, or his or her surviving spouse, who acquires legal or beneficial title to property between January 1 and November 1, may receive a prorated refund of the ad valorem taxes paid for the newly acquired property as of the date of the property transfer provided they were eligible for and granted the exemption on another homestead property in the previous tax year.²¹

Tax Discount on Homestead Property for a Combat-disabled Veteran

In addition to the property tax exemptions described above, certain combat-disabled veterans are entitled to a discount on their homestead property taxes.²² The discount is calculated as a percentage equal to the percentage of the veteran's permanent, service-connected disability.²³ The discount is applied as a reduction to the taxable value of the homestead property.²⁴

To qualify for the tax discount, the veteran must:

- Be aged 65 or older;

¹⁴ Section 196.011(1)(a), F.S.

¹⁵ Section 196.011(1), F.S. But see s. 196.011(7) and (8) for conditions when the exemption may be granted if an application is filed after March 1.

¹⁶ Section 196.011(1)(a), F.S.

¹⁷ Section 196.011(5) and (9)(a), F.S.

¹⁸ Section 196.081(1), F.S.

¹⁹ *Id.*

²⁰ Section 196.081(3), F.S.

²¹ Section 196.081(1)(b), F.S.

²² FLA. CONST. art. VII, s. 6(e); s. 196.082, F.S.

²³ Section 196.082(2), F.S.

²⁴ Section 196.082(6), F.S.

- Be partially or totally disabled with combat-related disabilities; and
- Have received an honorable discharge.²⁵

In addition to filing an application with the county tax appraiser for the discount, an eligible veteran must also provide to the tax appraiser by March 1:

- An official letter from the United States Department of Veterans Affairs which includes the percentage of the veteran's service-connected disability and evidence that reasonably identifies the disability as combat-related;
- A copy of the veteran's honorable discharge; and
- Proof of age as of January 1 of the year to which the discount will apply.²⁶

Armed Forces Decorations and Awards

George Washington established the first system for recognizing the heroic acts of military servicemembers on August 7, 1782.²⁷ When first established by George Washington during the Revolutionary War, the award was initially known as the Badge of Military Merit, then brought into its modern form as the Purple Heart in 1932.²⁸ It is a medal awarded to any member of the Armed Forces of the United States who, during service, has been wounded, was killed, or died of wounds received in any action or as the result of an act of any hostile foreign force.²⁹ Rather than being recommended for the honor, as with all other military decorations, a servicemember is entitled to the Purple Heart after meeting the set criteria.³⁰

On December 21, 1861, Abraham Lincoln established the next award, the Medal of Honor, which was initially for members of the Navy and Marine Corps, then later expanded to all services.³¹ Numerous decorations and awards have been created since then, but the Medal of Honor remains the highest military decoration that can be awarded by this nation.³² Behind the Medal of Honor, but superior in precedence to the Purple Heart, are The Navy Cross, The Air Force Cross, The Distinguished Service Cross, The Distinguished Service Medal with Combat V, The Silver Star, The Legion of Merit with Combat V, The Distinguished Flying Cross, and The Bronze Star with Combat V.³³

III. Effect of Proposed Changes:

The bill creates s. 196.083, F.S. to provide that a veteran or such veteran's unremarried surviving spouse is eligible for an additional \$10,000 ad valorem homestead tax exemption if the veteran has been awarded the Purple Heart medal or any of the 9 listed medals of superior precedence, which are: The Medal of Honor, The Navy Cross, The Air Force Cross, The Distinguished

²⁵ Section 196.082(1), F.S.

²⁶ Section 196.082(3), F.S.

²⁷ AMERICAN FORCES INFORMATION SERVICE, ARMED FORCES DECORATIONS AND AWARDS, 1 (1992) available at <https://history.army.mil/moh/Armed-Forces-Decorations-and-Awards.pdf>

²⁸ *Id.*

²⁹ United State Army Human Resources Command, *Purple Heart*, Nov. 08, 2023, <https://www.hrc.army.mil/content/Purple%20Heart> (last visited Feb. 7, 2024).

³⁰ *Id.*

³¹ AMERICAN FORCES INFORMATION SERVICE, *supra* note 27.

³² *Id.*

³³ *See id.*, 22-31.

Service Cross, The Distinguished Service Medal with Combat V, The Silver Star, The Legion of Merit with Combat V, The Distinguished Flying Cross, and The Bronze Star with Combat V.

The bill specifies requirements for qualifying for and applying for the exemption. Applicants are authorized to appeal denials of the exemption by the property appraiser and may apply before receiving necessary documentation from the U.S. Government.

The bill will take effect on the effective date of the constitutional amendment proposed by CS/SJR 1686, or a similar joint resolution having substantially the same specific intent and purpose.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, s. 18(b) of the Florida Constitution provides that except upon the approval of each house of the Legislature by a two-thirds vote of the membership, the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989. The mandate requirement does not apply to laws having an insignificant impact, which for Fiscal Year 2024-2025 is forecast at approximately \$2.3 million.

The Revenue Estimating Conference has not reviewed the bill at this time.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

Article VII, s. 19 of the Florida Constitution requires that legislation that increases or creates taxes or fees be passed by a 2/3 vote of each chamber in a bill with no other subject. The bill does not increase or create new taxes or fees. Thus, the constitutional requirements related to new or increased taxes or fees do not apply.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference has not yet reviewed this bill.

B. Private Sector Impact:

If the proposed amendment (CS/SJR 1686) is approved by 60 percent of voters in November 2024, this bill will alter the population eligible for the tax exemption, with an uncertain aggregate impact.

C. Government Sector Impact:

If the proposed amendment (CS/SJR 1686) is approved by 60 percent of voters in November 2024, this bill will have a negative impact on local government revenues to the extent that it expands the number of veterans eligible for the tax exemption.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill creates section 196.083 of the Florida Statutes.

IX. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)**Committee Substitute by Finance and Tax on February 13, 2024:**

The committee substitute:

- Places the exemption in a newly created section of statute.
- Lists 9 medals in addition to the Purple Heart that will allow a veteran to qualify.
- Specifies veteran and surviving spouse qualification and application requirements.
- Authorizes applicants to appeal denials and apply before receiving US Government documentation.
- Restores effective date language linking the bill with the proposed constitutional amendment (SJR 1686).

Committee Substitute by Community Affairs on January 29, 2024:

The committee substitute revises the bill to, rather than affect the current tax discount for partially or totally permanently disabled veterans, provide an additional \$10,000 property tax exemption for veterans who have been awarded the Purple Heart medal or a combat decoration superior in precedence.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
