WHIP'S POLICY BRIEF

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FINAL PASSAGE

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Property Tax Reform

Introduction

This Policy Brief explains the provisions of the proposed constitutional amendment for property tax reform (SJR 2D), its implementing bill (SB 4D), and the special election authorization bill (SB 6D) as of final passage.

Florida voters will consider the proposed constitutional amendment on January 29, 2008.

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The Property Tax Reform Plan
SJR 2D & SB 4D

The Bottom Line

The SJR eliminates the "lock-in effect" of Save Our Homes by allowing statewide portability for a period of two years after leaving the former homestead. It provides savings for every homestead owner by creating a new, additional $25,000 homestead exemption for non-school taxes.

The Joint Resolution creates a new 10% assessment cap for all non-homestead properties (i.e. business properties, apartments, and second homes) for non-school taxes. It also creates a Tangible Personal Property Tax Exemption of $25,000 to lower administrative and tax costs for businesses.

SB 4D provides implementing language for the constitutional amendment. SB 6D authorizes the proposed amendment to appear on the January 29, 2008 presidential primary ballot.

The total fiscal impact is $8.746 billion over four years ($1.859 billion for school tax levies).

Summary of SJR 2D & SB 4D

1. **Allows *"portability"* of accumulated Save Our Homes (SOH) benefits from one homestead to another.**

   - **The Joint Resolution allows homestead owners with an accumulated SOH benefit to transfer 100% of the benefit** (up to a $500,000 benefit) to a new homestead *if* they "**upsize**" to a home with a greater or equal just value.

   - If "**downsizing**" to a home with a lower just value, the homestead owner can transfer a SOH benefit that protects the same percentage of value as it did the former homestead, up to a $500,000 benefit.

     - In other words, if the SOH benefit equaled 25% of the just value of the former home, the new SOH benefit will equal to 25% of the just value of the new home.

   - **The new homestead must be established within two years** of the sale of the former homestead in order to transfer the SOH benefit.

- This provision is retroactive to 2007, so those who sold a homestead in 2007 will be eligible to transfer their benefit from the former home if they establish a new homestead by January 1, 2009.

- A homestead owner may **transfer** the SOH benefit to a new homestead **anywhere in the state.** Portability is not limited within a county or any other jurisdiction.

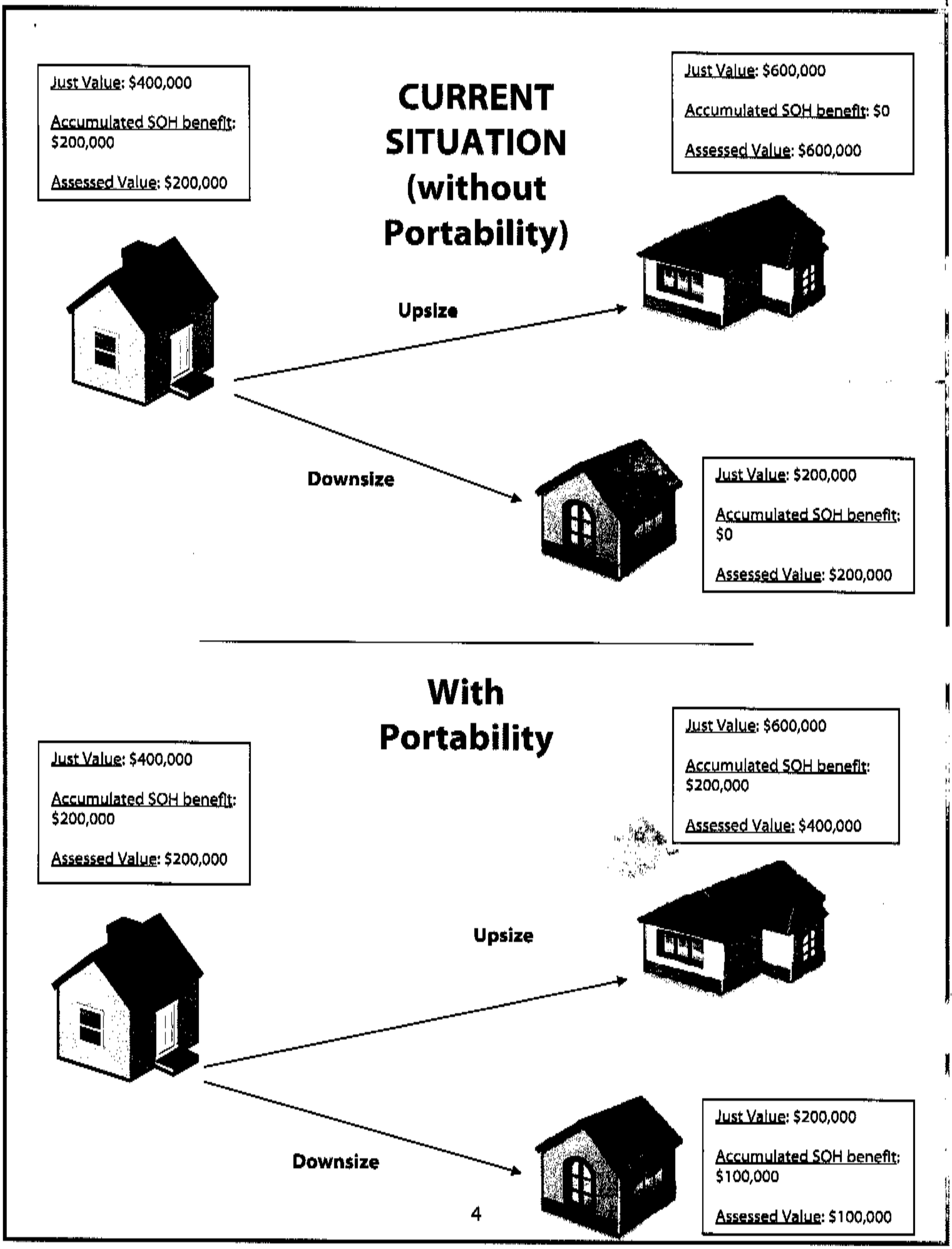
- **The transferred SOH benefit on the new homestead <u>will</u> apply to school tax levies.**

- The implementing bill sets forth additional rules for portability when more than one person has established the homestead:

    - **If two or more people own multiple homesteads and are moving into only one new homestead,** they can only transfer a benefit from one of the former homesteads. So if a newly married couple is selling two former homesteads to move into one new homestead, they will choose to transfer whichever of their SOH benefits is largest. The size of the transferable benefit is capped at $500,000.

    - **If two or more people jointly own a homestead and are moving into more than one new homestead,** they must divide the value of their SOH benefit among the new homesteads based on the number of owners of the prior homestead. The total amount of transferable benefits is capped at $500,000. So, if a couple is moving out of their jointly owned homestead with a $100,000 SOH benefit into two new homesteads, they will divide the benefit in half and apply a $50,000 benefit to each of their new homesteads.

[The following page provides a visual depiction of how portability will work.]


CURRENT SITUATION (without Portability)
Just Value: $400,000
Accumulated SOH benefit: $200,000
Assessed Value: $200,000
Upsize
Just Value: $600,000
Accumulated SOH benefit: $0
Assessed Value: $600,000
Downsize
Just Value: $200,000
Accumulated SOH benefit: $0
Assessed Value: $200,000
With Portability
Just Value: $400,000
Accumulated SOH benefit: $200,000
Assessed Value: $200,000
Upsize
Just Value: $600,000
Accumulated SOH benefit: $200,000
Assessed Value: $400,000
Downsize
Just Value: $200,000
Accumulated SOH benefit: $100,000
Assessed Value: $100,000

2. **<u>Expands the Homestead Exemption to be worth up to $50,000, providing every homestead owner with tax savings in 2008.</u>**

- The Joint Resolution creates an **additional homestead exemption worth up to $25,000** in addition to the existing $25,000 exemption – effectively for a total of $50,000. However, there are **two key differences** between this new exemption and the existing exemption:

  - **<u>Difference #1</u>:** The new exemption **applies to the value of the homestead between $50,000 and $75,000.** Placing the additional exemption on the "third" $25,000 of value will alleviate the impact for jurisdictions with relatively low property values by ensuring that most homesteads will continue to pay some amount of property tax.

  - **<u>Difference #2</u>: The additional $25,000 exemption *does not* apply to school tax levies.** By contrast, the existing Homestead Exemption *does* apply to school tax levies. Thus, the new exemption offers fewer savings than the original exemption, because it doesn't shield homeowners from school taxes. The new exemption saves the average homeowner who receives the full benefit an average of $240 a year, while the existing homestead exemption provides about $450 per year.

3. **<u>Creates a 10% annual assessment cap for ALL non-homestead properties.</u>**

- The SJR limits the annual growth of assessed value to 10% for non-homestead residential and business properties.

- **This assessment limitation does *<u>not</u>* apply to school tax levies.**

- The assessment limitation will **expire in 10 years**. At that time, voters will decide whether to reauthorize it.

- **Residential properties of nine units** or less will surrender accumulated protections at **change of ownership or control**, as defined by general law.

- For all other properties (i.e., **residential properties of ten or more units and business properties**), the Legislature:

  - *Must* define by general law how the property will surrender protections when there is a "qualifying improvement" to the property, and

  - *May* define by general law how the property will surrender accumulated protections at a change of ownership or control.

- The cap will use a base year of 2008, which means **the cap will begin shielding properties from taxation in 2009.**

- Those benefiting from the new 10% cap include small business owners, second home owners, and renters – ensuring that those taxpayers who have born the brunt of the property tax crisis receive protections into the future.

4. **Creates a new Tangible Personal Property Exemption of $25,000 for business properties.**

   - The Joint Resolution authorizes a **new exemption of $25,000 for Tangible Personal Property.**
   - For the average commercial property, this **creates savings of $450** (assuming an aggregate tax rate of 17 mills, which is near the statewide average).
   - Those property owners with less than $25,000 worth of tangible personal property will **no longer have to file detailed returns**, thereby alleviating an often cumbersome administrative burden.
   - Approximately 1 million of Florida's 1.3 million businesses will receive a total exemption from the tangible personal property tax.
   - **This provision *does* apply to school tax levies.** If this provision exempted schools, businesses would save money but still be required to file annual returns. This would undermine the purpose of completely removing the administrative burden of filing annual returns.

5. **Requires an annual appropriation to fiscally constrained counties to offset revenue reductions that result from the constitutional amendment.**

   - SB 4D directs the Legislature to appropriate money in FY 2008-09 for fiscally constrained counties that lose revenue as a result of the constitutional amendment.
   - Each fiscally constrained county will be reimbursed in proportion to its share of the overall statewide revenue reduction.
   - The definition of a "fiscally constrained county" already exists in statute and is used for purposes of sales tax distribution. A county may be considered fiscally constrained if it levies $5 million or less from one mill of ad valorem tax or if the county is within a rural area of critical concern as defined by the Governor.

Authorizing a Special Election
SB 6D

Background

The Florida Constitution stipulates that a special election may only be called by a three-fourths vote in the House and Senate. The bill authorizing the special election must have no other subject matter than the authorization of the special election.

Summary of the Bill

SB 6D authorizes a special election for a public vote on SJR 2D. The Special Election will coincide with the Florida Presidential Preference Primary on January 29, 2008.

- Delaying consideration of the property tax reform amendment would mean it could not be implemented until 2009 tax bills are issued. **Placing the proposed constitutional amendment on the ballot in January 2008 makes the new reforms and savings available for tax bills in November 2008.**

- Note: Florida's election law creates a "closed" primary, wherein only registered members of a party can vote for candidates of that party. **However, voters of all political affiliations may vote on the proposed constitutional amendment.**

Appendix A – First Year Tax Savings by County

Methodology

- The following chart **shows the first-year tax savings for the typical Florida homestead owner** under the constitutional amendment. Savings are measured against the current year's tax rates and tax base.

- **Homestead Exemption:** The savings in Column 2 are for "Fully Benefiting Homestead Properties." These are homesteads with assessed values above $75,000, since the new $25,000 exemption applies to values between $50,000 and $75,000.

- **Portability:** Homeowners realize tax savings from portability only when they move. Column 3 shows how the typical homestead owner (based on median home values within each county) will save when they move compared to what their tax bill would be under current law. However, these savings will vary widely based on a number of factors, including the value of the first homestead, the value of the second homestead, and whether the homeowner moves to a different taxing jurisdiction.

County	Fully Benefiting Homestead Exemption	Typical Portability Beneficiary
Alachua	$334.58	$1,029.71
Baker	$264.05	$611.26
Bay	$125.61	$920.67
Bradford	$266.20	$538.46
Brevard	$210.19	$1,131.99
Broward	$308.72	$2,666.87
Calhoun	$253.38	$279.87
Charlotte	$179.48	$975.70
Citrus	$217.21	$776.39
Clay	$178.82	$800.44
Collier	$140.39	$2,060.88
Columbia	$281.16	$558.65
Dade	$286.72	$3,234.44

County	Fully Benefiting Homestead Exemption	Typical Portability Beneficiary
Desoto	$221.72	$898.64
Dixie	$321.99	$419.53
Duval	$222.09	$1,134.10
Escambia	$223.71	$593.77
Flagler	$168.90	$986.74
Franklin	$111.37	$1,161.56
Gadsden	$240.43	$408.06
Gilchrist	$229.29	$612.22
Glades	$307.21	$724.45
Gulf	$153.73	$745.66
Hamilton	$272.18	$410.79
Hardee	$222.31	$485.61
Hendry	$279.88	$1,080.78
Hernando	$229.95	$813.34
Highlands	$222.01	$995.21
Hillsborough	$325.74	$1,552.83
Holmes	$233.05	$118.37
Indian River	$186.33	$1,122.36
Jackson	$209.72	$227.76
Jefferson	$277.99	$570.20
Lafayette	$237.62	$481.48
Lake	$225.58	$731.52
Lee	$230.95	$1,652.91
Leon	$235.20	$957.33
Levy	$234.21	$715.71
Liberty	$220.12	$312.59
Madison	$235.91	$369.25
Manatee	$215.05	$1,486.86

County	Fully Benefiting Homestead Exemption	Typical Portability Beneficiary
Marion	$164.39	$792.23
Martin	$215.14	$,111.65
Monroe	$120.30	$2,296.96
Nassau	$200.07	$1,088.36
Okaloosa	$144.52	$1,071.61
Okeechobee	$183.05	$726.36
Orange	$236.00	$1,542.89
Osceola	$181.89	$1,130.99
Palm Beach	$274.15	$2,145.29
Pasco	$190.42	$821.02
Pinellas	$295.20	$1,735.87
Polk	$242.40	$921.64
Putnam	$272.60	$745.67
St. Johns	$183.77	$1,623.50
St. Lucie	$331.47	$1,261.47
Santa Rosa	$165.16	$513.59
Sarasota	$150.46	$1,495.07
Seminole	$223.54	$1,603.26
Sumter	$165.75	$572.43
Suwannee	$227.91	$585.49
Taylor	$235.07	$352.01
Union	$269.44	$459.49
Volusia	$284.60	$1,633.79
Wakulla	$207.77	$546.06
Walton	$107.88	$713.09
Washington	$209.21	$176.63