

WHIP'S POLICY BRIEF

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Property Tax Reform

Introduction

Last week, the House Policy & Budget Council approved three bills for property tax reform – HJR 7001D (the proposed constitutional amendment), HB 7003D (the statutory implementation bill), and HB 7005D (placing the amendment on the January 29 ballot). The Senate passed its proposed constitutional amendment – SJR 2D – and sent it to the House. The Senate did not send its statutory implementation bill or special election bill to the House.

On Monday, the House will take up SJR 2D, and Chairman Cannon will sponsor an amendment that refines the Senate's framework. The amendment incorporates ideas from a variety of House members, including Republicans and Democrats.

This policy brief explains the provisions of Chairman Cannon's amendment.

The House will also take up HB 7003D, with amendments to conform with the amendment to SJR 2D, and HB 7005D.

The brief frequently references "the amendment to the Joint Resolution" or the "SJR amendment." These references do *not* describe the version of SJR 2D that the Senate approved; rather, they reference Chairman Cannon's amendment to SJR 2D.

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Background – The Florida Property Tax System

Overview

The Florida Constitution reserves all revenue from *ad valorem taxes* (taxes based on property value) for local governments. The state government derives no revenue from property taxes. The property tax is levied annually based on the value of real and tangible personal property on January 1 of each year. Property owners receive their tax bills in November and must submit payment by the following March 31.

Local property appraisers annually assess each privately owned property in Florida, with certain exceptions like churches, based on market value.

Local governments set the *millage rate*, which is the rate at which properties are taxed. The millage rate applies uniformly to all taxable properties in the jurisdiction.

After accounting for certain exemptions, differentials, and limitations (discussed below), the *taxable value* of a property is multiplied by the millage rate to determine the dollar amount of the tax. Increasing or decreasing either the taxable value or the millage rate will increase or decrease the revenue generated by the tax.

1. The Property Tax Formula

The following formula explains how to calculate a property tax bill in Florida.

First, calculate the "Assessed Value:"

Just Value (market value) – **Assessment Limitations** (e.g., Save Our Homes) = **Assessed Value**

Second, calculate the "Taxable Value:"

Assessed Value – **Exemptions** (e.g., Homestead Exemption) = **Taxable Value**

Finally, calculate the total tax bill:

Taxable Value X Millage Rate = Total Tax Liability

Example 1:

Assume Homestead A has a just value of \$400,000, an accumulated \$100,000 in Save Our Homes protections, a Homestead Exemption of \$25,000, and the total millage rate is 20 mills:

$$\begin{array}{rcl} \$400,000 - \$100,000 & = & \$300,000 \\ \$300,000 - \$25,000 & = & \$275,000 \\ \$275,000 \times .02 & = & \$5,500 \text{ (Total Property Taxes)} \end{array}$$

2. Local Entities with Taxing Authority

The Florida Constitution authorizes several types of local governments to levy property taxes up to a certain amount. Most notably **county, municipal (city), and school district governments**¹ may levy taxes up to 10 mills each.

A county that provides municipal services (called a **Municipal Service Taxing Unit** or MSTU) may levy an additional property tax as set forth in statute.

Independent Special districts² (e.g., water management) may be authorized by the Constitution or by statute and operate with a variety of millage caps, usually under two mills. Generally, counties and cities vary as to how they use special districts to deliver services. For example, some communities feature independent special districts that deliver fire and rescue services, while others fund these services from county or city general funds. Services varying from hospital funding to mosquito control can similarly be provided through county/city funds or through independent special districts.

3. Tangible Personal Property Tax

The Florida Constitution authorizes an ad valorem tax on tangible personal property, which includes furniture, machinery, and similar items. **Residential properties are exempt from this tax, but businesses are required to pay.** The same millage rate that applies to real property is also applicable to tangible personal property.

The tangible personal property tax is administratively cumbersome for both business owners and property appraisers, as it requires line item accounting of a given parcel's tangible personal property items. Business owners must annually adjust their returns to reflect changes in the amount of tangible personal property they own and depreciated value of certain items.

4. The Homestead Exemption

The Florida Constitution authorizes an exemption commonly known as the "Homestead Exemption," which **removes up to \$25,000 of value for homestead property from property taxation.** Homestead properties are primary residences; no Floridian can claim more than one property as a homestead.

¹ Florida's public school system is jointly funded by the state and local governments. Through the Required Local Effort (RLE), the state government levies a property tax that funds a substantial portion of education programs. However, while the state government sets the millage rate for the RLE, local school districts collect and appropriate the revenue. In addition, local school districts may levy a separate property tax. The state government also appropriates money from state revenues to fund education.

² Special districts exist in order to levy taxes that pay for specific services for a specific geographic region. Only those residents who benefit from the service are taxed by the special district. Today, there are over 900 special districts in Florida.

This exemption applies to the first \$25,000 of assessed value. It also applies to all property taxes that are levied against the homestead property – including taxes for counties, cities, independent special districts, and school districts.

Irrespective of home value and assuming a total millage rate of 17 mills (slightly above the statewide average), the Homestead Exemption would provide \$425 in savings every year. A \$25,000 Homestead Exemption in 1980 – when it was authorized – would be worth \$64,111 today.

5. Save Our Homes

In 1992, Florida voters approved the “Save Our Homes” (SOH) amendment to the Florida Constitution. **SOH limits the annual growth in the assessed value of homestead property** to 3% of the prior year’s assessment or the percentage change in CPI, whichever is less. The SOH assessment limitation applies to all property tax levies, including schools.

Over time, many homestead properties have developed significant tax protections due to SOH. A property that experiences a change in ownership is reassessed at just value, thus surrendering Accumulated SOH Benefits.

In other words, when a homestead owner moves to a new home, he loses his SOH protection and will only be eligible for the \$25,000 Homestead Exemption in his new home. If “upsizing” to a house of greater value, the new home’s tax bill will often be significantly higher. Even if “downsizing” to a house of less value, the tax bill may still be higher than the former home.

Constitutional Issues of Save Our Homes and Portability

Some argue that Florida’s Save Our Homes (SOH) provision is unconstitutional under the U.S. Constitution and that allowing “portability” of SOH benefits will exacerbate the system’s unconstitutionality. As tax disparities 1) among homestead owners and 2) between homestead owners and non-homestead owners grow, a court may find Save Our Homes unconstitutional. Although courts have previously upheld Florida’s Save Our Homes system, growing tax disparities might give rise to a new and successful challenge.

There are four potential challenges to the SOH system and portability under the Constitution (ranked here in order of least likely to most likely to succeed):

- a. The Equal Protection Clause.** This argument holds that the state may not create tax policies that benefit *homestead* owners to the detriment of *non-homestead* owners under the Equal Protection Clause of the 14th Amendment. However, in a similar case (*Nordlinger v. Hahn*) the US Supreme Court held that California’s system of giving primary home owners a special tax benefit was permissible under the Constitution. Thus,

the Equal Protection challenge is likely the weakest argument against SOH and portability.

- b. The Privileges and Immunities Clause.** This clause generally prohibits unjustified discrimination against nonresidents. However, Save Our Homes does not distinguish between residents and nonresidents, but rather between homestead and non-homestead owners. Thus, a challenge under this clause would be relatively weak.
- c. The Commerce Clause.** The Supreme Court has held that the Commerce Clause of the U.S. Constitution inherently prevents states from creating laws that discriminate against interstate commerce. Florida's SOH system shifts the tax burden from homestead properties to non-homestead residential and commercial properties. Therefore, some argue that Florida's tax policy unconstitutionally discriminates against interstate commerce, such as those businesses that might wish to locate in Florida or those who intend to invest in non-homestead residential property. This argument seems to have legal merit.
- d. The Right to Travel.** The Supreme Court has construed a constitutional right to travel that has three components: 1) "the right of a citizen of one State to enter and to leave another State," 2) "the right to be treated as a welcome visitor rather than an unfriendly alien when temporarily present in the second State," and 3) "for those travelers who elect to become permanent residents, the right to be treated like other citizens of the State." The third component presents the most likely successful challenge to Save Our Homes.

Potential Remedies

If a court finds Florida's Save Our Homes system unconstitutional, it may order certain remedies to rectify the discrimination. Under the Supreme Court's interpretation of the Due Process Clause, a government that has unconstitutionally discriminated against a class of people must provide "meaningful backward-looking relief."

The court may therefore order that 1) the favored class of homestead owners benefiting from SOH be "back-taxed" or 2) the disfavored class of non-SOH beneficiaries be refunded taxes that were unconstitutionally levied.

6. Other Property Tax Protections

Florida law offers several exemptions for special individual circumstances:

- **Exemption for Military Service-Connected Total and Permanent Disability** – An honorably discharged veteran with service-connected total and permanent disability may qualify for total exemption of homesteaded property used and owned as a homestead, less any portion used for commercial purposes.
- **\$5,000 Military Service-Connected Disability** – Honorably discharged veterans with a service connected disability rating of at least 10% may qualify for this exemption on any property they own.
- **Up to \$50,000 Local Option Exemption for Low-Income Seniors** – Cities and counties may adopt by ordinance an additional exemption up to \$50,000 for qualifying low-income seniors.
- **\$500 Widow/Widower Exemption** – Any widow or widower who is a Florida resident may claim this exemption. Upon remarriage, the widow or widower is ineligible for the exemption.
- **\$500 Disability Exemption** – A Florida resident who is totally and permanently disabled may qualify for this exemption.
- **\$500 Exemption for Blind Persons**

7. Revenue Generated by Local Property Taxes

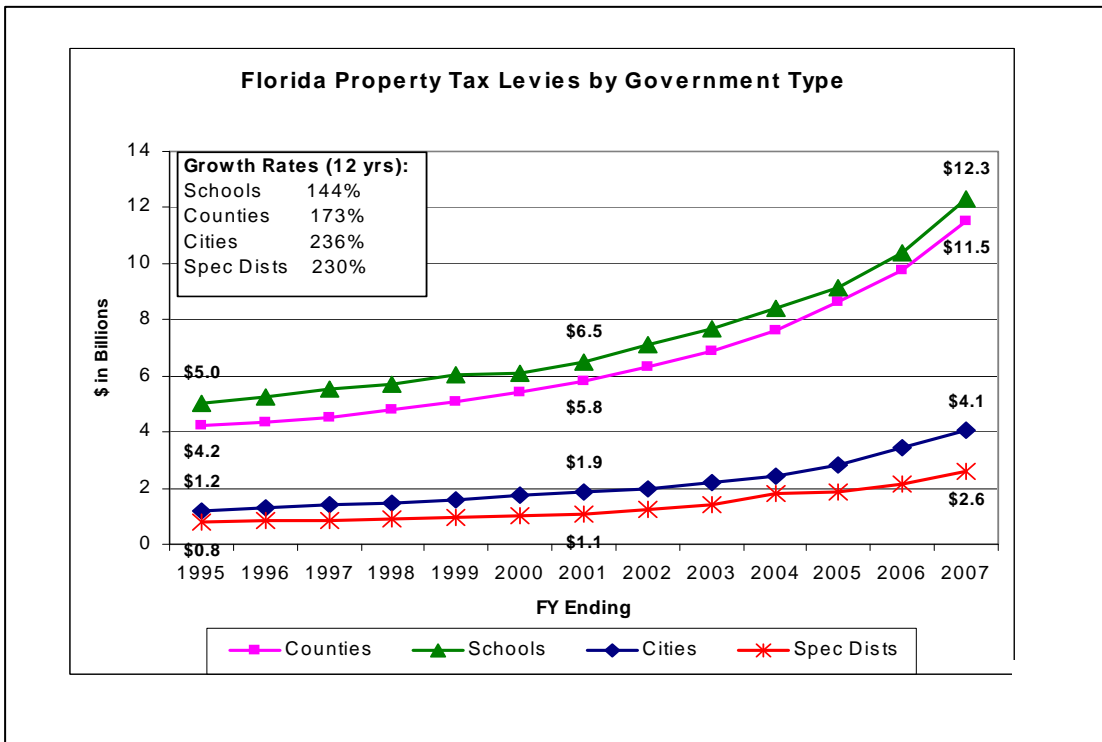
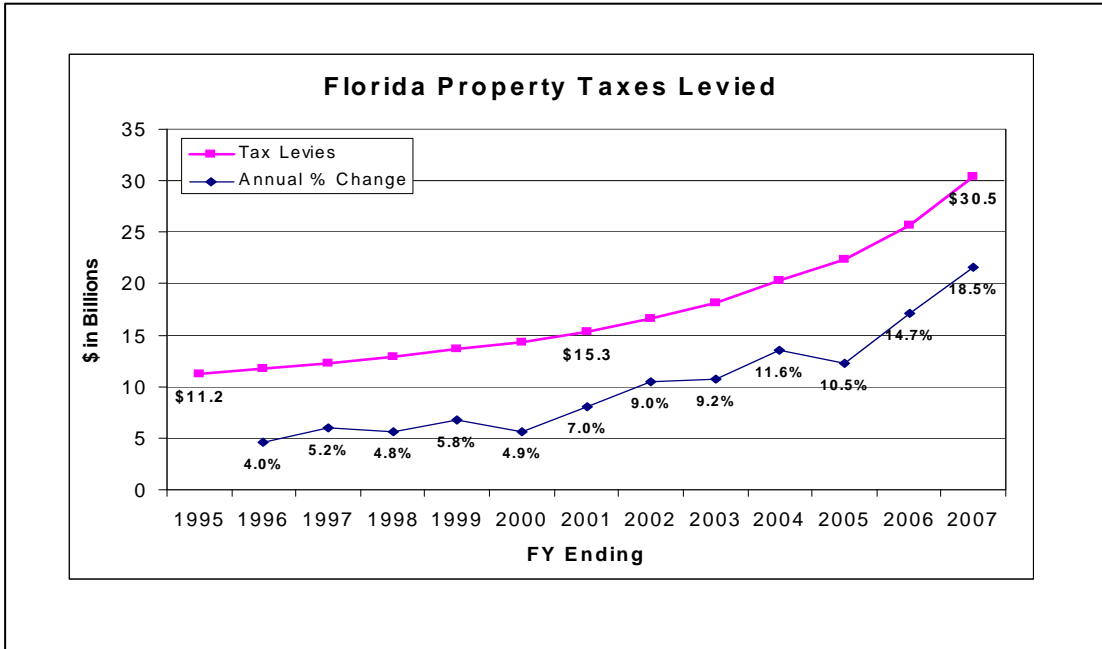
Property taxes provide a significant source of revenue to local governments. For the 2006-07 Fiscal Year, local governments levied just over \$30 billion through the property tax.

However, local governments receive the great majority of their total revenue from other sources like fees, licenses, bonding, etc.:

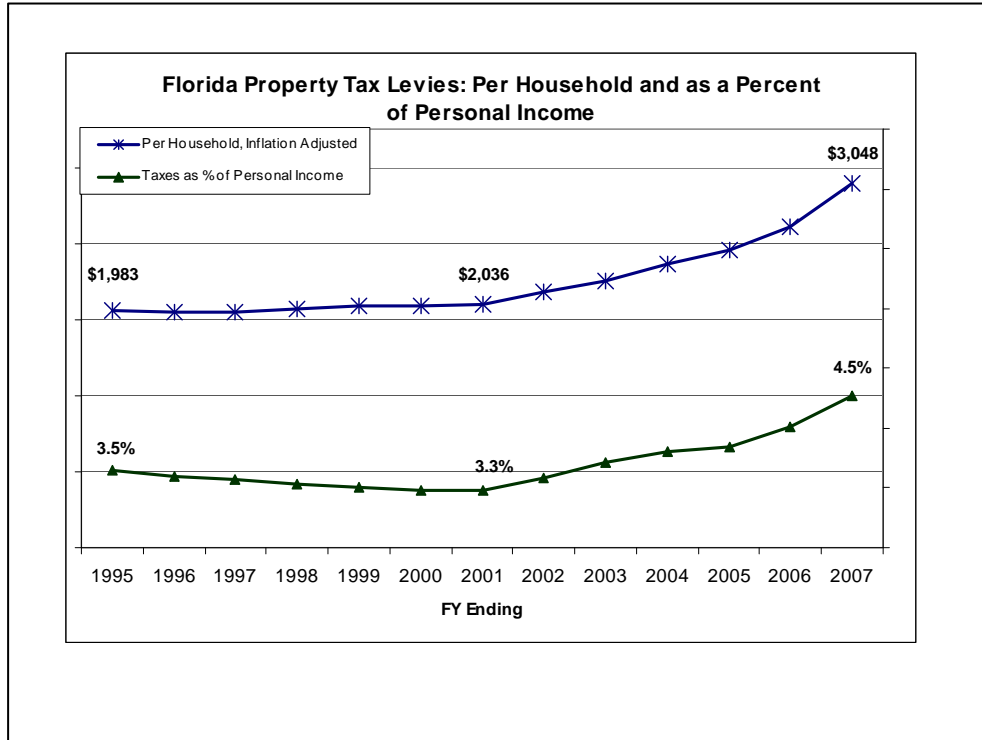
Government Entity	% of Total Revenue from Property Taxes (FY 2003-04 - most recent data available)
Counties	31%
Cities	18%
School Districts	38% (in 2004-2005)
Special Districts	20%

The Real Estate Boom

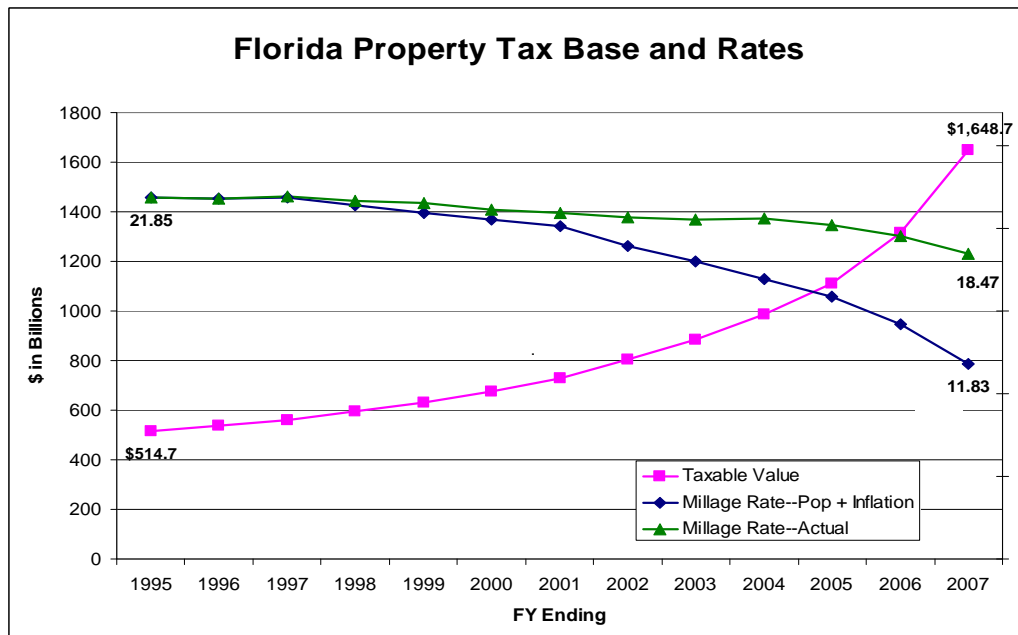
Driven largely by remarkable gains in property values, local government tax levies have soared in recent years:



Unfortunately, local governments have allowed taxes to grow at a faster pace than the growth in personal income.



Local governments have modestly reduced millage rates in recent years. However, they have simultaneously experienced revenue windfalls because property values have increased so dramatically. The next chart shows the difference between the actual millage rate today and what the millage rate today *would be* if local governments had matched tax levies to population plus inflation over the last 12 years.



Property Tax Reform Efforts in 2007

Overview

The Legislature passed a constitutional reform amendment and statutory relief bill in Special Session 2007B. Recently, a circuit court invalidated the ballot language for the proposed amendment while upholding the statutory relief bill.

The Florida Constitution requires a 90-day period between final passage of a proposed constitutional amendment and the date of the election for the amendment. Thus, the Legislature must authorize an amendment by October 28, 2007 in order to place it on the January 29, 2008 presidential primary ballot. Otherwise, tax reforms would likely not take effect until 2009.

Regular Session 2007

The House and Senate passed different property tax plans near the end of the 2007 Regular Session. The chambers met in conference and were unable to reach an agreement. Both the House and Senate plans included a rate roll-back approach. The House used 2000-01 as the base year, while the Senate used 2004-05. The House plan offered greater savings. Both plans had a cap for future years, but the Senate delayed the cap until 2009-2010.

The House plan included a tax swap that would have eliminated all property taxes on homestead properties in exchange for an increased sales tax, subject to certain local options. This would have abolished the inequities and lock-in effect of Save Our Homes. The Senate plan instead allowed statewide portability with a \$500,000 cap on the transferable benefit and allowed a first-time homebuyer exemption of \$25,000. Both plans would have created a new Tangible Personal Property Tax Exemption of \$25,000.

Special Session 2007B

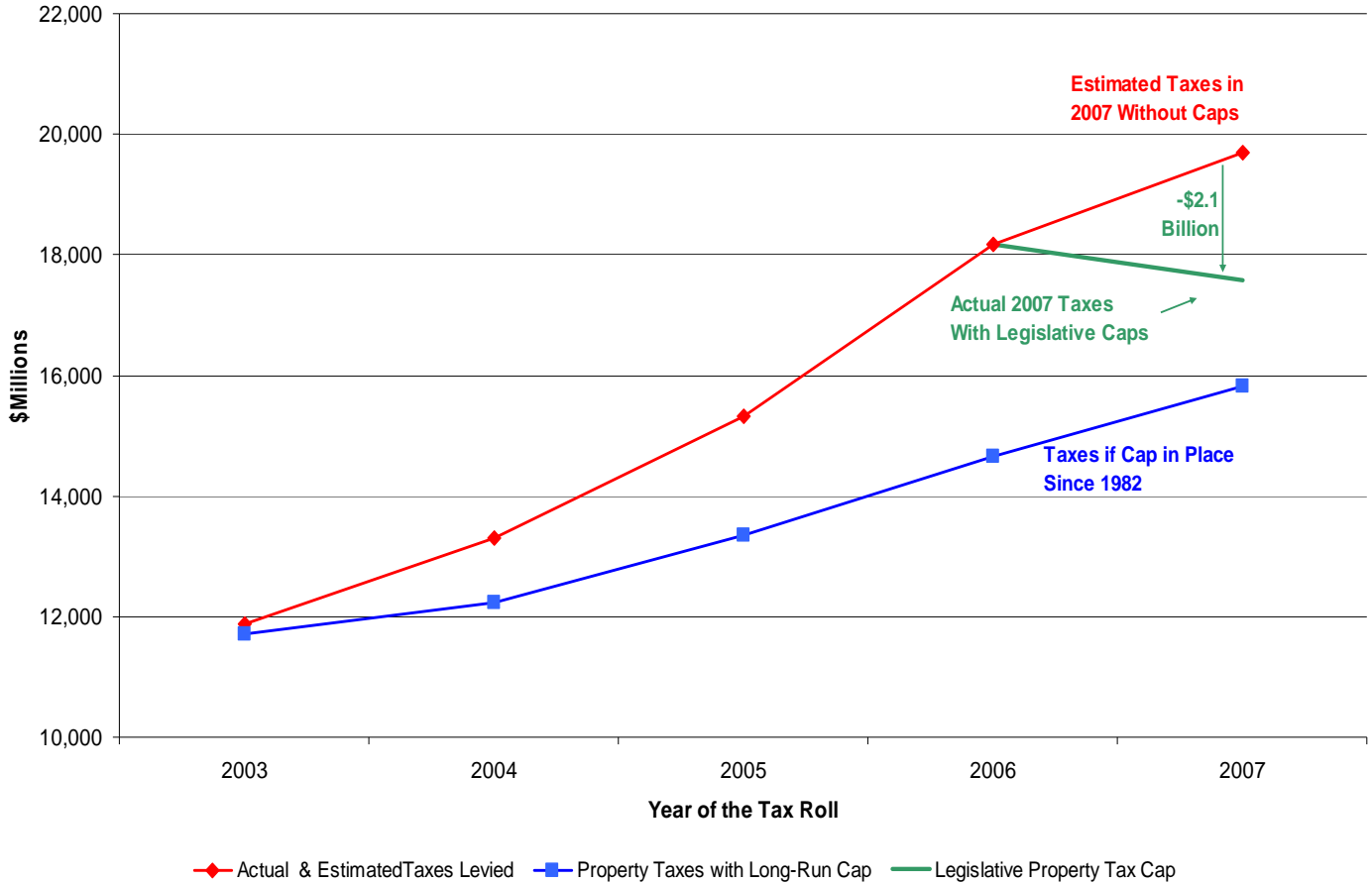
The House and Senate agreed to a new approach for property tax reform during the 2007B Special Session. A statutory bill created immediate tax relief and instituted a property tax revenue cap. **Preliminary reports show that this bill created \$2.1 billion of property tax relief this year** (*see pages 10-11 for graphs*).

The House and Senate also passed a Joint Resolution that would have created a new Super Homestead Exemption to offer permanent reform. The new exemption would cover 75% of the first \$200,000 of homestead value and 15% of the next \$300,000 (for a maximum exemption of \$195,000), with all homesteads receiving at least a \$50,000 exemption. Homestead owners who currently benefit from Save Our Homes could choose to continue with that benefit or switch to the new super exemption. The HJR also authorized a \$25,000 Tangible Personal Property exemption and allows targeted relief for affordable housing, low-income seniors, and working waterfronts.

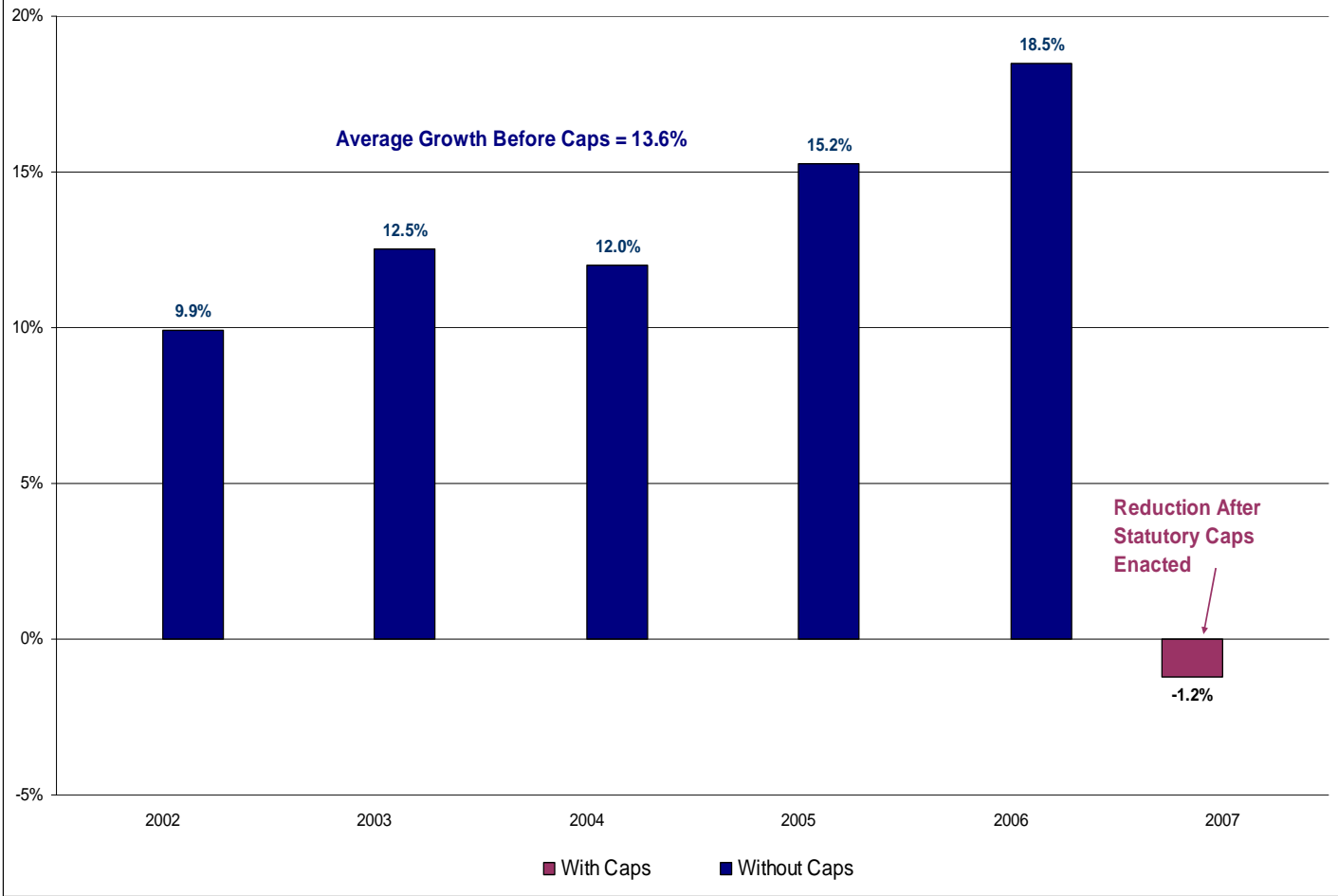
Relief Results

The following charts show the results of HB 1B, passed during Special Session.

Florida City, County & Independent District Property Tax Levies
Compared to Cap Based on Population and Income Growth
(Base Year for Cap = 1982)
Mandatory Relief in 2007 - Statutory Cap



**Growth in City, County and Special District Property Taxes
Before and After Statutory Tax Caps Enacted**



The Property Tax Reform Plan ***SJR 2D & HB 7003D***

The Bottom Line

The SJR amendment 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 accelerates Save Our Homes savings by providing a Guaranteed Save Our Homes Benefit worth 40% of the county’s median homestead just value. Low-income seniors receive an accelerated SOH protection worth 100% of the median homestead just value.

The amendment to the Joint Resolution creates a new 5% assessment cap for all non-homestead properties (i.e. business properties, apartments, and second homes). It also creates a Tangible Personal Property Tax Exemption of \$25,000 to lower administrative and tax costs for businesses. It limits property tax assessments for affordable housing and working waterfront properties. Furthermore, it requires that all property appraisers be elected rather than appointed.

HB 7003D provides implementing language for the constitutional amendment.

The total fiscal impact of the constitutional amendment is \$11 billion over four years, of which \$964 million will come from school tax levies.

Summary of the amended SJR 2D & HB 7003D

- 1. Allows “portability” of an Accumulated Save Our Homes (SOH) Benefit from one homestead to another.³**
 - **The Joint Resolution allows homestead owners with an Accumulated SOH Benefit to transfer 100% of the benefit** (up to a \$1 million benefit) to a new homestead *if* they “**upsized**” to a home with a greater or equal just value.

³ The idea of portability has been offered and developed by members of both parties and both chambers, as well as by the Governor. The most prominent portability bill in the 2007 Regular Session was sponsored by Representative Domino (R) and co-sponsored by representatives Allen (R), Anderson (R), Davis, D. (R), Harrell (R), Holder (R), Kiar (D), Long (D), Needelman (R), Proctor (R), Robaina (R), Sands (D), Scionti (D), and Vana (D).

The Senate property tax plan from the 2007 Regular Session allowed portability of benefits up to \$500,000.

This particular iteration of portability is drawn directly from the proposal the Governor submitted prior to Special Session 2007D.

- 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 \$1 million benefit.
 - In other words, if the SOH benefit equaled 25% of the total 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 or abandonment of the former homestead in order to transfer the SOH benefit.
- This provision is retroactive to 2007, so those who sold and established a new homestead in 2007 will be eligible to transfer their benefit from the former homestead.
- 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 will *not* apply to school tax levies.** For the school portion of a tax bill, the transferred Save Our Homes benefit will begin at zero.
- 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.
 - **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.** So, if a couple is moving out of their shared homestead with a \$100,000 SOH benefit into two new homesteads, they may choose to divide benefit in half and apply a \$50,000 benefit to each of their new homesteads.

[The following page provides a visual description of the portability proposal in the Joint Resolution.]

Just Value: \$400,000

Accumulated SOH benefit:
\$200,000

Assessed Value: \$200,000

CURRENT SITUATION (without Portability)

Just Value: \$600,000

Accumulated SOH benefit: \$0

Assessed Value: \$600,000



Upsize



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

Just Value: \$600,000

Accumulated SOH benefit:
\$200,000

Assessed Value: \$400,000



Upsize



Downsize



Just Value: \$200,000

Accumulated SOH benefit:
\$100,000

Assessed Value: \$100,000

2. Creates tax relief for those homestead owners who need it most by accelerating SOH savings with a new guaranteed benefit.⁴

- **Provides a “Guaranteed Save Our Homes Benefit” for all homestead properties,** so that all homestead owners can enjoy meaningful SOH savings without having to wait years to get them.
- **The guaranteed exemption is equal to 40% (or 100% for low-income seniors)** of the county’s median just value for homesteads (*county-by-county median home values are available on pages 23-24 of this document*).
- **The Guaranteed SOH Benefit applies to home value above \$50,000.** Along with using the county median home value approach, this will minimize the impact on low property value cities and counties.
- The Joint Resolution **preserves Save Our Homes.** The amendment to the SJR does not replace Save Our Homes; it accelerates it (*see the green box on the next page for more*).
- The guaranteed SOH protection does *not* apply to school tax levies in order to protect Florida’s education system.
- **All existing exemptions** (like the Homestead Exemption and the Low-Income Senior Local Option Exemption) will **still apply** to eligible properties on top of the Guaranteed SOH Benefit.
- The Guaranteed SOH Benefit represents an improvement to the original provision to double the Homestead Exemption for two main reasons:
 - 1) Doubling the Homestead Exemption would have spread a relatively small benefit over all homesteads – limiting the amount of tax relief that can go to those who need it most. By contrast, the Guaranteed SOH Benefit targets greater relief for those homestead owners who currently have the least tax protection.
 - 2) By basing the benefit on median county home values, the Guaranteed Save Our Home Benefit is better tailored to local situations and minimizes the impact on counties with low property values.

⁴ The idea of a percentage-based protection based on median home values is drawn heavily from proposals submitted by the House Democratic Caucus. Leader Gelber (D) has submitted an amendment to HJR 7001D (#646777) that employs a 40% of median county just value approach, as have Representative Long (D) (#357355) and Representative Randolph (D) (#406541). House Democrats also offered amendments to property tax bills in Regular Session that granted new protections based on a percentage of median county values (e.g., #105513 to HJR7089 by Leader Gelber).

3. Creates an expanded Guaranteed SOH Benefit for qualifying low-income seniors to substantially reduce their tax bills.

- The amendment to the Joint Resolution creates a larger Guaranteed SOH Benefit for qualifying low-income seniors equal to 100% the county's median homestead value (*county-by-county median home values are available on pages 23-24 of this document*).
- This Guaranteed SOH Benefit operates in the same way as the 40% of median home value exemption in section 2 above, with two exceptions:
 - The size of the benefit is equal to 100% of the county median home value, thereby offering substantially deeper savings for qualifying seniors.
 - The Guaranteed SOH Benefit applies to home value beginning at dollar one, rather than after the first \$50,000 in order to provide more savings.
- **In order to qualify**, the homestead owner must be 65 years old or older and the total household income must not exceed \$23,604 annually (adjusted for inflation). Under the implementing legislation, household income includes *all gross* income (rather than "adjusted gross income" under the federal tax code) to prevent unfairly shielding income. Income includes Social Security and veterans' benefits.
- This exemption does not apply to school tax levies in order to protect Florida's education system.



Important

Here's how the new "Guaranteed SOH Benefit" works in the context of the current Save Our Homes system:

- All homestead owners will own a SOH benefit that will accumulate on an annual basis and that they can carry with them from home to home. This is called the **"Accumulated SOH Benefit."** It works just like Save Our Homes has always worked – capping assessment growth at 3% per year – except that the Joint Resolution also creates portability.
- However, many homeowners have a relatively small Accumulated SOH Benefit (like **first-time homestead buyers** or recent homestead buyers). These are the homeowners most in need of relief. Therefore, the amendment to the Joint Resolution provides the 40% of median home value benefit to accelerate their savings. This is called the **"Guaranteed SOH Benefit."**
- **The homeowner will continue to build an Accumulated SOH Benefit.** Once the Accumulated SOH Benefit is greater than the guaranteed benefit, the homeowner will utilize the Accumulated SOH Benefit. The Accumulated SOH Benefit will continue to apply to school taxes, even if using the Guaranteed SOH Benefit for non-school taxes.
- If the homeowner decides to move to a new homestead, she can **port her Accumulated SOH Benefit** to it. She can then apply the greater of the Accumulated SOH Benefit or the Guaranteed SOH Benefit.
- It might help to think of it this way: While a homestead owner is using the Guaranteed SOH Benefit, the Accumulated SOH Benefit will remain "in her back pocket." She might not be using it, but she keeps it with her. Once the Accumulated SOH Benefit would save her more money, she can take it out of her pocket and apply it to her property in perpetuity.
- In this way, **the amendment Joint Resolution completely preserves Save Our Homes.** What's new is that many homestead owners will receive Save Our Homes savings immediately, rather than having to wait years to enjoy meaningful savings.
- In fact, **54% of homestead properties in Florida will immediately save** more money by using the Guaranteed SOH Benefit, rather than using the Accumulated SOH Benefit.
- All other homestead owners will continue to use their Accumulated SOH Benefit because it saves them more money. These homestead owners get the benefit of portability when they decide to move, and it will be easier to sell their homes since every potential homebuyer will be eligible for the immediate Guaranteed SOH Benefit.

4. Creates a 5% annual assessment cap for ALL non-homestead properties in Florida.⁵

- **The amendment to the SJR limits the annual growth of assessed value for non-homestead residential and business properties to 5%.**
- For non-homestead housing properties, the accumulated assessment limitation will expire at change of ownership.
- For business properties, the assessment limitation remains with the property until there has been a substantial modification to the improvements (i.e., construction) on the property or a change of use of the property, as defined by the Legislature.
- For the first time, *all* properties in Florida will have guaranteed protections against unexpected and substantial assessment hikes. The cap will use a base year of 2008, which means the cap will begin shield properties from taxation in 2009.
- Properties benefiting from the new 5% cap include small businesses, apartment buildings, second homes, and rental housing – ensuring that many taxpayers who are currently overburdened receive protections into the future.

⁵ In the House Policy & Budget Council, several members jointly sponsored an amendment that authorized a 3% cap for all non-homestead properties [Representative Saunders (D), Chairman Mayfield (R), and Majority Leader Hasner (R)]. The vote on that amendment passed with bi-partisan support by 26-4 (21 Republicans and 5 Democrats in favor, 4 Democrats in opposition). Senator Posey sponsored an amendment on the Senate Floor to create a 3% assessment cap for non-homestead properties, which failed by a voice vote.

Chairman Bean (R) and Representative Traviesa (R) sponsored a bill (with an identical companion by Senator Baker) in the 2007 Regular Session to cap assessments on commercial properties to 5%.

The Non-Homestead Cap & Save Our Homes

Various media reports have erroneously asserted that creating a 5% cap for non-homestead properties undermines the protections of the 3% assessment cap for homestead properties. The assertion holds that new tax protections for non-homesteads will result in a tax shift to homesteads. This is fails to account for several considerations:

- First, **nothing in the Joint Resolution changes the 3% Save Our Homes cap.** The only revisions to Save Our Homes offer *more* protections, not less (portability and the Guaranteed SOH Bnefit).
- Second, **the Legislature recently passed a stringent revenue cap on local governments, which will continually suppress millage rates and protect against a tax shift.** Prior to this revenue cap, local governments *may* have increased tax rates to compensate for the 5% cap. However, the revenue cap will not allow local governments to raise tax rates without a supermajority vote.
- Third, the 5% cap is much looser than a 3% cap and will therefore not cut as deeply into local revenues or invite a tax shift to homestead properties. Historical data shows that the average rate of appreciation for business properties in Florida over a 20-year span is less than 5%. The purpose of a 5% cap is only to protect businesses from unexpected and substantial assessment increases of 7%, 10%, 15%, or even 20% -- as has often occurred in recent years in certain areas.

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

- The Joint Resolution authorizes a **new exemption for Tangible Personal Property of \$25,000.**⁶
- 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.

⁶ HJR 7001D authorizes the new tangible personal property exemption to be created by general law. HB 7003D includes implementing language to set the exemption at \$25,000.

6. Provides tax protections for properties used for affordable housing.

- Authorizes property used for **affordable housing to be assessed at less than just value**, thereby lowering the tax bill. Property owners, in turn, will be able to pass those savings on to tenants.
- Property appraisers will be directed to **assess properties based on actual operating net income** rather than on the fair market value for the property. Thus, a rent-restricted apartment complex will be taxed based on the income it generates, rather than the income it could *potentially* generate if used for something other than affordable housing.

7. Provides tax protections for Florida's working waterfront properties.

- The Joint Resolution authorizes the Legislature to create statutory procedures for **assessing property used for working waterfronts at less than fair market value**, thereby lowering the tax bill.

8. Instills voter accountability for all local property appraisers.

- The Joint Resolution specifies that **all property appraisers in Florida must be elected by local voters**.
- This will address concerns in those jurisdictions where the property appraisers are hired by the mayor or commissioners and make sure that the property appraisers are accountable to the voters.
- The amendment to the Joint Resolution accommodates Volusia County's unique situation of vesting the traditional powers of a property appraiser in an officer of a different name.

9. Requires the Legislature to limit local governments' authority to increase property taxes.

- The Joint Resolution **requires the Legislature**, by general law, to **adopt a limitation on local governments' authority to raise property taxes**.
- The provisions of HB 1B, passed during Special Session 2007B, satisfy this requirement by placing property revenue tax revenue caps on local taxing authorities. By placing this provision in the Constitution, taxpayers will have the assurance that the revenue cap will exist in future years.

Authorizing a Special Election HB 7005D

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

HB 7005D 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.**

What Happens Next?

HB 7003D requires approval by a **simple majority** in both chambers before presentment to the Governor. SJR 2D requires approval by **three-fifths** of each chamber in order to place the measure before the voters. HB 7005D requires a **three-fourths** vote in both chambers in order to authorize a special election for consideration of the proposed constitutional amendment.

The Constitution requires 90-days notice of a proposed constitutional amendment. HB 7005D places the property tax reform amendment on the January 29, 2008 ballot; thus, the Legislature must approve SJR 2D by October 28, 2007.

Appendix A: Homeowner Scenarios

Overview

This appendix provides examples of how the proposed property tax plan will benefit various types of homeowners according to whether they stay in their current homes, move to a more expensive home, move to a less expensive home, or buy their first home. The examples are grouped according to three different types of counties: low, medium, and high property values.

None of these example counties is identical to a real county in Florida. However, to provide context, here are examples of real Florida counties that have similar property values to these example counties:

- 1) Pages 25 – 27: A typical **low property value county** with a median home value near \$75,000 (e.g., Gadsden, Putnam, and Hardee)
- 2) Pages 28 – 30: A typical **medium property value county** with median home value near \$150,000 (e.g., Hernando, Alachua, and Pasco)
- 3) Pages 31 – 33: A typical **high property value county** with a median home value near \$250,000 (e.g., Palm Beach, Broward, and Martin)

Note: The following pages (23-24) have county-by-county median home value data.

Methodology

Each example uses a standard rate of 16.94 mills (7.24 mills for school levies and 9.70 mills for aggregated non-school levies), which is near the statewide average. For homeowners with a large Accumulated SOH Benefit, 60% of just value was used to calculate the SOH benefit. For homeowners with a small Accumulated SOH Benefit, 20% of just value was used to calculate the SOH benefit.

County by County Median Home Values

County	40% Of Median Home Value	2007 Median Home Value
Dixie	\$ 18,700	\$ 46,750
Liberty	\$ 20,566	\$ 51,416
Holmes	\$ 20,842	\$ 52,104
Calhoun	\$ 22,765	\$ 56,912
Taylor	\$ 23,245	\$ 58,114
Jackson	\$ 24,156	\$ 60,390
Washington	\$ 24,448	\$ 61,121
Madison	\$ 24,488	\$ 61,219
Hamilton	\$ 25,255	\$ 63,138
Lafayette	\$ 29,052	\$ 72,629
Union	\$ 29,063	\$ 72,659
Gadsden	\$ 29,445	\$ 73,613
Putnam	\$ 29,703	\$ 74,258
Hardee	\$ 30,446	\$ 76,114
Bradford	\$ 33,066	\$ 82,665
Jefferson	\$ 33,492	\$ 83,730
Suwannee	\$ 34,381	\$ 85,954
Levy	\$ 35,698	\$ 89,245
Glades	\$ 36,869	\$ 92,172
Gilchrist	\$ 36,959	\$ 92,397
Columbia	\$ 37,867	\$ 94,667
Baker	\$ 38,901	\$ 97,252
Wakulla	\$ 41,168	\$ 102,919
Escambia	\$ 41,812	\$ 104,530
Hendry	\$ 43,634	\$ 109,085
Okeechobee	\$ 45,619	\$ 114,047
Desoto	\$ 46,414	\$ 116,035
Gulf	\$ 46,952	\$ 117,380
Citrus	\$ 50,920	\$ 127,300
Walton	\$ 51,366	\$ 128,416
Highlands	\$ 51,877	\$ 129,692
Marion	\$ 56,462	\$ 141,155
Santa Rosa	\$ 56,706	\$ 141,766
Polk	\$ 57,179	\$ 142,947
Hernando	\$ 58,602	\$ 146,506
Alachua	\$ 59,960	\$ 149,900
Pasco	\$ 62,056	\$ 155,141
Franklin	\$ 63,699	\$ 159,247
Sumter	\$ 64,298	\$ 160,746
Bay	\$ 64,363	\$ 160,909

County		40% Of Median Home Value		2007 Median Home Value
Clay		\$ 64,714		\$ 161,786
Duval		\$ 65,008		\$ 162,519
Nassau		\$ 66,382		\$ 165,956
Lake		\$ 66,907		\$ 167,268
Leon		\$ 67,245		\$ 168,112
Brevard		\$ 68,400		\$ 171,000
Okaloosa		\$ 68,658		\$ 171,645
Pinellas		\$ 69,720		\$ 174,300
Indian River		\$ 70,298		\$ 175,745
Saint Lucie		\$ 71,440		\$ 178,600
Volusia		\$ 72,983		\$ 182,457
Charlotte		\$ 73,175		\$ 182,937
Hillsborough		\$ 73,948		\$ 184,871
Flagler		\$ 75,351		\$ 188,377
Osceola		\$ 81,080		\$ 202,700
Orange		\$ 88,633		\$ 221,582
Lee		\$ 90,612		\$ 226,530
Manatee		\$ 91,005		\$ 227,513
Seminole		\$ 92,320		\$ 230,801
Sarasota		\$ 93,000		\$ 232,500
Palm Beach		\$ 101,354		\$ 253,386
Broward		\$ 101,648		\$ 254,120
Martin		\$ 104,000		\$ 260,000
Saint Johns		\$ 104,733		\$ 261,832
Dade		\$ 106,894		\$ 267,235
Collier		\$ 141,292		\$ 353,230
Monroe		\$ 208,436		\$ 521,091

COUNTY WITH **LOW** PROPERTY VALUES

For the following examples, a county with a median property value of **\$75,000** is used.

Low-income Senior with Large Current SOH Benefit

Guaranteed SOH benefit = 100% of median county value

Staying

Ms. Valdes is 85 years old and has owned her home, which has a just value of \$150,000, for many years. Her Accumulated SOH Benefit is worth \$90,000, and her Guaranteed SOH Benefit of 100% is worth \$75,000. Therefore, if she chooses to remain in her home, she will continue to apply the Accumulated SOH Benefit.⁷

Downsizing

If Ms. Valdes chooses to sell her current home and buy a less expensive home with a just value of \$90,000, her Accumulated SOH Benefit is now worth \$54,000 because she ported it. Her Guaranteed SOH Benefit is still worth \$75,000 because of protection for low income seniors. Therefore, she will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$631**.

Low-income Senior with Small Current SOH Benefit

Guaranteed SOH benefit = 100% of median county value

Staying

Richard and Sarah are in their 70s and have owned their home, which has a just value of \$75,000, for just a few years. Their Accumulated SOH Benefit is worth \$15,000, and their guaranteed SOH benefit is worth \$75,000. Therefore, if they choose to remain in their home, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$485**.

Upsizing

If Richard and Sarah choose to sell their current home and buy a more expensive home with a just value of \$90,000, their Accumulated SOH Benefit is still worth \$15,000 after porting it. Their Guaranteed SOH Benefit is also still worth \$75,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$631**.

Downsizing

If Richard and Sarah choose to sell their current home and buy a less expensive home with a just value of \$60,000, their Accumulated SOH Benefit is now worth \$12,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$75,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$340**.

⁷ Because this homeowner has a substantial accumulated SOH benefit, she will not need the guaranteed benefit. Therefore, she will not see any additional savings unless she moves, at which time she will enjoy the new benefit of portability.

COUNTY WITH **LOW** PROPERTY VALUES

For the following examples, a county with a median property value of \$75,000 is used.

Homeowner with **Large** Current SOH Benefit

Guaranteed SOH benefit = 40% of median county value

Staying

Byron and Rachel are in their 50s and have owned their home, which has a just value of \$112,500, for many years. Their Accumulated SOH Benefit is worth \$67,500, and their Guaranteed SOH Benefit is worth \$30,000. Therefore, if they choose to remain in their home, they will continue to apply the Accumulated SOH Benefit.⁸

Upsizing

If Byron and Rachel choose to sell their current home and buy a more expensive home with a just value of \$150,000, their Accumulated SOH Benefit is still worth \$67,500 after porting it. Their Guaranteed SOH Benefit is also still worth \$30,000. Therefore, they will apply the Accumulated SOH Benefit, which will result in a **tax savings of \$655**.

Downsizing

If Byron and Rachel choose to sell their current home and buy a less expensive home with a just value of \$90,000, their Accumulated SOH Benefit is now worth \$54,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$30,000. Therefore, they will apply the Accumulated SOH Benefit, which will result in **tax savings of \$524**.

Homeowner with **Small** Current SOH Benefit

Guaranteed SOH benefit = 40% of median county value

Staying

Kim and Garrett are in their 40s and have owned their home, which has a just value of \$75,000, for just a few years. Their Accumulated SOH Benefit is worth \$15,000, and their Guaranteed SOH Benefit is worth \$30,000. Therefore, if they choose to remain in their home, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$243**.

Upsizing

If Kim and Garrett choose to sell their current home and buy a more expensive home with a just value of \$90,000, their Accumulated SOH Benefit is still worth \$15,000 after porting it. Their guaranteed SOH benefit is also still worth \$30,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$291**.

Downsizing

If Kim and Garrett choose to sell their current home and buy a less expensive home with a just value of \$60,000, their Accumulated SOH Benefit is now worth \$12,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$30,000. Therefore, they will apply the guaranteed SOH benefit, which will result in a **tax savings of \$116**.

⁸ Because this homeowner has a substantial accumulated SOH benefit, he will not need the guaranteed benefit. Therefore, he will not see any additional savings unless he moves, at which time he will enjoy the new benefit of portability.

COUNTY WITH **LOW** PROPERTY VALUES

For the following examples, a county with a median property value of \$75,000 is used.

First-time Homestead Buyer

Guaranteed SOH benefit = 40% of median county value

Buying

Chuck is a 30-year-old bachelor buying his first home, which has a just value of \$56,250. Being a first-time homeowner, he has no Accumulated SOH Benefit. Chuck's Guaranteed SOH Benefit is worth \$6,200. Therefore, he will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$60**.

COUNTY WITH **MEDIUM** PROPERTY VALUES

For the following examples, a county with a median property value of **\$150,000** is used.

Low-income Senior with Large Current SOH Benefit

Guaranteed SOH benefit = 100% of median county value

Staying

Ms. Valdes is 85 years old and has owned her home, which has a just value of \$300,000, for many years. Her Accumulated SOH Benefit is worth \$180,000, and her Guaranteed SOH Benefit is worth \$150,000. Therefore, if she chooses to remain in her home, she will continue to apply the Accumulated SOH Benefit.⁹

Downsizing

If Ms. Valdes chooses to sell her current home and buy a less expensive home with a just value of \$180,000, her Accumulated SOH Benefit is now worth \$108,000 because she ported it. Her Guaranteed SOH Benefit is still worth \$150,000. Therefore, she will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$1,504**.

Low-income Senior with Small Current SOH Benefit

Guaranteed SOH benefit = 100% of median county value

Staying

Richard and Sarah are in their 70s and have owned their home, which has a just value of \$150,000, for just a few years. Their Accumulated SOH Benefit is worth \$30,000, and their Guaranteed SOH Benefit is worth \$150,000. Therefore, if they choose to remain in their home, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$1,213**.

Upsizing

If Richard and Sarah choose to sell their current home and buy a more expensive home with a just value of \$180,000, their Accumulated SOH Benefit is still worth \$30,000 after porting it. Their Guaranteed SOH Benefit is also still worth \$150,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$1,504**.

Downsizing

If Richard and Sarah choose to sell their current home and buy a less expensive home with a just value of \$120,000, their Accumulated SOH Benefit is now worth \$24,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$150,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$922**.

⁹ Because this homeowner has a substantial accumulated SOH benefit, she will not need the guaranteed benefit. Therefore, she will not see any additional savings unless she moves, at which time she will enjoy the new benefit of portability.

COUNTY WITH MEDIUM PROPERTY VALUES

For the following examples, a county with a median property value of \$150,000 is used.

Homeowner with Large Current SOH Benefit

Guaranteed SOH benefit = 40% of median county value

Staying

Byron and Rachel are in their 50s and have owned their home, which has a just value of \$225,000, for many years. Their Accumulated SOH Benefit is worth \$135,000, and their Guaranteed SOH Benefit is worth \$60,000. Therefore, if they choose to remain in their home, they will continue to apply the Accumulated SOH Benefit.¹⁰

Upsizing

If Byron and Rachel choose to sell their current home and buy a more expensive home with a just value of \$300,000, their Accumulated SOH Benefit is still worth \$135,000 after porting it. Their Guaranteed SOH Benefit is also still worth \$60,000. Therefore, they will apply the Accumulated SOH Benefit, resulting in a **tax savings of \$1,310**.

Downsizing

If Byron and Rachel choose to sell their current home and buy a less expensive home with a just value of \$180,000, their Accumulated SOH Benefit is now worth \$108,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$60,000. Therefore, they apply the Accumulated SOH Benefit, resulting in **tax savings of \$1,048**.

Homeowner with Small Current SOH Benefit

Guaranteed SOH benefit = 40% of median county value

Staying

Kim and Garrett are in their 40s and have owned their home, which has a just value of \$150,000, for just a few years. Their Accumulated SOH Benefit is worth \$30,000, and their Guaranteed SOH Benefit is worth \$60,000. Therefore, if they choose to remain in their home, they will apply the Guaranteed SOH Benefit, resulting in **tax savings of \$582**.

Upsizing

If Kim and Garrett choose to sell their current home and buy a more expensive home with a just value of \$180,000, their Accumulated SOH Benefit is still worth \$30,000 after porting it. Their Guaranteed SOH Benefit is also still worth \$60,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$582**.

Downsizing

If Kim and Garrett choose to sell their current home and buy a less expensive home with a just value of \$120,000, their Accumulated SOH Benefit is now worth \$24,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$60,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$582**.

¹⁰ Because this homeowner has a substantial accumulated SOH benefit, he will not need the guaranteed benefit. Therefore, he will not see any additional savings unless he moves, at which time he will enjoy the new benefit of portability.

COUNTY WITH MEDIUM PROPERTY VALUES

For the following examples, a county with a median property value of \$150,000 is used.

First-time Homestead Buyer

Guaranteed SOH benefit = 40% of median county value

Buying

Chuck is a 30-year-old bachelor buying his first home, which has a just value of \$112,500. Being a first-time homeowner, he has no Accumulated SOH Benefit. Chuck's Guaranteed SOH Benefit is worth \$60,000. Therefore, he will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$582**.

COUNTY WITH HIGH PROPERTY VALUES

For the following examples, a county with a median property value of \$250,000 is used.

Low-income Senior with Large Current SOH Benefit

Guaranteed SOH benefit = 100% of median county value

Staying

Ms. Valdes is 85 years old and has owned her home, which has a just value of \$500,000, for many years. Her Accumulated SOH Benefit is worth \$300,000, and her Guaranteed SOH Benefit is worth \$250,000. Therefore, if she chooses to remain in her home, she will continue to apply the Accumulated SOH Benefit.¹¹

Downsizing

If Ms. Valdes chooses to sell her current home and buy a less expensive home with a just value of \$300,000, her Accumulated SOH Benefit is now worth \$120,000 because she ported it. Her Guaranteed SOH Benefit is still worth \$250,000. Therefore, she will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$2,668**.

Low-income Senior with Small Current SOH Benefit

Guaranteed SOH benefit = 100% of median county value

Staying

Richard and Sarah are in their 70s and have owned their home, which has a just value of \$250,000, for just a few years. Their Accumulated SOH Benefit is worth \$50,000, and their Guaranteed SOH Benefit is worth \$250,000. Therefore, if they choose to remain in their home, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$2,183**.

Upsizing

If Richard and Sarah choose to sell their current home and buy a more expensive home with a just value of \$300,000, their Accumulated SOH Benefit is still worth \$50,000 after porting it. Their Guaranteed SOH Benefit is also still worth \$250,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$2,668**.

Downsizing

If Richard and Sarah choose to sell their current home and buy a less expensive home with a just value of \$200,000, their Accumulated SOH Benefit is now worth \$40,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$250,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$1,698**.

¹¹ Because this homeowner has a substantial accumulated SOH benefit, she will not need the guaranteed benefit. Therefore, she will not see any additional savings unless she moves, at which time she will enjoy the new benefit of portability.

COUNTY WITH HIGH PROPERTY VALUES

For the following examples, a county with a median property value of \$250,000 is used.

Homeowner with Large Current SOH Benefit

Guaranteed SOH benefit = 40% of median county value

Staying

Byron and Rachel are in their 50s and have owned their home, which has a just value of \$375,000, for many years. Their Accumulated SOH Benefit is worth \$225,000, and their Guaranteed SOH Benefit is worth \$100,000. Therefore, if they choose to remain in their home, they will continue to apply the Accumulated SOH Benefit.¹²

Upsizing

If Byron and Rachel choose to sell their current home and buy a more expensive home with a just value of \$500,000, their Accumulated SOH Benefit is still worth \$225,000 after porting it. Their Guaranteed SOH Benefit is also still worth \$100,000. Therefore, they will apply the Accumulated SOH Benefit, resulting in **tax savings of \$2,183**.

Downsizing

If Byron and Rachel choose to sell their current home and buy a less expensive home with a just value of \$300,000, their Accumulated SOH Benefit is now worth \$180,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$100,000. Therefore, they will apply the Accumulated SOH Benefit, which will result in a **tax savings of \$1,746**.

Homeowner with Small Current SOH Benefit

Guaranteed SOH benefit = 40% of median county value

Staying

Kim and Garrett are in their 40s and have owned their home, which has a just value of \$250,000, for just a few years. Their Accumulated SOH Benefit is worth \$50,000, and their Guaranteed SOH Benefit is worth \$100,000. Therefore, if they choose to remain in their home, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$970**.

Upsizing

If Kim and Garrett choose to sell their current home and buy a more expensive home with a just value of \$300,000, their Accumulated SOH Benefit is still worth \$50,000 after porting it. Their Guaranteed SOH Benefit is also still worth \$100,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$970**.

Downsizing

If Kim and Garrett choose to sell their current home and buy a less expensive home with a just value of \$200,000, their Accumulated SOH Benefit is now worth \$40,000 because they ported it. Their Guaranteed SOH Benefit is still worth \$100,000. Therefore, they will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$970**.

¹² Because this homeowner has a substantial accumulated SOH benefit, he will not need the guaranteed benefit. Therefore, he will not see any additional savings unless he moves, at which time he will enjoy the new benefit of portability.

COUNTY WITH HIGH PROPERTY VALUES

For the following examples, a county with a median property value of \$250,000 is used.

First-time Homestead Buyer

Guaranteed SOH benefit = 40% of median county value

Buying

Chuck is a 30-year-old bachelor buying his first home, which has a just value of \$187,500. Being a first-time homeowner, he has no Accumulated SOH Benefit. Chuck's Guaranteed SOH Benefit is worth \$100,000. Therefore, he will apply the Guaranteed SOH Benefit, which will result in a **tax savings of \$970**.