

Saving Property Owners?

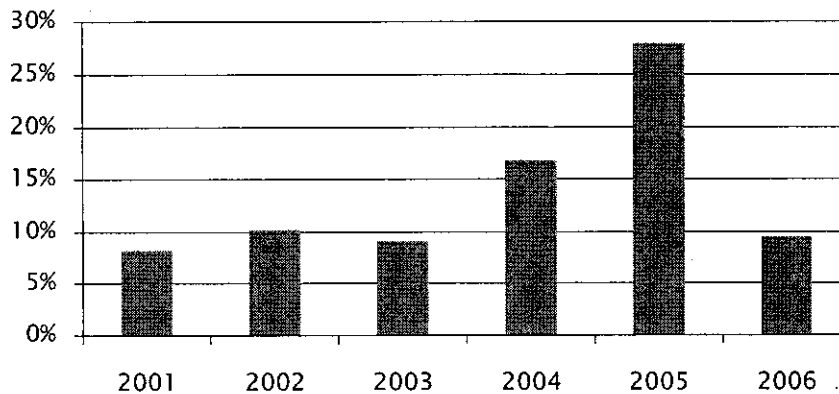
Overview and Analysis of Florida Property Tax
Limitations

Save Our Homes (SOH)

- ▶ In 1992, the Florida Constitution was amended to limit the annual increases in the assessed value of homesteads.
- ▶ The amendment, commonly referred to as Save Our Homes, was fully implemented in 1995.
- ▶ The growth cap is 3% or the percentage change in the CPI, whichever is lower.
- ▶ In a declining or sideways real estate market, with any inflation, SOH does not bind.

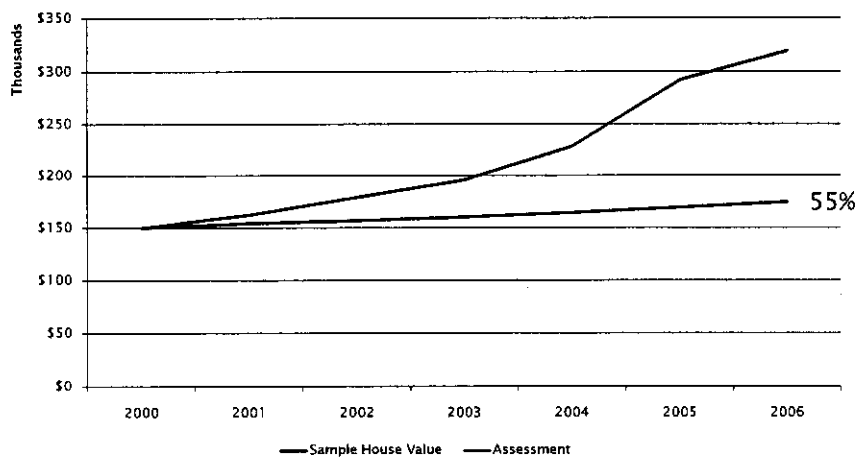
A Binding SOH Span

Annual Florida House Price Appreciation



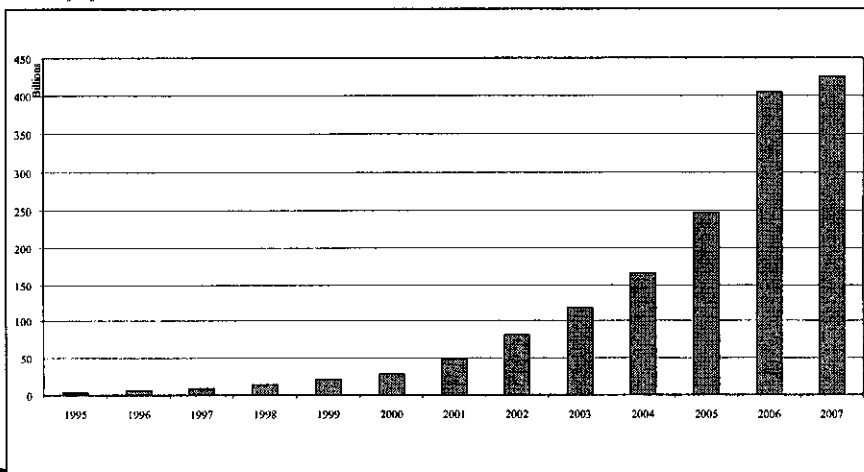
Source: University of Florida Shimberg Center for Affordable Housing (2007)

SOH Seen Another Way



Source: Author's calculations on CPI and University of Florida Shimberg Center for Affordable Housing (2008) data.

Real Property Assessment Differential (Assessed Value Versus Just Value) for Capped Parcels



Source: Florida Department of Revenue (2007).

Important Note

- ▶ In 2007, the Real Property Assessment Differential declined in 17 of the 67 Florida counties.
- ▶ In 2006, the differential declined in 1 county.

Issues With SOH

Problems

1. Lock In.
2. Higher Millage Rates.
3. Inequities (Horizontal and Longevity).
4. Evasion.

Benefits

1. Predictable Tax Levies.
2. Revenue Stability.

Amendment 1 (January, 2008)

- ▶ The amendment introduced SOH portability and doubled the homestead exemption on all but school taxes.
- ▶ Beyond homesteads, it created a new \$25,000 exemption for business personal property and a SOH style growth cap for non-homesteaded properties at 10 percent annually.

The Portability Calculator

PORTABILITY CALCULATOR Use the new tax plan. Florida homestead on the move or a copy always with you. See how the current and new tax plans compare.

ENTER HOUSING INFORMATION

PORTALITY PLAN
(Same as Month 12/07)

2007 HOME VALUE
(Date of 12/31/07)

2008 HOME VALUE
(Date of 12/31/08)

CALCULATE YOUR TAXES

TAX SAVINGS

Portability plan

[L-MAIL REQUEST HERE](#) [FOR EDGE SELECT OUR PRESENT](#)

Source: Sun-Sentinal.com

Issues with Amendment 1

The Amendment:

- ▶ Addressed the lock in, but did not directly address the other problems with SOH.
- ▶ Corrects some SOH-based inequities.
- ▶ Caused immediate local tax base reductions and service reductions.
- ▶ Created uncertainty on the timing and magnitude of portability impact.

Amendment 5 (November, 2008)

- ▶ Beginning with the 2011 fiscal year, the legislature would be prohibited from requiring school districts to levy a property tax. Further, the legislature will replace the revenue impact of the property tax elimination.
- ▶ The amendment suggested alternative revenue sources, but did not specify them.
- ▶ In August, Amendment 5 was found to be vague and struck down by a circuit judge. On September 3rd, the Florida Supreme Court upheld the finding.

Issues with the Striking of Amendment 5

- ▶ Voters were not able to choose.
- ▶ The tax reform commission that initiated the Amendment will not be re-established for 20 years.
- ▶ The amendment was very divisive among sizable interest groups.

“Now What” is the Buzz Phrase

- ▶ Additional growth caps?
- ▶ Another attempt to coerce millage reductions?
- ▶ Another amendment?
- ▶ Straight legislative action?

Sources

- › Florida Department of Revenue, 2007, *2007 Florida Property Valuations and Tax Data Book*. Available at http://dor.myflorida.com/dor/property/databook07_1.html
- › Hawkins, Richard R, 2006, "*Four Easy Steps to a Fiscal Train Wreck: the Florida How-To Guide*", Georgia State University Fiscal Research Center Report No. 132. Available at <http://aysps.gsu.edu/frc/files/report132.pdf>
- › University of Florida Shimberg Center for Affordable Housing, 2007, "*Final Report: Analytical Services Relating to Property Taxation*", available at <http://edr.state.fl.us/property%20tax%20study/Report-Assessment.pdf>