

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1563 Homestead Property Tax Exemptions for Classroom Teachers, Law Enforcement Officers, Firefighters, Child Welfare Professionals, and Servicemembers

SPONSOR(S): Ways & Means Committee, Tomkow

TIED BILLS: HJR 1 **IDEN./SIM. BILLS:** SB 1748

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Ways & Means Committee	14 Y, 0 N, As CS	Davis	Aldridge
2) Local Administration & Veterans Affairs Subcommittee	18 Y, 0 N	Darden	Miller
3) State Affairs Committee			

SUMMARY ANALYSIS

The Florida Constitution requires all property to be assessed at just 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 applicable limitations 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 value between \$50,000 and \$75,000, which is exempt from all taxes other than school district taxes.

This bill implements the amendment to Article VII, Section 6(g) of the Florida Constitution, proposed in HJR 1, which authorizes the Legislature by general law to provide an additional \$50,000 homestead exemption on the assessed value between \$100,000 and \$150,000 for specified critical public service employees. This bill limits the exemption to all taxes other than school district taxes. Specified employees eligible for the exemption include classroom teachers, law enforcement officers, correctional officers, firefighters, child welfare services professionals, active duty members of the United States Armed Forces, and members of the Florida National Guard.

The Revenue Estimating Conference estimated that if the constitutional amendment is approved by the voters, that the bill would have a recurring negative impact on non-school property tax revenues in FY 2022-23 of \$80.9 million, growing to \$93.6 million in FY 2026-27.

This bill also directs the legislature to appropriate funds to offset ad valorem tax revenue losses in fiscally constrained counties, as defined in s. 218.67(1), F.S., attributable to the reduction in property tax base caused by the additional homestead exemption. There are presently 29 fiscally constrained counties within the state.

This bill takes effect on the same day that the constitutional amendment proposed by HJR 1, or a similar joint resolution, takes effect, if such amendment is approved by the voters, which is January 1, 2023.

This bill may be a county or municipality mandate requiring a two-thirds vote of the membership of the House. See Section III.A1 of the analysis.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Homestead Exemption

Current Situation

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, cities, school districts and certain special districts. These taxes are based on the just value of real and tangible personal 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 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 taxable value to generate the property tax revenue contemplated in their annual budgets.

The homestead exemption is 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 of assessed value.⁵ In 2008, Florida voters amended this provision to include an additional \$25,000 exemption from all taxes other than school district taxes on assessed value greater than \$50,000.⁶ The constitution also vests the legislature with authority to enact general law establishing the manner in which individuals qualify for exemption. Accordingly, s. 196.031(1)(b), F.S. automatically grants the additional, non-school homestead exemption to every individual who qualifies for the initial homestead exemption on the first \$25,000 in assessed value. An additional homestead exemption is not currently in place which benefits classroom teachers, law enforcement officers, correctional officers, firefighters, child welfare services professionals, active duty military personnel, or members of the Florida National Guard.

Effect of Proposed Changes

This bill implements the proposed constitutional amendment in HJR 1 by providing an additional homestead exemption on the assessed value between \$100,000 and \$150,000 for all taxes other than school district taxes for classroom teachers, law enforcement officers, correctional officers, firefighters, child welfare services professionals, active duty members of the United States Armed Forces, and members of the Florida National Guard.

Fiscally Constrained Counties

Current Situation

Fiscally Constrained Counties are counties entirely within a rural area of opportunity or where a 1 mill levy would raise no more than \$5 million in annual tax revenue.⁷ A rural opportunity area is a rural

¹ Art. VII, s. 1(a), Fla. Const.

² Art. VII, s. 4, Fla. Const.

³ S. 193.155(1), F.S.

⁴ S. 196.031, F.S.

⁵ Art. VII, s. 6, Fla. Const.

⁶ *Id.*

⁷ S. 218.67(1), F.S.

community⁸ or region, that has been adversely affected by extraordinary economic event, severe distress, natural disaster, or that presents a unique economic development opportunity of regional impact, as designated by the Governor.⁹ Florida's fiscally constrained counties are: Baker, Bradford, Calhoun, Columbia, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Liberty, Madison, Okeechobee, Putnam, Suwannee, Taylor, Union, Wakulla and Washington.¹⁰ Under current law, the legislature annually appropriates money to these counties to offset ad valorem tax revenue reductions caused by various amendments in the Florida Constitution.¹¹ In order to receive an offset distribution, fiscally constrained counties must annually provide the Department of Revenue with an estimate of the expected reduction in ad valorem tax revenues that are directly attributable to specified revisions of Article VII of the state constitution.¹² This legislation is designed to prevent various constitutional amendments related to property tax from negatively impacting fiscally constrained county tax revenues.

Effect of Proposed Changes

Beginning in Fiscal Year 2023-2024, the bill directs the legislature to annually appropriate funds to fiscally constrained counties for the purpose of offsetting the decrease in ad valorem tax revenues they would otherwise experience as a result of the addition of Article VII, Section 6(g), Fla. Const. The method for applying and calculating distributions is the same as that used in section 218.125, F.S.

B. SECTION DIRECTORY:

Section 1: Amends s. 196.011, F.S., specifying exemptions under s. 196.077, F.S., are subject to the annual application for exemption unless waived by the county governing body.

Section 2: Creates s. 196.077, F.S., providing an additional homestead exemption from non-school taxes for classroom teachers, law enforcement officers, firefighters, child welfare professionals, and servicemembers.

Section 3: Amends s. 218.125, F.S., requiring the legislature to appropriate moneys to offset reductions in tax revenue in fiscally constrained counties resulting from the additional exemption.

Section 4: Authorizes the Department of Revenue to adopt emergency rules to administer the act.

Section 5: Provides that the amendments made to s. 196.011, F.S., and the creation of s. 196.077, F.S. shall first apply to the 2023 tax roll.

Section 6: Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

⁸ A "rural community" as the term relates to counties means a county with a population of 75,000 or fewer, or a county with a population of 125,000 or fewer which is contiguous to a county with a population of 75,000 or fewer. See s. 288.0656(1)(e), F.S.

⁹ S. 288.0656(1)(d), F.S.

¹⁰ Florida Department of Revenue, List of Fiscally Constrained Counties, <http://floridarevenue.com/property/Documents/fcco081210.pdf> (last visited 01/31/2022)

¹¹ See generally s. 218.125, F.S.

¹² S. 218.125(2), F.S.

If the bill becomes effective and the legislature makes appropriations as directed by the bill, staff estimates that state expenditures sufficient to fully offset the impacts to fiscally constrained counties of the additional homestead exemption will be approximately \$4.6 million annually.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference (REC) determined that the revenue impact of the bill on local governments is zero/negative indeterminate because the bill is contingent upon passage of the constitutional amendment proposed by HJR 1. If the constitutional amendment does not pass, the impact of the bill is zero. If the constitutional amendment is approved by the voters, the REC estimated that the bill would have a recurring negative impact on non-school property tax revenues in FY 2022-23 of \$80.9 million, growing to \$93.6 million in FY 2026-27.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If HJR 1 is approved by at least 60% of voters, and this bill therefore goes into effect, homestead property owners who are classroom teachers, law enforcement officers, correctional officers, firefighters, child welfare services professionals, active duty military members of the United States Armed Forces, or members of the Florida National Guard will realize lower property taxes than would otherwise occur.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The county/municipality mandates provision of Art. VII, subsection 18(b), of the Florida Constitution may apply because this bill will create an additional ad valorem homestead exemption which may reduce municipalities and counties authority to raise revenue. This bill does not appear to qualify under any exemption or exception. If the bill does qualify as a mandate, final passage must be approved by two-thirds of the membership of each house of the Legislature.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

This bill authorizes the Florida Department of Revenue to adopt emergency rules to administer the act.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 31, 2022, the Ways & Means Committee adopted an amendment and reported the bill favorably as amended. The amendment directs the legislature to appropriate funds to offset ad valorem tax

revenue losses in fiscally constrained counties attributable to the reduction in property tax base caused by the additional homestead exemption.

This analysis is drafted to the bill as amended by the Ways & Means Committee.