

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HJR 7017 PCB WMC 24-02 Annual Adjustment to Homestead Exemption Value

SPONSOR(S): State Affairs Committee, Ways & Means Committee, Buchanan

TIED BILLS: CS/HB 7019 **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Ways & Means Committee	16 Y, 8 N	Rexford	Aldridge
1) State Affairs Committee	13 Y, 6 N, As CS	Burgess	Williamson

SUMMARY ANALYSIS

The Florida Constitution requires all property to be assessed at just value (fair 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, district school boards and special districts. The taxable value against which local governments levy tax rates each year reflects the just value as reduced by any applicable exemptions allowed by the Florida Constitution. One such exemption is on the assessed value between \$50,000 and \$75,000, which is exempt from all ad valorem taxes other than school district taxes.

This joint resolution proposes an amendment to the Florida Constitution requiring the \$25,000 of assessed value, which is exempt from all ad valorem taxes other than school district taxes, be adjusted annually for positive inflation growth. It would also apply to any future homestead exemption applying only to ad valorem taxes, other than school district taxes, if approved by the voters, and would begin on January 1, 2025.

The joint resolution, if passed by the legislature, would be considered by the electorate at the 2024 general election and, if approved by 60 percent of the electors voting on the measure, the joint resolution would take effect on January 1, 2025.

The Revenue Estimating Conference (REC) estimated that the joint resolution would have a zero/negative indeterminate impact on local government revenues because it is proposing an amendment to be submitted to the voters for approval. If the amendment proposed by the joint resolution is not approved by the voters, the REC estimated the impact on local government revenues would be zero. If the amendment is approved by the voters, the REC estimated the impact on non-school local government property taxes in Fiscal Year (FY) 2025-26 (the first year of implementation) would be approximately -\$22.8 million, growing to approximately -\$111.8 million in FY 2028-29, assuming current tax rates.

A joint resolution proposing an amendment or revision to the Florida Constitution requires a three-fifths vote of the membership of each house of the Legislature to appear on the next general election ballot.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Ad Valorem Taxes

The Florida Constitution reserves ad valorem taxation to local governments and prohibits the state from levying ad valorem taxes on real and tangible personal property.¹ Ad valorem taxes are annual taxes levied by counties, municipalities, school districts, and certain special districts. These taxes are based on the just value (fair market value) of real and tangible property as determined by county property appraisers on January 1 of each year.² The just value may be subject to limitations, such as the “Save Our Homes” limitation on homestead property assessment increases.³ The value arrived at after accounting for applicable limitations is known as the assessed value. Property appraisers then calculate the taxable value by reducing the assessed value in accordance with any applicable exemptions, such as the exemptions for homestead property.⁴ Each year, local governing boards levy millage rates (i.e., tax rates) on the taxable value to generate the property tax revenue contemplated in their annual budgets.

Homestead Exemptions

Certain homestead exemptions are specified in Article VII, Section 6 of the Florida Constitution, which provides that every person who holds legal or equitable title to real estate and uses said real estate as a permanent residence for themselves, or a legal or natural dependent, is entitled to exemption from taxes on the first \$25,000 in assessed value.⁵ In 2008, Florida voters amended this provision to include an additional \$25,000 exemption from all ad valorem taxes, other than school district taxes, on the assessed value greater than \$50,000.⁶ Overall, the assessed value of \$50,000 up to \$75,000 is exempt from all taxes other than school district taxes. Currently, this assessed value amount is not adjusted annually for inflation.

Effect of Proposed Changes

This joint resolution proposes an amendment to Article VII, Section 6(a) of the Florida Constitution requiring the existing \$25,000 assessed value amount, which is exempt from all ad valorem taxes other than school district taxes, be adjusted annually for positive inflation growth.⁷ This inflation adjustment provision would also apply to any future homestead exemption applying only to ad valorem taxes, other than school district taxes, if approved by the voters, and would begin on January 1, 2025.

The joint resolution, if passed by the Legislature, would place the amendment on the ballot at the 2024 general election, or an earlier special election held for the purpose of proposing the amendment to the voters,⁸ where 60 percent of the electors voting on the measure must approve it for passage.⁹ If approved, the amendment would take effect on January 1, 2025.

¹ Art. VII, s. 1(a), Fla. Const.

² Art. VII, s. 4., Fla. Const.

³ See *generally* s. 193.155, F.S.

⁴ S. 196.031, F.S.

⁵ Art. VII s. 6., Fla. Const.

⁶ *Id.*

⁷ The annual inflation adjustment calculation uses the same Consumer Price Index metric as used for the Save Our Homes calculation in Art. VII, s. 4(a)(1)b., Fla. Const.

⁸ Pursuant to Art. XI, s. 5(a), Fla. Const., placing the joint resolution on a special election ballot requires the legislature to pass a general law by a three-fourths vote of the membership of each house of the legislature.

⁹ Art. XI, s. 5(e), Fla. Const.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

Article XI, Section 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 within the Department of State 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.¹⁰

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference (REC) estimated that the joint resolution would have a zero/negative indeterminate impact on local government revenues because it is proposing an amendment to be submitted to the voters for approval. If the amendment proposed by the joint resolution is not approved by the voters, the REC estimated the impact on local government revenues would be zero. If the amendment is approved by the voters, the REC estimated the impact on non-school local government property taxes in Fiscal Year (FY) 2025-26 (the first year of implementation) would be approximately -\$22.8 million, growing to approximately -\$111.8 million in FY 2028-29, assuming current tax rates.¹¹

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If this joint resolution is approved, homestead property owners would realize lower property taxes over time.

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 to a joint resolution proposing to amend the state Constitution.

¹⁰ S. 101.171, F.S.

¹¹ The REC's analysis of HJR 7017 includes a breakdown of the revenue impacts by county and is available on the second to last page at: http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2024/_pdf/page139-143.pdf.

2. Other:

A joint resolution proposing a constitutional amendment or revision to the Florida Constitution requires a three-fifths vote of the membership of each house of the Legislature to appear on the next general election ballot.¹²

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 23, 2024, the State Affairs Committee adopted an amendment and reported the joint resolution favorably as a committee substitute. The amendment clarified that the annual inflation adjustment to the exemption on assessed value for all levies, other than school district levies, and any future similar exemptions added to the constitution must be adjusted only when the inflation growth is positive.

The analysis is drafted to the committee substitute as passed by the State Affairs Committee.

¹² Art. XI, s. 1, Fla. Const.
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