

**Constitution Revision Commission  
Finance and Taxation Committee  
Proposal Analysis**

(This document is based on the provisions contained in the proposal as of the latest date listed below.)

Proposal #: P 100

Relating to: FINANCE AND TAXATION, Taxes; exemptions

Introducer(s): Commissioner Kruppenbacher

Article/Section affected:

Date: December 10, 2017

	REFERENCE	ACTION
1.	FT	<b>Pre-Meeting</b>
2.		
3.		
4.		
5.		
6.		

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**I. SUMMARY:**

This proposal amends Article VII, Section 3(h), to add that a nonprofit organization or a corporation that pays an individual employee more than \$300,000 annually is not eligible for any exemption from ad valorem taxation.

This proposal requires the Department of Revenue adjust the salary limitation annually on September 30 for inflation using the Consumer Price Index for urban wage earners and clerical workers, CPI-W, or a successor index calculated by the United States Department of Labor. The Department must publish each adjusted salary limitation, which will take effect on the following January 1.

The proposal provides that the term “employee” does not include any medical professional licensed by the state.

**II. SUBSTANTIVE ANALYSIS:**

**A. PRESENT SITUATION:**

**Ad Valorem Taxation Exemptions**

Article VII, Section 3, of the Florida Constitution provides for multiple ad valorem tax exemptions. The Florida legislature has implemented these exemptions through statutory

law.<sup>1</sup> Some examples are exemptions for renewable energy source devices, charitable exemptions, historic property used for certain commercial or nonprofit purposes, nonprofit homes for the aged, charter school exemptions, and economic development exemptions. These exemptions are administered by local property appraisers through an application and review process at the local level.

### **Chapter 196 Exemptions**

Chapter 196, F.S., provides the qualifications and process for an entity to claim a tax exempt status for purposes of ad valorem taxation. The Florida Department of Revenue also provides a form for an exempt entity to fill out and return to the county property appraiser.<sup>2</sup> The exempt entities must be organized and operated for at least one of these purposes:

- Religious;<sup>3</sup>
- Literary;<sup>4</sup>
- Charitable;<sup>5</sup>
- Scientific;<sup>6</sup>
- Sewer water/wastewater systems;<sup>7</sup>
- Education;<sup>8</sup> or
- Hospitals, nursing homes and homes for special services.<sup>9</sup>

There are also several additional purposes as well including historic preservation.<sup>10</sup>

### **B. EFFECT OF PROPOSED CHANGES:**

This proposal amends Article VII, Section 3(h), to add that a nonprofit organization or a corporation that pays an individual employee more than \$300,000 annually is not eligible for any exemption from ad valorem taxation.

This proposal requires the Department of Revenue adjust the salary limitation annually on September 30 for inflation using the Consumer Price Index for urban wage earners and clerical workers, CPI-W, or a successor index calculated by the United States Department of Labor. The Department must publish each adjusted salary limitation, which will take effect on the following January 1.

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<sup>1</sup> See ch. 196, F.S., for examples.

<sup>2</sup> For an example of the form and checklist see <https://www.hcpafl.org/Portals/HCPAFL/pdfs/dr504.pdf> (last visited 12/09/17).

<sup>3</sup> See s. 196.196, F.S.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> See s. 196.2001, F.S.

<sup>8</sup> See s. 196.198, F.S.

<sup>9</sup> See 196.197, F.S.

<sup>10</sup> See Ch. 196, F.S. See also The Palm Beach County Property Appraiser for a presentation on *Charitable Exemptions* (2016) <http://pbcgov.com/papa/presentations/NonProfitsFirst2016.pdf> (last visited 12/09/17).

The proposal provides that the term “employee” does not include any medical professional licensed by the state.<sup>11</sup>

**C. FISCAL IMPACT:**

To the extent that any nonprofit organizations and corporations no longer qualify for a tax exemption, may result in additional ad valorem tax collected.

**III. Additional Information:**

**A. Statement of Changes:**

(Summarizing differences between the current version and the prior version of the proposal.)

None.

**B. Amendments:**

None.

**C. Technical Deficiencies:**

None.

**D. Related Issues:**

None.

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<sup>11</sup> For a list of medical professions licensed by the state of Florida *see* the Florida Department of Health website <http://www.floridahealth.gov/5C/licensing-and-regulation/index.html> (last visited 12/09/17).