

WHIP'S HIGH POINTS

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The House Plan for Long-Term Tax Reform

HJR 7089 by the Policy & Budget Council & Chairman Sansom
As passed by the House of Representatives on April 18, 2007

- **A Cut:** Requires all local governments except schools to set property tax rates to where they would have been if tax revenues had grown only in proportion to community growth and inflation since FY 2003-04. Also, the Legislature must exempt hospital districts, fiscally constrained counties and cities therein, independent special districts, and children's services councils from the required rate roll back by general law. Revenues used for hospital and children's services programs by counties that provide those services from their general fund are exempt from the cap.
- **A Cap:** Limits future local government revenues to the rolled-back-rate (which allows revenue growth in proportion to community growth) plus changes in the Consumer Price Index.
- **A Swap:** Establishes a formula that provides local control and flexibility to further reduce property taxes on homestead properties:
 - **Automatic:** **Abolishes the required local effort** (RLE) school board tax on all homestead properties and replaces it with a one cent sales tax. The RLE tax comprises about of 25% of property taxes statewide.
 - **Optional:** By local county referendum, voters may choose to further reduce homestead property taxes by **replacing the discretionary millage for school boards** with a ½ cent sales tax. The referendum must be held by 2010.
 - **Optional:** By local county referendum, voters may adopt an additional reduction of homestead property taxes by **replacing all remaining property tax levies** (i.e., county/city, special districts, MSTUs, etc.) with a 1 cent sales tax. The referendum must be held by 2010.
 - **If both referendums pass, all homestead properties in the jurisdiction will be exempt from ad valorem taxes.** The new total sales tax will be 2.5%. County governments will distribute sales tax funds within their county based on the existing sales tax distribution model.
- **Creates a tangible personal property exemption of \$25,000 for businesses.** This would create \$180 million in savings to Florida businesses at current tax rates.
- **Creates more options for renters' tax relief** by granting the legislature broader authority to create statutory programs that target rental properties.

April 18, 2007