

# 2012 Florida Constitutional Amendment 10: Tangible Personal Property Tax Exemption<sup>1</sup>

Rodney L. Clouser<sup>2</sup>

## Preface

*This document is one in a series of six fact sheets intended to provide information on proposed constitutional amendments having direct individual or government tax impacts. As some details of the proposed changes may not have been discussed due to space limitations, the series should not be considered an all-inclusive assessment of the proposed constitutional changes, and any opinions, findings, conclusions, or recommendations expressed herein are those of the author and do not necessarily reflect the views of University of Florida. These fact sheets are not intended as a replacement for personal knowledge about actual or proposed changes but are a guide to inform the public on the issues.*

## Introduction

In addition to 2012 being a presidential election year, Florida voters also will be asked to vote on a number of proposed amendments to their state constitution. Many voters remain either unaware or less informed regarding the effects and impacts of the proposed constitutional amendments.

Adoption of the constitutional amendment requires a vote in favor of the amendment by a minimum of 60 percent of those voting. Voters are reminded, however, that because the proposed amendments are subject to legal challenges by various individuals, groups, and organizations, they

could still possibly be removed from the ballot if challenged successfully.

The intent and purpose of this fact sheet is to present information on the proposed 2012 Florida Constitutional Amendment No. 10 in order to help voters make informed decisions on Election Day.

## Proposed Constitutional Amendment 10

When people go to their polling place in November 2012, they will see information on the amendment, references to the portion of the constitution that will be altered, sponsor of the amendment, the ballot title, and the ballot summary. The information for Amendment 10 will be similar or identical to the following and the ballot title and ballot summary are direct quotes from the Florida Department of State website:

- *Reference: Article VII, Section 3 & Article XII, Section 32*
- *Sponsor: The Florida Legislature*
- *Ballot Title: Tangible Personal Property Tax Exemption*
- *Ballot Summary: Proposing an amendment to the State Constitution to (1) Provide an exemption from ad valorem taxes levied by counties, municipalities, school districts, and other local governments on tangible personal property*

1. This is EDIS document FE911, a publication of the Food and Resource Economics Department, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL. Published July 2012. Please visit the EDIS website at <http://edis.ifas.ufl.edu>
2. Rodney L. Clouser, professor and associate chair, extension public policy specialist, Food and Resource Economics Department, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL.

*if the assessed value of an owner's tangible personal property is greater than \$25,000 but less than \$50,000. This new exemption, if approved by the voters, will take effect on January 1, 2013, and apply to the 2013 tax roll and subsequent tax rolls. (2) Authorize a county or municipality for the purpose of its respective levy, and as provided by general law, to provide tangible personal property tax exemptions by ordinance. This is in addition to other statewide tangible personal property tax exemptions provided by the Constitution and this amendment.*

## The Effects and Impacts of Amendment 10

Constitutional Amendment No. 10 proposes two major changes:

1. The proposed amendment increases the exemption amounts with regard to ad valorem taxes of tangible personal property from \$25,000 to \$50,000. Tangible personal property is defined as follows by Florida Statutes 192.001 11(d) as — *“Tangible personal property” means all goods, chattels, and other articles of value (but does not include the vehicular items enumerated in s. 1(b), Art. VII of the State Constitution and elsewhere defined) capable of manual possession and whose chief value is intrinsic to the article itself. “Construction work in progress” consists of those items of tangible personal property commonly known as fixtures, machinery, and equipment when in the process of being installed in new or expanded improvements to real property and whose value is materially enhanced upon connection or use with a preexisting, taxable, operational system or facility. Construction work in progress shall be deemed substantially completed when connected with the preexisting, taxable, operational system or facility. Inventory and household goods are expressly excluded from this definition.*
2. The proposed amendment also permits the legislature to authorize counties and local municipalities to provide further tangible property tax exemptions by local ordinance subject to general law.

If passed, the amendment becomes effective January 1, 2013, and is applicable to the 2013 tax rolls.

Household goods and money are exempt from tangible personal property (TPP) tax. So are motor vehicles, boats, airplanes, etc., and in most instances, mobile homes are exempt. Therefore, most of the state's TPP tax is paid by businesses on their machinery, equipment, furniture, etc. In

fiscal year 2011, it was estimated that the TPP tax generated about \$1.7–\$1.8 billion in tax revenue.

It should not be surprising that businesses, especially relatively small businesses, are very supportive in general of the proposed amendment. It was estimated by the state Revenue Estimating Conference (REC) that the cost of the extra \$25,000 exemption would result in a reduction in local government revenues of \$20.1 million beginning in fiscal year 2013–2014 (based on 2011 local government millage rates and tax rolls).

There is always the possibility there would be no loss in local government revenue because local governments could increase their tax millage rates. If this were to happen, it would result in a tax shift to individuals/businesses that do not qualify for the additional \$25,000 exemption.

Proponents of the amendment's passage may suggest that with the recession and sluggish economic recovery, any assistance that could be provided to the business sector would be a wise investment. A more “global” argument by proponents of passage of the amendment would be that any reduction in taxes for businesses would provide the state a comparative advantage to other states and encourage business development and relocation possibly in Florida.

Opponents of the amendment may suggest it is another “classic example” of problems with the state's current tax structure: piecemeal policy changes that are not fair, that provide “tax breaks” to special interest groups, and although made for short-term problems, have long-term impacts. Opponents also will probably note that because Florida already has some of the lowest business taxes in the country and is already mentioned in the popular press as business friendly, there is no need to provide any additional tax exemptions.

Finally, it should be recognized that the impact of this proposed change may be very “lumpy” or unequal across the state, dependent upon population size of the county and the proportion of county taxable value in TPP, and the contribution of the TPP tax to total property taxes collected. In counties with very small TPP collections due to a lack of businesses who pay this tax, or with large real property (land, buildings, etc.) values, TPP impacts may be relatively small. However, in counties with relatively large businesses who pay considerable TPP taxes, the potential impacts of either scenario—tax collections being reduced, or tax shifts occurring—could be relatively significant.

## Summary

Voters in Florida have the opportunity to change the state constitution during the 2012 general election. Adoption of the constitutional amendment requires a vote in favor of the amendment by a minimum of 60 percent of those voting.

The intent and purpose of the information contained in this fact sheet on Amendment 10 is not to tell individuals how to vote. Rather, the fact sheet is provided to help voters become more informed. Informed voters need to be more knowledgeable of the ballot issue and what they are voting on, rather than just reading a ballot title and ballot summary. Ballot titles and summaries do not inform voters in significant detail, or inform voters on policy implications of what a ye or nay vote implies. It is thought that informed voters make informed public policy decisions.

As the November election gets closer expect to see increased information on the proposed amendments in the media and popular press, and on the internet. Some of this information will be from groups advocating or opposing the specific amendments. Other information will be put forth by groups not associated with advocacy or opposition of the amendments. Read this information but be aware of the source of the information and the role of the organization supplying the information.

Your challenge as a voter is to become informed, understand the issues, learn the particulars, know the stakes, and then, by casting your ballot, make your values and preferences known.

## References

Florida House of Representatives. Online resource available at <http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h1003z.FTC.DOCX&DocumentType=Analysis&BillNumber=1003&Session=2012>

Florida Department of State, Division of Elections. 2012. *Initiatives / Amendments / Revisions*, Online resource available at <http://election.dos.state.fl.us/initiatives/initiativelist.asp?year=2012&initstatus=ALL&MadeBallot=Y&ElecType=GEN>

Florida Taxwatch. *Report and Recommendations of the Florida Tangible Personal Property Tax Task Force*, Online resource available at <http://www.floridataxwatch.org/resources/pdf/20111128TPPTaskForce.pdf>