

House Bill No. 7109

An act relating to taxation; amending s. 193.155, F.S.; revising exceptions applicable to damaged or destroyed homestead property to a requirement that changes, additions, or improvements to homestead property be assessed at just value under certain circumstances; providing for application to certain changes, additions, and improvements; providing for assessment of homestead property after substantial completion of changes, additions, and improvements; providing criteria; amending s. 196.031, F.S.; providing for the continued granting of a homestead exemption for certain damaged or destroyed homestead property under certain circumstances; specifying circumstances for abandonment of property as homestead; requiring the Department of Revenue to study the state's property tax structure; providing the contents of the study; requiring the Office of Economic and Demographic Research to prepare a report; requiring that the report recommend changes to achieve specified principles of taxation; providing deadlines; requiring a report to the Governor and the Legislature; repealing s. 12, ch. 2005-187, Laws of Florida, relating to dissolving the Communications Services Tax Task Force; providing appropriations; providing for reversion of unused funds to the General Revenue Fund; providing for retroactive application; providing effective dates.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Subsection (4) of section 193.155, Florida Statutes, is amended to read:

193.155 Homestead assessments.—Homestead property shall be assessed at just value as of January 1, 1994. Property receiving the homestead exemption after January 1, 1994, shall be assessed at just value as of January 1 of the year in which the property receives the exemption.

(4)(a) Except as provided in paragraph (b), changes, additions, or improvements to homestead property shall be assessed at just value as of the first January 1 after the changes, additions, or improvements are substantially completed.

(b) Changes, additions, or improvements that replace all or do not include replacement of a portion of homestead real property damaged or destroyed by misfortune or calamity shall not increase the homestead property's assessed value when the square footage of the homestead property as changed or improved does not exceed 110 percent of the square footage of the homestead property before the damage or destruction just value of the damaged or destroyed portion as replaced is not more than 125 percent of the just value of the damaged or destroyed portion. Additionally, the homestead property's assessed value shall not increase if the total square footage of the homestead property as changed or improved does not exceed 1,500 square feet. Changes, additions, or improvements that do not cause the total

to exceed 110 percent of the total square footage of the homestead property before the damage or destruction or that do not cause the total to exceed 1,500 total square feet shall be reassessed as provided under subsection (1). The homestead property's assessed value shall be increased by the just value of that portion of the changed or improved homestead property any replaced real property, or portion thereof, which is in excess of 110 125 percent of the square footage of the homestead property before the damage or destruction or of that portion exceeding 1,500 square feet just value of the damaged or destroyed property shall be deemed to be a change, addition, or improvement. Homestead Replaced real property damaged or destroyed by misfortune or calamity which, after being changed or improved, has a square footage with a just value of less than 100 percent of the homestead original property's total square footage before the damage or destruction just value shall be assessed pursuant to subsection (5). This paragraph applies to changes, additions, or improvements commenced within 3 years after the January 1 following the damage or destruction of the homestead.

(c) Changes, additions, or improvements that replace all or a portion of real property that was damaged or destroyed by misfortune or calamity shall be assessed upon substantial completion as if such damage or destruction had not occurred and in accordance with paragraph (b) if the owner of such property:

1. Was permanently residing on such property when the damage or destruction occurred;

2. Was not entitled to receive homestead exemption on such property as of January 1 of that year; and

3. Applies for and receives homestead exemption on such property the following year.

(d)(e) Changes, additions, or improvements include improvements made to common areas or other improvements made to property other than to the homestead property by the owner or by an owner association, which improvements directly benefit the homestead property. Such changes, additions, or improvements shall be assessed at just value, and the just value shall be apportioned among the parcels benefiting from the improvement.

Section 2. Subsection (7) is added to section 196.031, Florida Statutes, to read:

196.031 Exemption of homesteads.—

(7) When homestead property is damaged or destroyed by misfortune or calamity and the property is uninhabitable on January 1 after the damage or destruction occurs, the homestead exemption may be granted if the property is otherwise qualified and if the property owner notifies the property appraiser that he or she intends to repair or rebuild the property and live in the property as his or her primary residence after the property is repaired or rebuilt and does not claim a homestead exemption on any other property or otherwise violate this section. Failure by the property owner to commence the repair or rebuilding of the homestead property within 3 years after

January 1 following the property's damage or destruction constitutes abandonment of the property as a homestead.

Section 3. (1) The Department of Revenue shall conduct a study of the state's property tax structure to analyze the impact of the current homestead exemptions and homestead assessment limitations on different types of property.

(a) The study shall include:

1. An analysis of the effects of Save Our Homes provisions of s. 4(c), Art. VII of the State Constitution on the distribution of property taxes among and between homestead properties as well as between homesteads and other types of property;

2. An analysis of the effect of the Save Our Homes provisions of s. 4(c), Art. VII of the State Constitution on affordable housing, as evidenced by the differential tax burden on first-time homestead property owners and long-term homestead property owners and the amendment's effect on property taxes paid by nonhomestead residential property owners.

3. The identification and analysis of the impact of the differential under the Save Our Homes provisions of s. 4(c), Art. VII of the State Constitution on each county;

4. An analysis of the effects of the Save Our Homes provisions of s. 4(c), Art. VII of the State Constitution on the distribution of the school property taxes, including the required local effort levy for the Florida Education Finance Program, and other school levies;

5. An analysis of the fiscal impacts of allowing the assessments under the Save Our Homes provisions of s. 4(c), Art. VII of the State Constitution to be transferred to newly acquired homes, the resulting changes in the relative taxes levied on all other classes of property, including other homestead properties, nonhomestead properties and properties purchased by first-time homestead owners, and in the distribution of the required local effort for school funding; and

6. An analysis of the millage rates adopted by local governments compared to the rolled back rate as advertised in the Truth In Millage (TRIM) Notices required under s. 200.069, Florida Statutes.

(b) The Department of Revenue shall prepare a draft of the study by November 15, 2006, and conclude the study by January 2, 2007.

(2) The Office of Economic and Demographic Research shall prepare a report summarizing the study conducted by the Department of Revenue. The report must also contain findings and policy options that may be available to the state. In preparing the report, the Office of Economic and Demographic Research may consider other available information.

(a) In addition to findings and policy options, the report must include:

1. An evaluation of the assessment differentials under the Save Our Homes provisions of s. 4(c), Art. VII of the State Constitution on homeowners' willingness to purchase a new homestead.

2. An evaluation of the effects of the Save Our Homes provisions of s. 4(c), Art. VII of the State Constitution on local government budget decisions, including whether the Truth In Millage (TRIM) notification process under s. 200.069, Florida Statutes, adequately informs taxpayers of local governments' tax and budget decisions.

3. An evaluation of the effectiveness of the notice of proposed property taxes and non-ad valorem assessments created under s. 200.069, Florida Statutes. If the current notice is deemed ineffective, the evaluation should propose alternative methods of conveying the information contained in the notice.

(b) The findings and policy options must apply and consider the following principles of taxation described in the 2002 Florida State Tax Reform Task Force Final Report:

1. Equity.—The Florida tax system should treat individuals equitably. It should impose similar tax burdens on people in similar circumstances and should minimize regressivity.

2. Compliance.—The Florida tax system should facilitate taxpayer compliance. The system should be simple and easy to understand so as to minimize compliance costs and increase the visibility and awareness of the taxes being paid. Enforcement and collection of tax revenues should be accomplished in a fair, consistent, professional, predictable, and cost-effective manner.

3. Pro-competitiveness.—The Florida tax system should be responsive to interstate and international competition in order to encourage savings and investment in physical plants, equipment, people, and technology in this state.

4. Neutrality.—The Florida tax system should affect competitors uniformly and not become a tool for social engineering. The system should minimize government involvement in investment decisions, making any such involvement explicit, and should minimize pyramiding.

5. Stability.—The Florida tax system should produce, in a stable and reliable manner, revenues that are sufficient to fund appropriate governmental functions and expenditures.

6. Integration.—The Florida tax system should balance the need for integration of federal, state, and local taxation.

(c) The Office of Economic and Demographic Research shall submit a progress report to the President of the Senate and the Speaker of the House of Representatives by February 15, 2007. The progress report may include preliminary findings and any policy options that may be considered during the 2007 regular legislative session.

(d) The final report must be submitted to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the chair of the Taxation and Budget Reform Commission no later than September 1, 2007.

(e) The Office of Economic and Demographic Research may contract with state universities or a nationally recognized property appraisal education and certification organization for the purpose of developing findings and policy options to be included in the report.

Section 4. Section 12 of chapter 2005-187, Laws of Florida, is repealed.

Section 5. The sum of \$300,000 in nonrecurring general revenue is hereby appropriated to the Department of Revenue for the purpose of conducting the study required by this act.

Section 6. The sum of \$500,000 in nonrecurring general revenue is hereby appropriated to the Office of Economic and Demographic Research for the purpose of preparing the report required by this act.

Section 7. The unexpended balance of funds appropriated in section 13 of chapter 2005-187, Laws of Florida, shall revert immediately to the General Revenue Fund.

Section 8. Sections 1 and 2 of this act shall apply retroactively to home-stead property replaced on or after January 1, 2006.

Section 9. Except as otherwise expressly provided in this act, this act shall take effect upon becoming a law.

Approved by the Governor June 27, 2006.

Filed in Office Secretary of State June 27, 2006.