



PROPERTY TAX RELIEF & REFORM

A Comprehensive Explanation

By Mike Mayo, Public Affairs Director

What is the problem?

A property tax crisis is engulfing our state and hurting the real estate industry. Property Tax levies have increased an astounding 99% between 2000 and 2007, and citizens are demanding relief. We face a situation in which people are either being taxed out of or locked in their homes.

The Save Our Homes (SOH) amendment created huge inequities among taxpayers. Due in part to SOH, local taxing authorities have increased the burden on non-homestead properties. There are also big problems associated with "Highest and Best Use" assessments on non-homesteaded properties.

The good news: Help is on the Way!

What did the Legislature do during the June Special Session?

1. They enacted a Statutory "Roll-Back and Cap" of property tax collections that has already been signed into law by Governor Crist.

2. They voted to place a Constitutional Amendment on the January 29, 2008 statewide ballot that, if approved, would create a new "super homestead exemption" worth up to \$195,000 of a home's taxable value.

What is meant by "Roll Back and Cap"?

Basically, the new law provides an overall cap limiting what local governments can collect in property tax. The revenue cap requires a local government to collect the same amount of revenue it did in the previous year, adjusted for new construction and statewide personal income growth.

For the upcoming 2007 Fiscal Year that begins on October 1 this year, all local governments will be required to freeze their tax base at the 2006-2007 level with an allowance for growth going forward. Additionally, government entities would then cut an additional 3% - 9% based on their five-year history of tax increases. School boards are exempt from this provision, and all independent special taxing districts are subject to a 3% cut.

What does this mean for Pinellas County residents?

To meet the requirements of the new "roll back and cap" law, Pinellas County staff recently proposed lowering property tax rates and reducing spending by 7%. This would be the lowest countywide tax rate since 1987. County Commissioners still must approve the spending plan. Public hearings are scheduled for September.

What is the difference between an Assessment Cap versus a Revenue Cap?

Save Our Homes (SOH) is an assessment cap on homestead properties only. It reduces the taxable value but does not limit the tax rate. As a result, local governments have kept millage rates artificially high in order to compensate for the taxable value that is "shielded" by SOH. This especially hurts commercial and non-homestead properties that have no assessment limitations. A revenue cap limits the amount of money that local governments can actually collect, thereby keeping pressure on elected officials to keep millage rates down.

Does this law benefit non-homesteaded properties?

Yes! The "roll back and cap" will apply to and protect all classes of properties from big and unpredictable year-to-year property tax increases. This includes vacation homes and commercial and rental properties. In fact, this is the very first guaranteed property tax protection for non-homestead properties in Florida history. Not only does the revenue cap apply equally to all categories of properties, it will also continually push the millage rate down.

Can you provide a brief explanation of the proposed Constitutional Amendment?

On January 29, voters will decide if the Florida Constitution should contain a "super homestead exemption" much larger than the current \$25,000 exemption. It will exempt 75% of the first \$200,000 of a home's value, and 15% of the next \$300,000. The maximum homestead exemption would be \$195,000 - compared to the current \$25,000 exemption.

If the Amendment passes, can I keep my SOH savings intact?

Yes! The Constitutional Amendment preserves the Save Our Homes tax cap until a homeowner makes an “irrevocable election” for the new “super homestead exemption”. There is no deadline for making the choice, but it can only be made for your current homestead. Changing homesteads will put that owner in the new “super homestead exemption” system.

If I am better-off under Save Our Homes, why should I vote for the Amendment?

Simply because you will no longer be punished for changing homes, whether you upsize or downsize.

While you may currently benefit under SOH, you will want to have access to up to the \$195,000 in exemptions the Constitutional Amendment provides.

What happened to the idea of “portability?”

There were many concerns and unanswered questions surrounding the concept of “portability”. For one, there were concerns that portability would not pass federal constitutional muster yet we are indeed gaining a form of portability through the reforms recently passed by the Legislature. The constitutional Amendment would essentially allow portability of up to \$195,000 in the form of a “super homestead exemption” by “porting” 75% of the first \$200,000 in value, and 15% of the next \$300,000.

What else does the Amendment do?

It further protects low-income seniors. It expressly authorizes the Legislature to limit the authority of local governments to increase property taxes. It authorizes the Legislature to help working waterfronts and affordable housing with assessment changes. The amendment also provides a \$25,000 tangible personal property tax exemption for businesses.

Will these reforms be good for my business?

Yes! The reforms provide relief for all classifications of property owners, and the Constitutional Amendment provides significant relief for homestead property owners. Remember, 94% of homestead properties in Florida are valued at \$500,000 or less.

According to an analysis conducted by the St. Petersburg Times, the amendment would cut property taxes by about 70% for the owner of a new median-priced home. According to a University of Florida economist, “This (amendment) would help the real estate industry.” Also, an economist at the University of Central Florida claims that the reforms will eliminate much of the uncertainty in the real estate market.

Does FAR support these reforms?

Yes! While these reforms do not include everything FAR wanted, they represent the beginning of meaningful property tax reform in Florida. Remember, the crisis facing Florida did not occur overnight. Today’s property tax system evolved over a number of years. That being said, the reforms recently passed by the Legislature represent a much better system compared to current law.

Also, we have been given assurances that assessment methods for commercial and other non-homestead property types will be addressed during the 2008 Legislative Session. This includes amending the “Highest and Best Use” provision in current law.

Where can I find additional information and regular updates?

For more information about this issue, including access to a “Property Tax Reform Toolkit”, please visit: <http://www.floridarealtors.org>, and click on “Legislative Center”.