FLORIDA HOUSE OF REPRESENTATIVES
BILL ANALYSIS

This bill analysis was prepared by nonpartisan committee staff and does not constitute an official statement of legislative intent.

BILL #: PCS for CS/HB 1259	**COMPANION BILL:** CS/SB 1512 (Avila)
TITLE: Property Tax Benefits for Residential Properties	**LINKED BILLS:** CS/HJR 1257 (Busatta)
SPONSOR(S): Commerce Committee	**RELATED BILLS:** CS/SJR 1510 (Avila)

Committee References

Orig. Comm.: Commerce

SUMMARY

Effect of the Bill:

The bill implements the amendment to the Florida Constitution, proposed by HJR 1257, to provide that for real property that (1) is subject to a bona fide long-term residential lease, (2) is owned by a person or persons who also have a homestead exemption on another parcel of real estate, and (3) could qualify as a homestead if it was the permanent residence of the owner, such qualifying nonhomestead property receives an exemption on the assessed value of the property between $0 and $25,000 and between $50,000 and $75,000, and cannot have the assessed value increase more than the lesser of three percent or the change in the consumer price index for the year.

The bill also creates provisions allowing individuals who are entitled to a homestead exemption, and who have not received a homestead exemption in the previous four calendar years, to receive an additional homestead exemption. The additional exemption would be equal to 50 percent of the just value of the homestead property, capped at the median just value for homestead property in the county where the subject property is located. This exemption applies only to non-school property taxes. The exemption is reduced by 20% each year and diminishes to zero in five years.

The bill takes effect on January 1, 2027, if the constitutional amendment proposed by HJR 1257 (2025), or a similar joint resolution, is approved by 60 percent of voters in the November 2026 general election.

Fiscal or Economic Impact:

The Revenue Estimating Conference has not estimated the impact of the bill on local government revenues.

JUMP TO SUMMARY ANALYSIS RELEVANT INFORMATION BILL HISTORY

ANALYSIS

EFFECT OF THE BILL:

The bill implements the constitutional amendment proposed by HJR 1257 by doing two things:

Long-Term Residential Leases

The bill creates new ad valorem taxation benefits for certain nonhomestead residential real property. For real property that could qualify as a homestead property if it was the permanent residence of the owner, that is under a bona fide long-term residential lease, and is owned by a person or persons who also have a homestead exemption on another parcel of real estate, the qualifying nonhomestead property:

- Receives an exemption on the assessed value of the property between $0 and $25,000 (for all levies) and between $50,000 and $75,000 (for all levies other than school district levies); (Section 3) and
- Cannot have the assessed value increase more than the lesser of three percent or the change in the consumer price index for the year. (Section 1)

The bill provides that the qualifying nonhomestead residential property can be held directly by the owner of the related homestead parcel, or can be held in a limited liability company if the only owners of the LLC are the owner of the related homestead, or that owner and the owner's spouse. The bill also requires that the lease specify the property cannot be subleased during the rental period, and clarifies that the lease cannot be to the owner's spouse.

The bill also provides the tax treatment for when the property's status changes among qualifying nonhomestead property, nonqualifying nonhomestead property, and homestead property. Generally speaking, the bill provides that property that qualifies for this treatment retains the benefit of the assessment limitation in future years, and does not reset to just value if the property transitions among property types. For example, a property that receives qualifying nonhomestead treatment under the bill in one year, but does not in the following year (as would happen if it is not subject to a bona fide long-term lease on January 1), will revert to the standard 10% assessment limitation for nonhomestead residential property under s. 193.1554, F.S., but the 10% assessment increase will be based on the prior year's assessed value (which was capped at 3%) and will not reset to just value.

The exceptions to the rule about not resetting to just value are when there is a change in ownership, or the owner makes the rental property his or her homestead. In the latter instance, the assessed value of the property resets to just value so that the owner does not (in essence) retain the homestead benefits on two properties: instead, the new homestead property (which will reset to just value and then receive a reduction of any transferred "Save Our Homes" benefit) will receive the two $25,000 exemptions and assessment limitations for homestead property, and the new rental property (former homestead) will reset to just value and may receive the benefit of two $25,000 exemptions and the assessment limitations for rental property moving forward for years when the property qualifies for the long-term rental property tax benefits. (Section 1).

The bill includes conforming changes related to applying for the benefits (Section 2), making a definitional change (Section 5), providing administrative provisions related to errors in assessments (Section 1), providing a penalty for fraudulent applications (Section 1), and allowing assessments to be reviewed by the Value Adjustment Board (Section 6).

Additional Homestead Exemption for "First-Time Florida Homesteaders"

The bill also creates s. 196.078, F.S., where it defines "first-time Florida homesteader" as a person who establishes the right to receive the homestead exemption provided in s. 196.031, F.S., within one year after purchasing the homestead property and who has not owned property in the previous four calendar years to which the homestead exemption provided in s. 196.031(1)(a), F.S., applies. (Section 4)

The bill provides a mechanism whereby a person must apply for the exemption with the property appraiser no later than March 1 on a form prescribed by the Department of Revenue.

The bill provides that in order for the exemption to be retained upon the addition of another person to the title to the property, the additional person must submit, no later than the subsequent March 1, a sworn statement attesting that he or she has not owned property that received the homestead exemption provided in s. 196.031, F.S., in the prior four calendar years.

The bill specifies that ss. 196.131[1] and 196.161,[2] F.S., apply to the "first-time Florida homesteader" exemption.

The bill provides emergency rulemaking authority to the Department of Revenue to implement the new statutes created by the bill, if approved by voters. (Section 7)

[1] Section 196.131, F.S., relates to homestead exemption claims, including requiring the property appraiser to provide a receipt and providing penalties for persons knowingly and willfully giving false information for the purpose of claiming a homestead exemption.
[2] Section 196.161, F.S., provides provisions whereby the property appraiser, under certain circumstances, may place a tax lien on property where a person who was not entitled to a homestead exemption was granted a homestead exemption within the prior 10 years.

The bill takes effect on January 1, 2027, if the constitutional amendment proposed by HJR 1257 (2025), or a similar joint resolution, is approved by 60 percent of voters in the November 2026 general election. (Section 8)

RULEMAKING:

The Department of Revenue has existing rulemaking authority under S. 213.06(1), F.S. The bill provides specific emergency rulemaking authority to the Department of Revenue to implement the new statutes created by the bill.

Lawmaking is a legislative power; however, the Legislature may delegate a portion of such power to executive branch agencies to create rules that have the force of law. To exercise this delegated power, an agency must have a grant of rulemaking authority and a law to implement.

FISCAL OR ECONOMIC IMPACT:

LOCAL GOVERNMENT:

The Revenue Estimating Conference has not estimated the impact of the bill on local government revenues.

RELEVANT INFORMATION

SUBJECT OVERVIEW:

Ad Valorem Taxation

The ad valorem tax or "property tax" is an annual tax levied by counties, municipalities, school districts, and some special districts. The Florida Constitution reserves to local governments the authority to levy ad valorem taxes on real and tangible personal property.[3] Ad valorem taxes are levied annually by local governments based on the value of real and tangible personal property as of January 1 of each year.[4]

The Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes,[5] and provides for specified assessment limitations, property classifications, and exemptions.[6] After the property appraiser considers any assessment limitation or use classification affecting the just value of a parcel of real property, an assessed value is produced. The assessed value is then reduced by any exemptions to produce the taxable value.[7]

Unless expressly exempted from taxation, all real and personal property and leasehold interests in the state are subject to taxation.[8] The Florida Constitution limits the Legislature's authority to grant an exemption or assessment limitation from taxes,[9] and any modifications to existing ad valorem tax exemptions or limitations must be consistent with the constitutional provision authorizing the exemption or limitation.[10]

Homestead Property

[3] FLA. CONST. art VII, ss. 1(a), 9(a)
[4] S. 192.001(12), F.S., defines "real property" as land, buildings, fixtures, and all other improvements to land. The terms "land," "real estate," "realty," and "real property" may be used interchangeably. S. 192.001(11)(d), F.S., defines "tangible personal property" as all goods, chattels, and other articles of value (but does not include the vehicular items enumerated in Art. VII, s. 1(b) of the Florida Constitution and elsewhere defined) capable of manual possession and whose chief value is intrinsic to the article itself.
[5] FLA. CONST. art VII, s. 4
[6] FLA. CONST. art VII, ss. 3, 4, and 6
[7] S. 196.031, F.S.
[8] Section 196.001, F.S.; *see also Sebring Airport Authority v. McIntyre*, 642 So. 2d 1072, 1073 (Fla. 1994), noting exemptions are strictly construed against the party claiming them.
[9] *Archer v. Marshall*, 355 So. 2d 781, 784 (Fla. 1978).
[10] *Sebring Airport Auth. v. McIntyre,* 783, So. 2d 238, 248 (Fla. 2001); *Archer v. Marshall,* 355 So. 2d 781, 784. (Fla. 1978); *Am Fi Inv. Corp v. Kinney,* 360 So. 2d 415 (Fla. 1978); *see also Sparkman v. State,* 58 So. 2d 431, 432 (Fla. 1952).

"Homestead" property is defined in section 6 of Article VII of the Florida Constitution, and in s. 196.031, F.S., as property for which a person, on January 1, has the legal or beneficial title and who in good faith makes the property his or her permanent residence (or the permanent residence of another legally or naturally dependent on him or her). The property may be owned jointly, as tenancy by the entireties, or otherwise in common with others, and can be apportioned among such shared owners.[11] Only one homestead exemption is allowed to any one person or on any one dwelling house.[12] Individual condominium owners, however, can each qualify for a separate homestead designation.[13]

Homestead Exemption

Every person having legal and equitable title to real estate and who maintains a permanent residence on the real estate (homestead property) is eligible for a $25,000 tax exemption applicable to all ad valorem tax levies, including levies by school districts.[14] An additional $25,000 exemption applies to homestead property value between $50,000 and $75,000.[15] This exemption does not apply to ad valorem taxes levied by school districts.

Limitation on Annual Increases in Assessments for Homestead Properties

The Florida Constitution[16] provides that, for those entitled to a homestead exemption, the assessed value of the homestead for all levies shall be changed annually on January 1st of each year. Those changes in assessments cannot exceed the lesser of three percent of the prior year's assessment or the percent change in the Consumer Price Index[17] for the preceding calendar year.[18]

"Save our Homes" Benefit

After the first year a homestead property receives the benefit of the assessment limitation in s. 193.155. F.S., the difference between the assessed value and the market value due to that limitation is known as the "Save our Homes" benefit, and that differential can be transferred to a subsequent homestead property (this process is often referred to as "portability.")

Nonhomestead Property

Property that is residential real property but does not qualify as homestead property is assessed at just value on January 1 of the year the property is purchased or becomes nonhomestead property.[19] In each subsequent year, for purposes of all levies other than school district levies, the property is reassessed each January 1, but cannot increase by more than 10 percent over the prior year's assessed value.[20] Property is generally reassessed at just value on the January 1 following a change of ownership,[21] and changes, additions, or improvements are also generally assessed at just value on the January 1 following the change.[22]

Long-Term Residential Leases

Under current law, there is no specific ad valorem benefit for properties used for residential leases of longer than 6 months. For sales tax purposes in Chapter 212, F.S., however, any person who rents property through a bona fide

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[11] S. 196.031(1)(a), F.S.
[12] *Id.*
[13] *Id.*
[14] FLA. CONST. art VII, s. 6(a) and s. 196.031, F.S.
[15] Section 196.031(1)(b), F.S.
[16] As amended by Constitutional Amendment 10 (1992), commonly referred to as the "Save Our Homes" initiative.
[17] Specifically, the Consumer Price Index for All Urban Consumers, U.S. City Average, all items 1967=100, or successor reports.
[18] FLA. CONST. art. VII, s. 4(d)(1), implemented by section 193.155, F.S.
[19] S. 193.1554(2), F.S., and s. 193.1555(2), F.S.
[20] FLA. CONST. art. VII, s. 4(g)(1) and 4(h)(1), implemented by s. 193.1554(3), F.S., and s. 193.1555(3), F.S.
[21] FLA. CONST. art. VII, s. 4(g)(3 and 4(h)(4), implemented by s. 193.1554(5), F.S., and s. 193.1555(5), F.S.
[22] FLA. CONST. art. VII, s. 4(g)(4) and 4(h)(5), implemented by s. 193.1554(6), F.S., and s. 193.1555(6), F.S.

written agreement for continuous residence for longer than six months in duration at that property is exempt from sales tax and any applicable transient rental taxes (e.g., tourist development taxes[23]) for that lease.[24]

BILL HISTORY

COMMITTEE REFERENCE	ACTION	DATE	STAFF DIRECTOR/ POLICY CHIEF	ANALYSIS PREPARED BY
Orig. Comm.: Commerce Committee			Hamon	Fletcher

[23] Section 125.0104, F.S.
[24] Section 212.03(1)(a), F.S.