

Florida: Lawmakers moving to keep the 10 percent assessment limit in place on non-homestead property



David M. Kall | Thursday, May 11, 2017

As it currently stands, the Florida Constitution prohibits the state from levying a property tax. Consequently, various taxing jurisdictions, like counties, cities, school districts, and some special districts, impose it (an “ad valorem tax” measured by value), based upon the property’s taxable value as of January 1 of each year. To obtain the taxable value, the property appraiser starts with a “just value,” and then applies various exclusions, assessment limitations, and exemptions.

Both real property, defined as “land, buildings, fixtures, and all other improvements to land,” and tangible personal property, defined as “all goods, chattels, and other articles of value capable of manual possession and whose chief value is intrinsic to the article itself,” are subject to the tax.

By way of voter-approved property assessment limitations, the annual increase in a property’s value, for tax calculation purposes, is limited, regardless of the property’s increase in fair market value. Effective January 1, 1995, voters approved of the state’s first property assessment limitation, known as Save Our Homes. This capped the annual increase of the assessed value of homesteads to either three percent, or the percentage change in the consumer price index, whichever is less.

In 2008, voters approved a constitutional amendment, effective January 1, 2009, that imposed a ten percent assessment limit for non-homestead property, though this is not applicable to property taxes levied by school districts. Florida law defines non-homestead property as that which is not used as a primary residence, such as vacant land, or a vacation home.

This constitutional amendment also provided for the repeal of the ten percent assessment limitation, effective January 1, 2019, but contained a way for lawmakers to avoid that repeal if voters decided to do so in the general election of 2018.

Now, lawmakers in both chambers are proceeding with measures that would indeed remove the repeal of the 10-percent assessment limitation for non-homestead property, scheduled to take effect January 1, 2019. Once a joint resolution passes by three-fifths of the membership of each house of the Legislature, at least 60 percent of the electors must approve it in order for the ten percent assessment limitation to remain in place.

The Senate’s effort is set forth in CS/SJR 76. According to the fiscal impact statement contained in the most recent bill analysis, it has an “indeterminate fiscal impact because it must be approved by the electors before it takes effect.”

However:

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If approved, the joint resolution will reduce the non-school property tax base beginning in Fiscal Year 2019-2020, but the tax impact will depend upon the Fiscal Year 2019-2020 millage rates. Applying current statewide average millage rates, the [Revenue Estimating Conference] estimates that the joint resolution will reduce non-school property taxes by \$688.1 million, beginning in Fiscal Year 2019-2020.

In addition, “some owners of non-homestead property will pay less property tax.”

The Senate’s legislation is proceeding along seemingly without a problem. Likewise, the House measure, in an April 26, 2017 floor vote, passed by 35 to 0.

Ballot proposal to increase homestead exemption

Lawmakers have been working to give homeowners a break on their property taxes for their primary residences also. HJR7105, passed in both chambers and filed with the secretary of state, is an amendment to the state constitution that, if approved, will take effect January 1, 2019.

Currently, homestead property owners are eligible for a \$25,000 tax exemption applicable to all ad valorem tax levies, including levies by school districts. 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.

Under the recently-passed legislation, the ballot language calls for an increase to the homestead exemption by exempting the assessed valuation of homestead property greater than \$100,000 and up to \$125,000, for all levies other than school district levies.

The Revenue Estimating Conference’s calculations show that non-school property tax revenues could be reduced by \$794.9 million annually, assuming current tax rates, starting in fiscal year 2019-20.



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