



TAXATION AND BUDGET REFORM COMMISSION

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Staff Analysis and Economic Impact Statement

Measure:	CP 21	REFERENCE:	ACTION:
Sponsor:	Commissioner Carlos Lacasa	1. FTC	Pre-meeting
Subject:	Property Tax Amendment	2.	
		3.	
Date:	February 7, 2008		

I. Summary:

Constitutional Proposal 21 proposes a revision to the State Constitution to provide a \$25,000 exemption for tangible personal property. It also provides an exemption for non-homestead improved residential property equal to a percentage of the property's just value above \$50,000. The proposal limits annual increases in assessments of real property that is not homestead property, and provides for a temporary one cent increase in the state sales and use tax. The increase in sales and use tax is dedicated to school districts to compensate for the loss of property tax revenues resulting from the revisions in the assessment of ad valorem taxes.

II. Present Situation:

Save Our Homes

In 1992, Florida voters approved an amendment to s. 4, Art. VII of the State Constitution, that is popularly known as the "Save Our Homes" amendment. The assessment growth limitation provided that annual increases in the assessment of homestead property were limited to the Consumer Price Index or 3 percent, whichever was lower.

After any change in ownership, as provided by general law, homestead property must be assessed at just value as of January 1 of the following year. Thereafter, the property is subject to the Save Our Homes assessment limitation. New homestead property must be assessed at just value as of January 1 of the first year the property owner establishes homestead. Thereafter, the property is subject to the Save Our Homes assessment limitation. Changes, additions, reductions, and improvements to homestead property are assessed as provided by general law, but after its initial assessment the property is also subject to the Save Our Homes assessment limitation. If the homestead status is terminated, the property is assessed at just value.

Purpose of the Save Our Homes Amendment

In *Smith v. Welton*¹, the First District Court of Appeal said: “The purpose of the amendment is to encourage the preservation of homestead property in the face of ever increasing opportunities for real estate development, and rising property values and assessments.” The amendment supports the public policy of this state favoring preservation of homesteads. Similar policy considerations are the basis for the constitutional provisions relating to homestead tax exemption, exemption from forced sale, and the inheritance and alienation of homestead.

Homestead Exemption – Section 6, Art. VII, Florida Constitution

Prior to January, 2008, Subsection (a), Art. VII of the Florida Constitution provided that every person who has the legal or equitable title to real estate and maintains thereon the permanent residence of the owner, or another person legally or naturally dependent on the owner, shall be exempt from taxation up to the assessed value of five thousand dollars. Subsection (b) provided that only one exemption shall be allowed to any individual or family unit. Subsections (c) and (d) provided that under certain conditions the homestead exemption is \$25,000, which is, in fact, the effective homestead exemption. Subsection (f) provided that, by local option, an additional homestead exemption of up to \$50,000 is available to low-income seniors. Subsection (g) provided an ad valorem tax discount for homestead property owned by disabled veterans who were Florida residents at the time they entered military service.

On January 29, 2008, the voters of Florida approved a constitutional amendment for property tax relief which:

1. Provides an additional homestead exemption of \$25,000 for homes valued over \$50,000. This provision does not apply to school taxes.
2. Provides for the transfer of accumulated Save-Our-Homes benefits. Homestead property owners will be able to transfer their Save-Our-Homes benefit to a new homestead within 1 year and not more than 2 years after relinquishing their previous homestead; except, if the new homestead is established on January 1, 2008, the previous homestead must have been relinquished in 2007. If the new homestead has a higher just value than the previous one, the accumulated benefit can be transferred; if the new homestead has a lower just value, the amount of benefit transferred will be reduced. The transferred benefit may not exceed \$500,000. This provision applies to all taxes.
3. Establishes an exemption from property taxes of \$25,000 of assessed value of tangible personal property. This provision applies to all taxes.
4. Limits the assessment increases for specified non-homestead real property to

¹ 710 So. 2d 135, 137 (Fla. App. 1998)

10 percent each year. Property will be assessed at just value following an improvement, as defined by general law, and may be assessed at just value following a change of ownership or control if provided by general law. This limitation does not apply to school district taxes. This limitation is repealed effective January 1, 2019, unless renewed by a vote of the electors in the general election held in 2018.

III. Effect of Proposed Changes:

Constitutional Proposal 21 includes amendments to Section 3, 4, and 6 of Article VII of the State Constitution to:

- Provide a \$25,000 exemption for tangible personal property. This exemption is now current law based on the passage of Constitutional Amendment Ballot Number 1 – Property Exemptions: Limitations on Property Tax Assessment in January, 2008.
- Provide an exemption for non-homestead improved residential property equal to a percentage of the property's just value. The exemption is 25 percent in 2009 and increases to 50 percent in 2010. However, the property owner can only receive either this exemption or the tangible tax exemption, whichever provides the lowest taxable value.
- Provide an additional homestead exemption equal to a percentage of the homestead's just value above \$50,000. The additional homestead exemption is 25 percent in 2009 and increases to 50 percent in 2010. The homestead exemption in current law at the time that Constitutional Proposal 21 was submitted was \$25,000.
- Limit the assessment increases for non-homestead real property to 5 percent each year. Property will be assessed at just value following an improvement, as defined by general law, and may be assessed at just value following a change of ownership or control if provided by general law.
- Provide a temporary percentage increase in the sales and use tax for the period July 1, 2009 through June 30, 2012. The increase in sales and use tax is dedicated to school districts to compensate for the revenue losses which may result from amending Sections 3, 4, and 6 of the State Constitution. Any taxes in excess of what is required by the school districts will be distributed to other local governments.

IV. Constitutional Issues:

A. Constitutional or Statutory Issues:

Constitutional Proposal 21 is appropriately classified as a constitutional issue.

B. Other Constitutional Issues:

There are no other constitutional issues for Constitutional Proposal 21.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

The fiscal analysis for Constitutional Proposal 21 was completed prior to the passage of the constitutional amendment on January 29, 2008. An updated fiscal analysis will be prepared for the Finance and Taxation Committee meeting on February 11, 2008.

B. Private Sector Impact:

Taxpayers will experience lower ad valorem taxes if this proposal is passed by the electors.

C. Government Sector Impact:

Constitutional Proposal 21 will reduce ad valorem taxes received by local governments; however, the increased sales and use tax percentage is proposed to compensate for the reduction.

Under Art. XI, s. 5(d), Fla. Const., the Secretary of State must publish in newspapers throughout the state proposed constitutional amendments and notice of the date of the election at which it will be submitted to the electors. According to the Department of State, the average publishing costs for citizen initiative amendments is \$60,000. However, the cost to publish lengthy amendments will exceed that amount.

VI. Technical Deficiencies:

Constitutional Proposal 21 includes exemption issues which were passed by the electors in a constitutional amendment on January 29, 2008. An amendment will be proposed to make the appropriate revisions.

VII. Related Issues:

None.