Florida's Property Tax –
A Review of Its Inequities and Proposals for Change

FLORIDA CITY AND COUNTY MANAGEMENT ASSOCIATION

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CHAPTER 1. EXECUTIVE SUMMARY.

Property tax revenues have been the mainstay of counties, municipalities, school districts, and other forms of local governments for over one hundred years.[1]

The housing boom over the last five years has added significant growth in the property tax base. During the same time period, the Save Our Homes provision has distorted the property tax because it significantly favors the higher-valued homes. The higher the value of the home, the higher the amount of taxable value is subtracted from the ad valorem tax roll due to the constitutional provision. For 2005, the Save Our Homes differential is estimated to be equal to one sixth of total taxable value, or over $220 billion compared to almost $1,260 billion in total taxable value of all property. The significant loss to taxable value resulting from Save Our Homes has caused millage rates to remain high, despite the double-digit growth in just value. Save Our homes has shifted the property tax burden to renters and the business community.

The Save Our Seniors provision has been implemented by almost 200 of the 470 plus eligible local governments. Nevertheless, this provision is taking less than $4 billion, or less than half a percent, in value off the tax rolls.

Because the effect of the Save Our Homes provision has a fifty times greater impact on the property tax base than does the Save Our Seniors provision, the options presented in this paper focus on reforming Save Our Homes. Every option with significant impact requires another constitutional amendment, most likely one blessed by the Legislature. A total repeal of the Save Our Homes provision does not appear feasible, given the huge tax shift towards homesteaded property taxes such a repeal would cause. To gather support among voters, this paper recommends a phased-in doubling of the homestead exemption along with a very limited Save Our Homes portability.[2] To partially offset the reduction in the property tax base, this

[1]An historical review of the property tax is included in App. A.
[2]A draft constitutional amendment to accomplish the recommendation is in App. B.

paper also recommends taxing the first $10,000 of homestead value and the prospective repeal of the Save Our Homes provision for higher-valued homes.

CHAPTER 2. INTRODUCTION.

This discussion paper was prepared at the request of the Florida City and County Management Association to describe Florida's property tax, analyze its inequities, and suggest revisions. This paper includes a comprehensive review of the property tax since 1968; summaries of the recent data for both "Save Our Homes" and "Save Our Seniors" changes to the tax; summaries of exemptions and their fiscal impact; a summary of the 2004 proposed doubling of the homestead exemption; a summary of one of the 2005 legislative proposals making the Save Our Homes exemption portable; and a list of property tax reform options and a recommendation for reform.

CHAPTER 3. CONSTITUTIONAL PROVISIONS PRESCRIBING FLORIDA'S PROPERTY TAX BASE.

This section describes the current property tax base in Florida. A comprehensive historical review of the property tax is included in Appendix A. The Florida Constitution constrains the Legislature in the area of ad valorem tax by limiting its authority to grant exemptions. The Constitution also limits the Legislature by requiring that the collection and assessment of taxes shall be provided by general law, and may not be changed by special or local law.

Uniformity

Article VII, section 2, Florida Constitution, provides, "All ad valorem taxation shall be at a uniform rate within each taxing unit. . . ."[3]

Just Valuation and Classification of Property

Article VII, section 4, Florida Constitution, provides:

> Taxation; assessments.–By general law regulations shall be prescribed which shall secure a just valuation of all property for ad valorem taxation, provided:
>
> (a) Agricultural land, land producing high water recharge to Florida's aquifers or land used exclusively for non-commercial recreational purposes may be classified by general law and assessed solely on the basis of character or use.
>
> (b) Pursuant to general law tangible personal property held for sale as stock in trade and livestock may be valued for taxation at a specified percentage of its value, may be classified for tax purposes, or may be exempted from taxation. . . .

"Just value" means fair market value, according to the Supreme Court; therefore, for ad valorem tax purposes the value of property must be established at market value unless the Constitution has authorized and the Legislature has implemented an exception to the requirement.[4] Even if the tax is uniform, classifications of property for

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[3] See Gallant v. Stephens, 358 So. 2d 536 (Fla. 1978) (the levy of taxes by a county within the boundaries of a municipal service taxing unit does not violate the constitutional uniformity provision).
[4] See Walter v. Schuler, 176 So. 2d 81 (Fla. 1965).

ad valorem tax purposes may violate the just valuation requirement of Article VII, section 4, Florida Constitution.[5]

The following types of property may be classified according to use and assessed solely on the basis of that use: agricultural land, land providing high water recharge, and non-commercial recreational land.[6]

The Bluebelt Constitutional Amendment, approved by the voters in 1988, authorizes the Legislature to provide for the classification of land producing high water recharge to Florida's aquifers so that the assessment of such land will be based solely on its character or use.[7] The Legislature implemented the Bluebelt Amendment in section 193.625, Florida Statutes. Counties and municipalities may adopt an ordinance classifying land meeting certain criteria as "Bluebelt" which will result in a reduction in the assessed valuation of such lands for county and municipal ad valorem taxation. Bluebelt classification will not affect the value of real property for ad valorem taxation levied by other taxing entities, such as school boards and special districts.

$25,000 Homestead Exemptions

Article VII, section 6, Florida Constitution, authorizes the Legislature to provide for a $25,000 homestead exemption. The Legislature implemented the homestead exemption in various sections of Chapter 196, Florida Statutes.[8]

The $25,000 homestead exemption applies only to property taxes. It does not apply to "assessments for special benefits." Similarly, the constitutional protection of homesteads from forced sale for debt does not apply to debts for taxes or assessments. Article X, section 4(a), Florida Constitution, provides:

> There shall be exempt from forced sale under process of any court, and no judgment, decree or execution shall be a lien thereon, except for the payment of taxes and assessments thereon, obligations contracted for the purchase, improvement or repair thereof, or obligations contracted for house, field or other labor performed on the

[5] See, e.g., Interlachen Lakes Estates, Inc. v. Snyder, 304 So. 2d 433 (Fla. 1973).
[6] See § 193.461, Fla. Stat., limiting the assessment of agricultural lands, is constitutional. See Rainey v. Nelson, 257 So. 2d 538 (Fla. 1972); Walden v. Borden Company, 235 So. 2d 300 (Fla. 1970).
[7] See Art. VII, § 4(a), Fla. Const.

> realty, the following property owned by a natural person: (1) a homestead. . . .

Id. (emphasis added). Thus, the $25,000 homestead exemption and the forced sale protection for homesteads do not protect homesteads from special assessments that meet the special benefit and fair and reasonable apportionment requirements.

Homestead Valuation Limitation (the "Save Our Homes Amendment")

The Save Our Homes ("SOH") provision in Article VII, section 4(c), Florida Constitution, limits the annual increase in the assessed value of homestead property to the annual change in the Consumer Price Index or three percent, whichever is the smaller amount.[9] The Save Our Homes provision requires the assessed valuation of a homestead to meet the just valuation standard upon the sale of a homestead and upon cessation of homestead status.

The Florida Supreme Court ruled that the Save Our Homes Amendment as proposed by citizens initiative petition met the single subject requirement for such petitions in Article XI, section 3, Florida Constitution, and that the title and ballot summary complied with the statutory requirements.[10] A third case considered by the Supreme Court arose after the amendment had been approved by the electorate and addressed the effective date of the amendment. In Fuchs v. Wilkinson, 630 So. 2d 1044 (Fla. 1994), the Court ruled that the amendment applied to the assessment of homesteads commencing January 1, 1995. The Legislature implemented the Save Our Homes Amendment in Chapter 94-353, Laws of Florida, as codified in section 193.155, Florida Statutes.[11]

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[8]In addition to the tax benefit afforded by the $25,000 homestead exemption, the valuation of homesteads is capped by the Save Our Homes Amendment. For the text and a discussion of the Save Our Homes Amendment, see the succeeding discussion.

[9]A copy of the Save Our Homes constitutional provision is in App. C.

[10]See In re: Advisory Opinion to the Attorney General--Homestead Valuation Limitation, 581 So. 2d 586 (Fla. 1991); Florida League of Cities v. Smith, 607 So. 2d 397 (Fla. 1992).

[11]A copy of § 193.155, Fla. Stat. is in App. D.

Save Our Homes Valuation after Loss and Replacement

The replacement of Save Our Homes property following a natural event or calamity, such as a hurricane, does not increase the taxable value of the homestead if the value of the replacement is not in excess of 125 percent of the just (fair market) value. When the replacement exceeds 125 percent of just value, the taxable value of the homestead is increased to just value on the January 1 following the substantial completion of the improvements.

Legislation Revising SOH Reassessment After 2004 Hurricane Destruction

Four hurricanes ravaged Florida in 2004. Many homes, especially at the coasts, were destroyed. For Save Our Homes purposes, section 193.155(4), Florida Statutes, provides that there is no change in the assessed value of a damaged or destroyed (portion of a) home, as long as the replacement value is not more than 125 percent of the original (portion of a) home. However, especially with coastal and older properties, it is virtually impossible to replace homes within this limit, because newer building codes force the homeowners to upgrade beyond the 125 percent threshold. During the 2005 session two bills are addressing this issue: SB 1194 by Senator Bennett has already passed the Senate and is similar to HB 537 by Representative Grant, which has passed all committees in the House of Representatives. For homes damaged during the 2004 hurricane season, the 125 percent limitation on the value of the home is replaced with a limit on additional square footage of ten percent, when the repairs or replacement are completed within two years. The Revenue Estimating Conference estimated this law change to reduce local governments' ad valorem revenues by $13.1 million, at current millage rates. [12]

"Save Our Seniors" Exemption

The Save Our Seniors amendment authorized the Florida Legislature to grant counties and municipalities the power to provide an additional $25,000 homestead exemption to property owners aged 65 and older that have a household income of $20,000 or less, which may be adjusted annually by inflation.[13] Section 196.075, Florida Statutes, allows counties and municipalities to adopt an ordinance by December

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[12]A copy of SB 1194 (2005 Engrossed) and the Revenue Estimating Conference's fiscal analysis is in App. E.

1 authorizing the additional exemption up to $25,000 for such property for those taxes levied by county and municipal governments the ensuring year.[14]

The amendment and the statute do not allow counties to extend the additional homestead exemption to other jurisdictions' taxes, such as those levied by the school board, water management district and independent special districts. Further, a county cannot extend the exemption to ad valorem taxes levied by municipalities – only a municipality may apply the exemption to the ad valorem taxes it levies.

Section 196.075, Florida Statutes, allows the ordinance to specify the county taxes to which it will apply, but it also requires that a county ordinance applying the exemption to dependent special districts or municipal service taxing units do so uniformly as to such taxing units.

"Granny Flat" Exemption

In 2002, the voters of Florida approved an additional homestead valuation limit. Counties may grant an additional exemption for additions or improvements to homestead property that are built to provide primary living quarters for parents or grandparents over the age of 62 of the property owner or owner's spouse.[15] The exemption only applies to additions or improvements made after January 7, 2003, and is available only for tax assessments that occurred on January 1, 2004, and later.

The amount of the exemption is equal to the increase in the assessed value resulting from the construction or 20 percent of the total assessed value of the property as improved, whichever is less. This amendment is implemented in section 193.703, Florida Statutes. At least eight counties have implemented the Granny Flat exemption, to date.[16]

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[13]A copy of the Save Our Seniors constitutional provision is in App. F.
[14]App. G contains a copy of § 196.075, Fla. Stat.
[15]§ 4(e), Art. VII, Fla. Const.
[16]According to a Florida Department of Revenue survey to which 42 counties responded, the following counties have implemented the Granny Flat exemption: Brevard, Jacksonville-Duval, Leon, Madison, Miami-Dade, Osceola, Seminole and Volusia.

Immunity and Exemption

Property may be immune or exempt from ad valorem taxes. Immunity precludes the power to tax. An exemption presupposes the existence of a power to tax, but the power is foreclosed by a constitutional or statutory provision.[17]

Institutions of the United States are immune from local taxes.[18] Property of the state and county are also immune from taxation.[19] Property owned by municipalities may be exempt. Article VII, section 3(a), Florida Constitution, states:

> All property owned by a municipality and used exclusively by it for municipal or public purposes shall be exempt from taxation. . . .

There is a presumption of legislative intent to exclude public property of a municipality from general property taxes.[20] The constitutional authorization to exempt municipal property has been implemented in section 196.199, Florida Statutes.

Other ad valorem tax exemptions are authorized in the Florida Constitution. Article VII, section 3(a), Florida Constitution, provides:

> Such portions of property as are used predominantly for educational, literary, scientific, religious or charitable purposes may be exempted by general law from taxation.

Legislative Power Regarding Property Taxes

The Legislature is without authority to grant an exemption from taxes where the exemption does not have a constitutional basis.[21] By general law, the Legislature may authorize counties and municipalities to grant community and economic development ad valorem tax exemptions. The exemptions are subject to elector approval and may be granted for a period not exceeding ten years.[22] The Legislature has implemented this exemption in section 196.1995, Florida Statutes.

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[17] See Orange State Oil Co. v. Amos, 130 So. 707 (Fla. 1930).
[18] See The First National Bank of Homestead, Florida v. Dickinson, 291 F. Supp. 855 (N.D. Fla. 1968), aff'd, 393 U.S. 409, 21 L. Ed. 2d 634, 89 S.Ct. 685 (1969). Compare Bancroft Inv. Corp. v. City of Jacksonville, 27 So. 2d 162 (Fla. 1946) (held that neither immunity nor an exemption from ad valorem taxation applied to real property to which the United States possessed title, but which was under a contract for sale to a private entity that constructed a department store on it).
[19] See Park-N-Shop, Inc. v. Sparkman, 99 So. 2d 571 (Fla. 1957).
[20] See Orange State Oil Co. v. Amos, 130 So. 707 (Fla. 1930).
[21] See Archer v. Marshall, 355 So. 2d 781 (Fla. 1978).
[22] See Art. VII, § 3(c), Fla. Const.

CHAPTER 4. FISCAL IMPACT OF THE SAVE OUR HOMES ("SOH") AMENDMENT.

Just, Assessed and Taxable Value: An Explanation of Terms

To put the discussion of the effect of Save Our Homes in perspective, it is helpful to understand the concepts of just value, assessed value and taxable value for homestead properties. "Just value" is the fair market value of the property.[23] "Assessed value" for any given year is the just value at the time of purchase plus the annual increases in value limited to the lesser of three percent or the CPI, unless this increase results in the property be valued at an amount greater than just value. The "SOH differential" is the difference between just value and assessed value. "Taxable value" is the assessed value minus all applicable exemptions, such as the homestead exemption, the Save Our Seniors exemption, surviving spouse exemption, and the disabled veteran exemption.

The Save Our Homes constitutional provision limits the growth of assessed value for homesteaded property to the change in the consumer price index ("CPI") or three percent, whichever is less. At the time of home's resale, the assessed value is adjusted to equal just value. This means that the taxable value of the home would equal just value minus any applicable exemptions. If the property after sale is again used as a primary residence entitled to homestead, the SOH limitation on assessed value begins anew, limiting the annual assessed value increases to three percent or the CPI, whichever is less.

The low rate of inflation as measured by the CPI over the last five years has kept growth of table value for individual properties that do not sell to less than three percent.

Looking at the data in Table 1, the SOH differential has grown by incredible amounts. The SOH differential is the difference between the just value of the property and the assessed value. Over the last ten years, the average annual growth rate in the differential has been fifty percent! The differential growth rates have varied between just below thirty-five percent and just over seventy percent.[24]

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[23]The Florida Statutes allow a deduction for the typical cost of selling of property. Most property appraisers have set this deduction at 15 percent.
[24]The 2005 numbers are estimates from the March 2005 Revenue Estimating Conference which are included in App. Q.

Table 1.: SOH Assessment Differential 1996-2005

	Statewide Differential	Increase over prior year	
2005e	$223,127,010,000	$60,660,083,485	37.34%
2004	$162,466,926,515	$44,772,336,321	38.04%
2003	$117,694,590,194	$37,355,268,634	46.50%
2002	$80,339,321,560	$32,660,649,532	68.50%
2001	$47,678,672,028	$19,863,237,389	71.41%
2000	$27,815,434,639	$7,061,629,862	34.03%
1999	$20,753,804,777	$6,621,890,908	46.86%
1998	$14,131,913,869	$5,074,061,762	56.02%
1997	$9,057,852,107	$3,118,864,861	52.52%
1996	$5,938,987,246		53.69%

Tables 2, 3 and 4 tell a much more detailed story about SOH. Over 80 percent of the homestead properties had a just value below $250,000 in 2004; however, they enjoy less than 60 percent of the SOH differential. In other words, the more valuable the property, the higher the SOH differential, not only in dollar value but also as a percentage of just value.

Also, the stark change in the number of homestead properties below $100,000 in the single year from 2003 to 2004 should be pointed out. The number of homes valued below $100,000 decreased by 17 percent. This category is the only homestead value range listed below that decreased, and it decreased by an astounding 330,000 properties or 17 percent. In contrast, the number of homesteads in the highest value category-those over $1 million—increased by 35 percent.

Table 2: 2004 SOH by Just Value Group

Just Value Group: 2004	Just Value of Group	Assessed Value of Group	Save Our Homes Differential by Group	Number in Group	% Differential	Av. Differential	Av. Just Value
$0 -$ 100000	$107,186,656,942	$84,299,796,404	$22,886,860,538	1,611,842	21%	$14,199	$66,499
$100,001-$250,000	$315,352,976,662	$241,353,599,775	$73,993,376,887	2,062,085	23%	$35,883	$152,929
$250,001-$500,000	$138,388,222,645	$101,649,211,455	$36,739,011,190	419,170	27%	$87,647	$330,148
$500,001-$1,000,000	$62,170,629,836	$43,936,232,088	$18,234,397,748	94,414	29%	$193,132	$658,490
$1,000,001-$10.000,000	$49,872,080,872	$34,692,356,862	$15,179,724,010	28,002	30%	$542,094	$1,781,019
$10,000,001 and over	$2,353,353,851	$1,723,680,356	$629,673,495	154	27%	$4,088,789	$15,281,519
Total 2004	$675,323,920,808	$507,654,876,940	$167,663,043,868	4,215,667	25%	$39,771	$160,194

Table 3: 2003 SOH by Just Value Group

Just Value Group	Just Value of Group	Assessed Value of Group	Save Our Homes Differential by Group	Number in Group	% Differential	Av. Differential	Av. Just Value
$0 -$ 100000	$126,196,561,790	$104,471,883,543	$21,724,678,247	1,941,469	17%	$ 11,190	$ 65,001
$100,001-$250,000	$265,258,092,594	$214,343,364,196	$50,914,728,398	1,776,665	19%	$ 28,657	$ 149,301
$250,001-$500,000	$99,094,475,493	$75,786,685,684	$23,307,789,809	298,832	24%	$ 77,996	$ 331,606
$500,001-$1,000,000	$44,761,437,467	$32,804,322,136	$11,957,115,331	67,838	27%	$ 176,260	$ 659,828
$1,000,001-$10.000,000	$36,990,237,812	$25,942,681,216	$11,047,556,596	20,738	30%	$ 532,720	$ 1,783,694
$10,000,001 and over	$1,766,523,880	$1,324,798,371	$441,725,509	116	25%	$ 3,807,979	$ 15,228,654
Total Differential 2003	$574,067,329,036	$454,673,735,146	$119,393,593,890	4,105,658	21%	$ 29,080	$ 139,823

Table 4: Change in SOH from 2003 to 2004

Just Value Group: Change from 03 to 04	Just Value of Group	Assessed Value of Group	Save Our Homes Differential by Group	Number in Group	Av. Differential	Av. Just Value
$0 -$ 100000	-15.1%	-19.3%	5.3%	-17.0%	26.9%	2.3%
$100,001-$250,000	18.9%	12.6%	45.3%	16.1%	25.2%	2.4%
$250,001-$500,000	39.7%	34.1%	57.6%	40.3%	12.4%	-0.4%
$500,001-$1,000,000	38.9%	33.9%	52.5%	39.2%	9.6%	-0.2%
$1,000,001-$10.000,000	34.8%	33.7%	37.4%	35.0%	1.8%	-0.1%
$10,000,001 and over	33.2%	30.1%	42.5%	32.8%	7.4%	0.3%
Total Differential	17.6%	11.7%	40.4%	2.7%	36.8%	14.6%

Table 5 shows the impact of the SOH differential and homestead (and other) exemptions on each county's tax roll. In 2004, SOH took about 25 percent off the homestead property tax roll statewide. By and large, the coastal counties have higher differentials than inland counties. The homestead, senior and other exemptions reduced the tax rolls by a bit more than an additional 15 percent of just value.

Table 5. Homestead Property Details by County

County	Parcels	Just Value	Assessed Value	Taxable Value	SOH	HX	SOH & HX
ALACHUA	47,181	5,724,635,600	4,621,722,090	3,425,130,138	19.3%	20.9%	40.2%
BAKER	5,342	443,663,104	319,951,128	190,979,425	27.9%	29.1%	57.0%
BAY	37,299	3,825,248,257	3,323,137,077	2,338,705,133	13.1%	25.7%	38.9%
BRADFORD	5,969	427,189,213	359,886,554	212,009,648	15.8%	34.6%	50.4%
BREVARD	147,514	20,273,988,370	14,943,697,080	11,235,733,420	26.3%	18.3%	44.6%
BROWARD	422,185	78,958,401,670	55,324,707,910	44,006,044,300	29.9%	14.3%	44.3%
CALHOUN	3,154	162,969,047	143,639,207	68,151,984	11.9%	46.3%	58.2%
CHARLOTTE	50,321	7,621,851,100	5,782,532,612	4,520,329,087	24.1%	16.6%	40.7%
CITRUS	45,348	4,012,450,600	3,362,826,838	2,227,952,261	16.2%	28.3%	44.5%
CLAY	43,297	5,179,042,264	4,357,313,975	3,248,773,617	15.9%	21.4%	37.3%
COLLIER	72,518	23,924,455,055	17,702,349,356	15,848,225,993	26.0%	7.7%	33.8%

County	Parcels	Just Value	Assessed Value	Taxable Value	SOH	HX	SOH & HX
COLUMBIA	14,083	1,089,383,379	901,539,488	541,498,946	17.2%	33.0%	50.3%
DADE	427,103	86,869,437,380	58,751,080,743	46,976,040,804	32.4%	13.6%	45.9%
DESOTO	6,017	477,340,949	391,668,183	245,049,803	17.9%	30.7%	48.7%
DIXIE	4,302	245,748,469	146,357,852	56,800,962	40.4%	36.4%	76.9%
DUVAL	189,692	25,997,527,257	20,370,830,600	15,433,383,373	21.6%	19.0%	40.6%
ESCAMBIA	71,284	6,754,350,000	5,406,737,700	3,567,894,239	20.0%	27.2%	47.2%
FLAGLER	21,407	3,132,977,759	2,526,706,099	1,941,635,425	19.4%	18.7%	38.0%
FRANKLIN	3,081	461,796,081	331,999,320	258,823,681	28.1%	15.8%	44.0%
GADSDEN	10,321	672,472,980	583,011,994	339,501,812	13.3%	36.2%	49.5%
GILCHRIST	4,237	288,215,368	226,697,491	126,580,363	21.3%	34.7%	56.1%
GLADES	2,434	176,979,490	145,971,509	85,960,847	17.5%	33.9%	51.4%
GULF	3,661	454,805,819	284,734,601	195,226,818	37.4%	19.7%	57.1%
HAMILTON	2,603	144,948,209	120,417,659	57,720,826	16.9%	43.3%	60.2%
HARDEE	4,741	333,523,754	263,782,660	146,384,376	20.9%	35.2%	56.1%
HENDRY	6,303	492,993,970	400,552,850	243,923,200	18.8%	31.8%	50.5%
HERNANDO	47,639	4,820,543,984	4,005,384,383	2,816,242,673	16.9%	24.7%	41.6%
HIGHLANDS	24,535	1,872,102,552	1,620,861,625	1,019,274,320	13.4%	32.1%	45.6%
HILLSBOROUGH	251,350	36,589,209,655	28,274,853,816	21,993,810,078	22.7%	17.2%	39.9%
HOLMES	4,686	299,429,481	225,724,063	109,070,192	24.6%	39.0%	63.6%
INDIAN RIVER	34,659	7,146,935,713	5,483,886,743	4,574,193,941	23.3%	12.7%	36.0%
JACKSON	10,584	702,281,261	563,624,694	318,132,976	19.7%	35.0%	54.7%
JEFFERSON	3,488	296,513,480	198,797,934	116,091,405	33.0%	27.9%	60.8%
LAFAYETTE	1,612	112,380,196	76,960,759	39,703,185	31.5%	33.2%	64.7%
LAKE	70,255	7,810,007,577	7,015,241,121	5,261,035,136	10.2%	22.5%	32.6%
LEE	134,938	24,636,540,840	18,748,453,710	15,367,653,670	23.9%	13.7%	37.6%
LEON	53,051	7,088,071,126	5,911,558,997	4,594,167,150	16.6%	18.6%	35.2%
LEVY	11,219	880,582,618	641,528,806	374,428,567	27.1%	30.3%	57.5%
LIBERTY	1,423	74,612,316	56,952,442	26,194,204	23.7%	41.2%	64.9%
MADISON	4,331	261,859,105	212,766,353	110,144,315	18.7%	39.2%	57.9%
MANATEE	73,436	13,201,397,356	9,929,426,694	8,090,484,853	24.8%	13.9%	38.7%
MARION	84,258	7,788,355,581	6,543,360,855	4,458,723,868	16.0%	26.8%	42.8%
MARTIN	42,037	10,633,667,220	7,407,566,139	6,350,478,444	30.3%	9.9%	40.3%
MONROE	17,652	7,392,186,227	4,522,750,973	4,078,182,316	38.8%	6.0%	44.8%
NASSAU	17,616	2,813,374,718	2,163,234,863	1,716,412,996	23.1%	15.9%	39.0%
OKALOOSA	42,684	5,440,894,843	4,699,209,214	3,592,051,314	13.6%	20.3%	34.0%
OKEECHOBEE	7,775	695,591,133	544,965,780	352,604,142	21.7%	27.7%	49.3%
ORANGE	198,207	29,727,068,971	25,243,695,662	20,151,810,487	15.1%	17.1%	32.2%
OSCEOLA	42,530	5,032,888,904	4,412,955,007	3,258,658,240	12.3%	22.9%	35.3%
PALM BEACH	336,123	73,060,018,637	54,171,443,861	45,788,357,807	25.9%	11.5%	37.3%
PASCO	117,736	12,458,751,018	10,122,032,573	7,193,802,342	18.8%	23.5%	42.3%
PINELLAS	257,952	39,784,038,600	28,465,387,700	22,010,822,300	28.5%	16.2%	44.7%
POLK	119,095	10,778,499,879	9,222,144,751	6,280,289,939	14.4%	27.3%	41.7%
PUTNAM	20,504	1,343,225,284	1,111,493,025	625,920,072	17.3%	36.1%	53.4%
ST. JOHNS	41,786	9,588,319,798	7,453,239,596	6,376,168,769	22.3%	11.2%	33.5%
ST. LUCIE	58,987	7,616,251,367	5,782,650,929	4,252,745,532	24.1%	20.1%	44.2%
SANTA ROSA	36,942	4,358,378,324	3,867,179,868	2,885,326,049	11.3%	22.5%	33.8%
SARASOTA	109,494	25,235,334,595	18,014,163,228	15,248,831,905	28.6%	11.0%	39.6%
SEMINOLE	97,221	15,512,476,125	12,736,179,837	10,299,315,320	17.9%	15.7%	33.6%
SUMTER	18,553	1,783,423,507	1,469,625,762	1,005,602,556	17.6%	26.0%	43.6%
SUWANNEE	9,659	736,165,787	508,680,640	275,789,689	30.9%	31.6%	62.5%
TAYLOR	4,981	296,786,990	250,290,624	136,109,677	15.7%	38.5%	54.1%
UNION	2,140	160,939,210	112,230,521	62,849,219	30.3%	30.7%	60.9%
VOLUSIA	128,347	16,569,007,707	12,685,787,462	9,461,796,330	23.4%	19.5%	42.9%
WAKULLA	6,487	536,562,526	445,888,845	286,164,971	16.9%	29.8%	46.7%
WALTON	12,564	1,714,111,569	1,357,549,585	1,051,810,068	20.8%	17.8%	38.6%
WASHINGTON	5,737	328,739,884	281,294,924	141,372,876	14.4%	42.6%	57.0%
Statewide	4,215,670	675,323,920,808	507,654,876,940	399,691,084,374	24.8%	16.0%	40.8%

Historical summary data on just value, assessed value, taxable value of homestead properties and the value of homestead exemptions are provided in Table 6.

Table 6. Change in Just, Assessed, Taxable, and Homestead Values – 1996 - 2004

	Just Values	Assessed Values	Taxable Values	Growth		Homestead Exempt Values
2004	$675,323,920,808	$507,654,876,940	$398,479,905,441	20.1%		$104,460,379,588
2003	$546,427,076,461	$430,756,042,974	$331,697,305,985	7.0%		$101,713,509,740
2002	$494,305,313,246	$411,685,468,467	$310,106,310,304	11.2%		$99,511,935,935
2001	$427,172,536,832	$377,512,738,632	$278,863,992,932	10.4%		$96,835,098,783
2000	$378,604,141,742	$348,652,099,915	$252,499,038,797	10.4%		$94,298,192,313
1999	$342,494,582,016	$319,956,847,271	$228,715,921,969	5.7%		$91,861,162,486
1998	$322,142,967,091	$305,992,473,078	$216,329,163,373	6.5%		$89,472,128,504
1997	$302,174,744,253	$291,005,791,052	$203,137,388,890	7.6%		$87,489,801,506
1996	$282,260,710,158	$274,442,944,246	$188,770,475,469			$85,272,017,744

Legislation Proposing SOH Portability

As proposed in the 2005 Regular Session, SJR 894 by Senator Mike Haridopolos (R-Brevard) and HJR by Representative Carl Domino (R-Palm Beach) allows for newly established homestead properties, which are purchased within one year of selling a homestead property, to be assessed at less than just value. While the constitutional amendments leave the details to a future Legislature, it is contemplated that the new property's just value will be reduced by a similar amount as the old homestead's difference between just and assessed value. The legislation allows portability of the Save Our Homes differential only for owners who purchase a more expensive home. The Revenue Estimating Conference (REC) estimated on March 16, 2005 that the amendment has the potential to reduce the tax base by over $100 billion in the fourth year of its existence. [25]

A different approach which is supported by the governing body of Miami-Dade County suggests that SOH be portable only when a person purchases a home of lesser value.[26]

[25]App. H provides a copy of SJR 894 (2005) and the fiscal analysis of the Revenue Estimating Conference.

[26] App. I contains a copy of the Miami-Dade County Resolution and the Fla. Dept. of Rev.' s fiscal analysis of the proposal.

CHAPTER 5. FISCAL IMPACT OF THE SAVE OUR SENIORS AMENDMENT.

The Save Our Seniors exemption allows municipalities and counties by ordinance to grant an exemption of an amount up to $25,000 to seniors over 65 years of age who have an income of less than $20,000[27] for federal income tax purposes. Over two-thirds of the counties (46) and almost one-third of the cities (122) have granted various forms of the Senior Exemption. While this exemption has grown significantly, in percentage terms, over the last five years, the level with almost $4 billion in exempted value is rather insignificant compared to the other exemption.[28]

Table 7. Exemption Value for the Senior Exemption – 2000 - 2004

Calendar Year	Additional Exemption for over 65	Rate of Change
2000	$1,659,209,238	
2001	$2,226,508,310	34.19%
2002	$2,243,123,619	0.75%
2003	$3,034,057,890	35.26%
2004	$3,796,481,624	25.13%

Table 8 shows the taxable value taken off the roll by Save Our Seniors only by county for calendar years 2000 - 2003. Municipal data was not available.

Table 8. Senior Exemption Values by County – 2000 - 2003

COUNTY	2003 Value	Percent Increase 2002-2003	2002 Value	Percent Increase 2001-2002	2001 Value	Percent Increase 2000 - 2001	2000 Value
ALACHUA	$14,551,820	93.1%	7,534,640	834.4%	806,370		
BAKER	$3,348,382	19.3%	2,806,502	4.2%	2,692,878	9.9%	2,449,397
BAY	$32,735,862	125.4%	14,522,654	3.1%	14,082,690	449.6%	2,562,127
BRADFORD	$2,789,388						
BREVARD	$124,983,820	52.5%	81,944,030	78.0%	46,048,400		
BROWARD	$486,629,790			-100.0%	414,005,790	-4.2%	432,109,930
CALHOUN	$3,488,931	7.0%	3,261,263	31.6%	2,477,679	3.9%	2,384,690
CHARLOTTE							
CITRUS							
CLAY	$23,768,005	11.1%	21,398,806	12.7%	18,991,987		
COLLIER	$22,420,016	8.2%	20,713,961	-6.3%	22,117,709	-18.6%	27,163,627
COLUMBIA	$17,335,764	33.9%	12,949,922	60.8%	8,052,390		
DADE	$865,717,980	8.2%	800,108,553	9.5%	730,769,476	0.2%	729,166,489
DESOTO							
DIXIE							
DUVAL	$204,386,575	4.9%	194,763,741	3.6%	188,086,371	5.6%	178,133,356
ESCAMBIA	$84,499,500	16.1%	72,795,333	18.9%	61,234,590	39.9%	43,767,395
FLAGLER	$42,940,734			-100.0%	35,907,768	15.5%	31,090,768

[27] Since 2001, the $20,000 threshold has been increased by the change in the consumer price index.
[28] Seniors exemption data is available only for counties; a detailed list of the municipalities and counties that have adopted the Seniors exemption is provided in the App. J.

COUNTY	2003 Value	Percent Increase 2002-2003	2002 Value	Percent Increase 2001-2002	2001 Value	Percent Increase 2000 - 2001	2000 Value
FRANKLIN							
GADSDEN							
GILCHRIST							
GLADES	$913,827	21.8%	750,560	13.5%	660,996		
GULF	$1,365,497	30.7%	1,044,437	42.8%	731,266		
HAMILTON	$2,347,802	9.4%	2,146,961	10.9%	1,935,832	353.0%	427,362
HARDEE	$2,398,263	-13.5%	2,772,856				
HENDRY	$2,872,210	6.7%	2,691,850	57.4%	1,710,250		
HERNANDO							
HIGHLANDS	$4,338,319	5.6%	4,106,589	3.0%	3,988,280		
HILLSBOROUGH	$158,667,382	5.1%	150,943,959	38.2%	109,220,530	23.3%	88,562,451
HOLMES	$2,516,800	15.5%	2,178,588	76.7%	1,233,193	574.5%	182,824
INDIAN RIVER	$33,865,120	13.9%	29,729,070				
JACKSON	$443,977	19.1%	372,835	3.3%	360,755		
JEFFERSON							
LAFAYETTE							
LAKE	$80,232,457	15.9%	69,227,952	14.1%	60,652,289	-1.1%	61,354,001
LEE	$1,025,000	32.3%	775,000	-22.5%	1,000,000	14.3%	875,000
LEON	$40,141,825	3.7%	38,704,963				
LEVY	$18,524,181	12.0%	16,544,701	28.5%	12,878,571		
LIBERTY	$430,011						
MADISON	$894,320						
MANATEE				-100.0%	275,000	-29.5%	389,862
MARION							
MARTIN							
MONROE	$7,174,363	-50.1%	14,370,370	-4.3%	15,014,490		
NASSAU	$6,569,757	32.7%	4,951,297	9.9%	4,507,148		
OKALOOSA	$26,080,850	9.5%	23,816,699	32.5%	17,972,415	3.6%	17,350,368
OKEECHOBEE							
ORANGE	$74,562,208	-27.3%	102,552,258	-1.5%	104,117,783		
OSCEOLA	$37,105,704	270.3%	10,020,994				
PALM BEACH							
PASCO							
PINELLAS							
POLK	$73,014,532	8.0%	67,591,476			-100.0%	285,584
PUTNAM	$20,886,622	28.9%	16,200,730	40.8%	11,507,295		
ST. JOHNS	$30,471,139	-22.9%	39,500,303	44.5%	27,329,362	-6.3%	29,176,167
ST. LUCIE	$17,605,107						
SANTA ROSA	$34,107,330	39.1%	24,513,189	94.0%	12,638,047	36.2%	9,279,143
SARASOTA	$4,768,603						
SEMINOLE	$123,370,760	13.9%	108,333,418	238.7%	31,985,615		
SUMTER	$10,397,416	145.3%	4,238,038	21.6%	3,486,146	39.5%	2,498,697
SUWANNEE							
TAYLOR							
UNION							
VOLUSIA	$271,871,357	3.6%	262,510,888	3.6%	253,402,421		
WAKULLA	$1,847,591	331.4%	428,293				
WALTON	$9,366,494	40.7%	6,657,633	99.3%	3,339,819		
WASHINGTON	$4,284,499	61.8%	2,648,307	105.8%	1,286,709		
STATEWIDE	$3,034,057,890	35.3%	2,243,123,619	0.7%	2,226,508,310	34.2%	1,659,209,238

CHAPTER 6. OTHER PROPERTY TAX EXEMPTIONS AND THEIR FISCAL IMPACT.

Table 9: Other Ad Valorem Exemptions and their Fiscal Impact[29]

VALUE OF EXEMPTIONS, DIFFERENTIALS, ETC.	2005-06 Estimated Taxable Value Loss (Millions of Dollars)	2005-06 Estimated Tax Loss[30]
Administration		
Assessment of real property at less than fair market value (includes 15.0% for application of 1st and 8th criteria and 2.7% for general underassessment)	$235,104.9	$4,722.2
Assessment of tangible personal property at less than fair market value (assumes 15% for general under-assessment)	$ 16,511.2	$ 331.6
Exclusions		
Transportation vehicles	Indeterminate	Indeterminate
Property held for transshipment	Indeterminate	Indeterminate
Differentials		
Homestead assessment limitation (Save Our Homes) (s. 193.155)	$221,397.1	$4,452.9
Agricultural land (s. 193.461(6)(a))	$ 40,977.8	$ 823.1
Private park and recreational land (s. 193.501)	$ 33.6	0.7
Environmentally endangered land (s. 193.501)	Indeterminate	Indeterminate
Historically significant (s. 193.505)	Insignificant	Insignificant
Pollution control devices (s. 193.621(1))	$ 2,505.0	$50.3
Building renovations for the physically handicapped (s. 193.623	Indeterminate	Indeterminate
Annual agricultural crops[31], non-bearing fruit trees and nursery stock (not assessed) (s. 193.451(3))	Indeterminate	Indeterminate
Exemptions		
$25,000 Homestead Exemption (s. 196.031(3)(d))	$106,914.2	2,147.4
Permanently and totally disabled veterans (s. 196.081)	6,973.2	140.1
Disabled veterans confined to wheelchairs (s. 196.091)	68.7	1.4
Totally and permanently disabled persons (s. 196.101) [32]	534.0	10.7
Renewable energy source (s. 196.175)	Insignificant	Insignificant
Blind (s. 196.202)	2.5	Insignificant
$500 Totally and permanently disabled persons (s. 196.202)[33]	32.2	0.6
Widows' and Widowers exemption (s. 196.202)	217.0	4.4
Property used by hospitals, nursing homes and homes for special services (s. 196.197)	5,131.1	103.1
Property used by nonprofit homes for the aged (s. 196.1975)	1,676.3	33.7
Educational property (s. 196.198)	6,205.6	124.6
Labor organizations (s. 196.1985)[34]	55.8	1.1
Community centers (s. 196.1986)	1,744.1	35.0
Institutional exempt property [35]	36,839.1	739.9

[29]Source: 2005 Florida Tax Handbook: http://myflorida.com/edr/reports.htm

[30]Tax loss estimates are based on an aggregate average millage rate of 20.09.

[31]Includes timber. Current administrative practice has resulted in the non-assessment of timber in virtually all counties, although timber is not an "annual agricultural crop," per the statutory requirement for exemption.

[32]Available to: quadriplegics and the following, if total household income does not exceed an annually adjusted income limit: (a) paraplegics; (b) hemiplegics; (c) other totally and permanently disabled persons confined to a wheelchair; and (d) other totally and permanently disabled persons who are blind. An inconsistency in the statutes has resulted in the administrative determination that blind persons who are not totally and permanently disabled may also receive the total exemption if they meet the income test.

[33] See Id.

[34]The portions of labor union property used for educational purposes may be separately assessed, thus avoiding the predominant use requirement.

Totally exempt & immune	370,939.8	6,185.2
Government Property (s. 196.199)[36]		
Federal property	18,930.2	380.2
State property	23,586.7	473.8
Local government property	48,631.7	976.8
Government leaseholds	727.9	14.6
Local Option Economic Development (s. 196.1995)[37]	890.2	6.9
Not-for-profit sewer and water company (s. 196.2001)	1,519.7	30.5
$5,000 Disabled, Ex-Servicemen Exemption (s. 196.24)	395.1	7.9
Historic property (s. 196.1997)[38]	Indeterminate	Indeterminate
Local Option Additional Homestead for 65 and older (s. 196.075)[39]	3,796.6	25.8
Living Quarters for Parents or Grandparents (s. 193.703)	1.5	Insignificant

VALUE OF DISCOUNTS AND ALLOWANCES

Discounts for early payments . . . . $794.9 million

[35]Applies to property used exclusively or predominantly (greater than 50%) for the following purposes: (a) charitable, (b) literary, (c) religious, (d) scientific, and (e) educational. Exemption is total if use for said purposes is exclusive. For predominant use, exemption is proportional to use for said purposes. Special statutory criteria exist for determining the eligibility of hospitals, nursing homes, homes for special services, homes for the aged, educational institutions, community centers, and labor union property.

[36]All U.S. Government property is exempt. Pursuant to Florida Statutes, state and local government property is exempt if used for governmental or public purposes. Government owned property used by non-governmental lessees is exempt only when the lessee serves or performs a governmental or public purpose or function. The leasehold estate (i.e., the right or interest in the property created by virtue of the lease contract) is by law subject only to intangibles taxation. In the past as a matter of practice, government-owned property used by a non-governmental lessee for private purposes was not assessed. Currently, counties are assessing such property owned by municipalities, and the issue has been joined in litigation.

[37]Computed using average county millage rate only.

[38]Eligibility for exemption is determined separately for county taxes and municipal taxes. In no event does the exemption apply to school or independent district taxes.

[39]Total value loss is for both counties and municipalities. Tax loss is calculated by assuming that 75% of the exempt value is for counties and 25% for municipalities and applying the county and municipal average millage to the respective exempt amounts.

CHAPTER 7. 2004 PROPOSED DOUBLING OF THE HOMESTEAD EXEMPTION.

Families for Lower Property Taxes, Inc., a political committee, invoked the petition process of the Florida Constitution to propose a constitutional amendment through citizen initiative. The amendment would have provides an additional homestead exemption of $25,000.[40] Upon review of the proposed amendment, the Florida Supreme Court struck the amendment from the ballot, ruling that the amendment's ballot summary, promising tax relief, was not objective and was misleading.[41] The financial backer of the amendment has indicated that he intends to revise the amendment in accordance with the Court's opinion and resubmit it for review. The requisite signatures must be gathered and certified by February 1, 2006 and the Florida Supreme Court must render its advisory opinion determining whether the amendment meets the constitutional tests by April 1, 2006 for the amendment to reach the November 2006 general election ballot.[42]

According to the Financial Impact Estimating Conference ("FIEC"), the proposed doubling of the homestead exemption would have:

- Reduced taxable value in 2003 by $95.8 billion, or 9.7 percent of the state's tax base.
- Reduced municipal revenues by $240 million, at 2003 millage rates;
- Reduced county revenues by $765 million, at 2003 millage rates;
- Reduced school district revenues by $830 million, at 2003 millage rates;
- Reduced other taxing district revenues by $165 million, at 2003 millage rates.
- Very few municipalities were using the entire 10 mills of ad valorem taxes.
- In 2003, 28 counties levied ad valorem taxes at the 10 mill limit, almost all sparsely populated and rural counties[43].

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[40] A copy of the double homestead amendment is in App. K.
[41] See, Advisory Op. to Atty. Gen. re Additional Homestead Tax Exemption, 880 So. 2d 646 (Fla. 2004) included in App. L.
[42] See §§ 3 and 5, Art. XI, Fla. Const.
[43] Source: Draft of the Financial Information Statement Summary: http://myflorida.com/edr/conferences/constitutionalimpact/a6fis_complete.pdf. The draft was

CHAPTER 8. PROPERTY TAX REFORM BY CONSTITUTIONAL AMENDMENT.

The Legislature is powerless to statutorily reform the property tax in any meaningful way. The property tax may only be reformed by constitutional amendment. Amendments may be proposed to the Florida Constitution by five ways:

1. By citizen's initiative petition[44]
2. By a Constitutional Revision Commission[45]
3. By a Tax and Budget Reform Commission[46]
4. By a Constitutional Convention[47]
5. By Joint Resolution of the Legislature[48]

The citizen's initiative petition process is very expensive and each amendment proposed by this method is limited to a single subject. The next scheduled constitutional revision commission is in 2017.[49] The next scheduled tax and budget reform commission is in 2007.[50] Because of the urgent and growing need for property tax reform, this paper recommends that it is best to approach the Legislature to adopt a joint resolution to amendment the constitution. For the amendment to reach the ballot, the joint resolution must be approved by a three-fifths vote of the membership of each house of the legislature.[51] The governor has no power to veto a joint resolution.

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adopted on June 25, 2004. The FIEC did not have to submit a final product to the Supreme Court, as the Court struck the amendment from the ballot on July 15, 2004. A copy of the FIEC draft is in App. M. The impact of doubling the homestead exemption on cities is displayed in App. N.

[44] § 3, Art.XI, Fla. Const.
[45] § 2, Art.XI, Fla. Const.
[46] § 6, Art.XI, Fla. Const.
[47] § 4, Art.XI, Fla. Const.
[48] § 1, Art.XI, Fla. Const.
[49] § 2, Art.XI, Fla. Const.
[50] § 6, Art.XI, Fla. Const.
[51] § 1, Art.XI, Fla. Const.

CHAPTER 9. LEGISLATIVE PERCEPTION OF PROPERTY TAX REVENUES.

Any property tax recommendation must overcome the legislative perception that property taxes have grown excessively due to the hot real estate market. Despite the evidence that property taxes as a percentage of all revenues received by local governments have remained relatively constant, many legislators are under the mistaken view that property taxes are increasing at an alarming rate.[52] Lately, the contention has been that counties and municipalities have enjoyed tremendous revenue growth due to the real estate market. However, a little longer historical perspective back towards 1990 shows a different picture.

Since 1990, the average annual growth rate for counties has been 5.7 percent, while the state sales tax has grown 5.4 percent, not exactly a huge different. Looking at real per capita property taxes, which remove the effects of population growth and inflation, county property taxes have grown by a modest 0.7 percent per year as indicated in Table 10. The state's sales tax has grown by 0.4 percent per year.[53]

For municipalities, the story is amazingly similar. Their annual growth rate is 5.6 percent annually, while their real per capita property taxes have grown only 0.6 percent as indicated in Table 11.

[52]App. O contains a chart showing the relative reliance on various revenues by counties and municipalities from 1984 to 2002.

[53]Many economist have argued that the federal government's CPI does not accurately reflect the cost increases faced by local governments in providing goods and services. Even though the real per capita growth rates are very small, less than one percent for both counties and municipalities, they may still be overstated. Mark Zandi of economy.com, for instance, is not the only one who believes that the CPI is understated by at least one quarter to one third of one percent. For instance, a computer may cost $800 last year and for the same $800 you can get a much more powerful computer. Well, the federal government considers that a price decrease in the CPI calculations! Of course, local governments cannot afford such mathematical niceties; thus, it is not unreasonable to argue that a person, in real terms, paid less in 2003 than in 1990.

Table 10. Property and Sales Taxes, Growth Rates and Real Per Capita Property Taxes since 1990 for Counties

	Property Taxes	Growth	State Sales Taxes	Growth	Real per cap PT
2003	6,255,040,161	10.7%	16,371,953,988	2.0%	$ 2,007.3
2002	5,764,241,058	9.9%	16,045,462,607	1.6%	$ 1,947.3
2001	5,246,372,817	6.0%	15,795,535,206	5.8%	$ 1,831.6
2000	4,948,860,169	6.9%	14,933,807,688	8.3%	$ 1,826.2
1999	4,627,507,456	6.8%	13,794,573,354	6.3%	$ 1,808.7
1998	4,332,410,969	6.8%	12,975,124,733	7.3%	$ 1,760.4
1997	4,055,502,303	3.4%	12,088,759,320	5.5%	$ 1,705.0
1996	3,923,431,996	3.5%	11,461,789,088	7.4%	$ 1,734.7
1995	3,791,268,865	4.9%	10,672,033,852	5.7%	$ 1,757.2
1994	3,615,886,269	1.6%	10,095,895,516	7.1%	$ 1,760.2
1993	3,560,560,785	2.2%	9,425,785,810	12.6%	$ 1,816.9
1992	3,484,747,272	5.6%	8,367,850,252	2.5%	$ 1,865.6
1991	3,300,290,986	8.9%	8,160,504,261	-0.8%	$ 1,852.0
1990	3,030,990,652		8,225,176,117		$ 1,836.7
Average Growth Rate:		5.7%		5.4%	0.7%

Table 11. Property and Sales Taxes and Growth Rates and Real Per Capita Property Taxes since 1990 for Municipalities[54]

	Property Taxes	Growth	State Sales Taxes	Growth	Real per cap PT
2003	2,480,084,866	12.3%	16,371,953,988	2.0%	$ 795.9
2002	2,324,634,138	10.5%	16,045,462,607	1.6%	$ 785.3
2001	2,103,464,326	8.6%	15,795,535,206	5.8%	$ 734.4
2000	1,936,053,907	6.0%	14,933,807,688	8.3%	$ 714.4
1999	1,826,955,248	6.6%	13,794,573,354	6.3%	$ 714.1
1998	1,713,900,752	16.0%	12,975,124,733	7.3%	$ 696.4
1997	1,477,244,188	-6.2%	12,088,759,320	5.5%	$ 621.0
1996	1,575,192,911	2.8%	11,461,789,088	7.4%	$ 696.5
1995	1,532,145,928	6.0%	10,672,033,852	5.7%	$ 710.1
1994	1,445,577,406	3.3%	10,095,895,516	7.1%	$ 703.7
1993	1,399,123,949	7.1%	9,425,785,810	12.6%	$ 713.9
1992	1,306,493,565	0.5%	8,367,850,252	2.5%	$ 699.4
1991	1,299,993,663	7.0%	8,160,504,261	-0.8%	$ 729.5
1990	1,215,378,189		8,225,176,117		$ 736.5
Average Growth Rate:		5.6%		5.4%	0.6%

[54] In both tables, the 2003 data are taken from the Florida Department of Revenue ("DOR") data book, while all other years' data are from the Joint Legislative Committee on Intergovernmental Relations ("LCIR"). The growth rate shown is from the comparable DOR data, not the LCIR data, which differs slightly.

CHAPTER 10. OPTIONS FOR REFORMING THE PROPERTY TAX.

The literature agrees that a just system of taxation meets at least these goals:[55]

- Equity: similarly situated taxpayers are treated similarly, while the impact on low-income taxpayers is minimized.
- Ease of administration.
- Reliable revenues.

Unfortunately, some of these principles often do not work well in tandem. The tax code often contains wrinkles to achieve benefits for certain groups or activities (homeowners, low-income families, seniors) that make administration of taxes more cumbersome. But with equity, ease of administration and reliable revenues in mind, the following are options to reform the property tax.

Option 1. Repeal the Save Our Homes ("SOH") provision. Clearly, this is the one option that would broaden the tax base the most. The most likely effect would be to shift the tax burden away from the renters and business community. However, since about 35 percent of the tax base is homesteaded property, even if revenues were held constant, it would shift $2.5 billion to homeowners from renters and the business community. It would be easy to administer, and it would benefit renters and non-residential properties; also, it would reduce the higher than average benefits of the more expensive homes.

Option 2. Adopt an income threshold for SOH. Under this option only relatively poor individuals would qualify for the exemption. The amendment could apply to all existing homesteads which would return all no-qualifying homesteaders to just value. This option shifts much of the tax burden to homeowners. Alternatively, to keep those consequences smaller, the amendment could apply prospectively only.

Option 3. Repeal SOH prospectively only. This would freeze the SOH differential at today's levels and would let both just and taxable value grow at the same dollar amount prospectively. As Tables 2 and 3 above show, the SOH differential even in percentage terms is greater for higher valued homes. This option

[55]See, e.g., Principles of a High-Quality State Revenue System, Foundation for State Legislatures and National Conference of State Legislatures, (2nd edition, 1992).

would at least prospectively, stop the increase in the state-wide differential. Over time, this option will reduce the differential as homestead property is sold and reassessed at just value.

Option 4. Repeal SOH above a certain threshold. This would delete the SOH differential for homes over $250,000, $500,000 or $1 million. This, too, could be done for the entire differential or prospectively only. Provisions may need to be enacted to address properties that move from one year to another above the threshold. For instance, for those properties, their SOH differential could be frozen from the level of last year's assessment.

Option 5. Expand the Homestead Property Tax Deferral Act program. State law currently allows the deferral of property taxes in certain circumstances. The Homestead Property Tax Deferral Act[56] allows the deferral of property taxes and non-ad valorem assessments when they exceed five percent of the income for the household. Additionally, if the household income is less than $10,000, the homeowner automatically qualifies for the deferral. Certain restrictions apply. The taxes and assessments are not collected when due, rather the law allows a delay in payment until the homestead is sold or otherwise transferred.

Federal law also allows individuals to defer payment of income tax when the taxes are in excess of five percent of the individual's federal taxable income. In certain instances, for instance medical expenses, the federal government lets individuals deduct them, to the extent they are above the five percent threshold. Many people's wealth has dramatically increased because of the increased value of their homes. But they may have no more income to pay the high property taxes.

Under this option, the state tax deferral program would be expanded to include an increase household income for the automatic deferral—such as $25,000. Alternatively, the five percent threshold could be increased to ten percent. There are no fiscal estimates available for either option at this time.

Option 6. Limited SOH portability. This issue has both realtors and homeowners interested. Realtors believe that the ever-increasing SOH differential has a dampening effect on people willing to up- or down-size. For homeowners who

[56] s.197.242, Fla. Stat. et seq.

moved within the state between 2003 and 2004, about seventy percent purchased more expensive homes, while some thirty percent purchased less expensive homes. During the 2005 Legislative session, some proposals limited SOH portability to trading up.[57] In contrast, Miami-Dade County requested the Legislature for a bill allowing for a one-time transfer of SOH differential for elder homeowners who downsize. Clearly, portability without any constraints would be very detrimental to the ad valorem tax base. Therefore, this option proposes constraints by income limitation, age limitation, square footage limitations, or just value limitations. No fiscal estimates are available for any of these options.

Option 7. Limit the growth in property tax revenues. Opponents will accost any option that significantly broadens the tax base as a potential tax increase. To counteract that perception, this option proposes to limit ad valorem revenue increases for each local government by a certain percentage, with an override by supermajority, perhaps, for fiscal emergencies. That will assure that significant base broadening will benefit all sectors of the economy. This limitation should be in effect for only the first year so that local governments can meet the needs of their residents.

Option 8. Double the homestead exemption and repeal SOH. The simple doubling of the exemption may get on the ballot in 2006 through a citizen initiative.[58] The reality, though, is that the majority of the properties today receive more than $60,000 in tax base reduction. Thus, a doubling of the homestead exemption in exchange for the repeal of the SOH is unlikely to pass, unless the business community and the renters heavily support it. This option can be phased in over a number of years.

Option 9. Create a Property Tax Task Force. This option suggests that the legislature by law, or the governor by executive order, create a property tax task force to carefully evaluate the property tax. The Task Force could look at all the current constitutional provisions and the new proposed amendments and their fiscal impacts on the state and local governments and the various impacted sectors in the private

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[57]See, e.g. SJR 894 (2005) a copy of which is in App. H.

sector, like homeowners, renters and the business community. The Task Force should have members of all interested parties represented. A proposed draft creating the property tax task force is attached in Appendix P.

[58]A copy of the double homestead constitutional amendment that the Supreme Court rejected because of a misleading ballot provision is in App. K.

CHAPTER 11. RECOMMENDATION FOR REFORM OF THE PROPERTY TAX.

For discussion purposes, it is recommended that the best mechanism for reforming the property tax is a combination of the following:

- Tax the first $10,000 of just value.
- Phase-in an additional $25,000 homestead exemption over 5 years.
- Limit future SOH protection to homes valued less than $250,000.
- The taxable value for homes valued over $250,000 will increase by the same amount as just value.
- If a new homestead is purchased that is cheaper than the previous one, twenty percent of the percentage difference is applied to the new homestead.
- If a new homestead is purchased that is more expensive than the previous one, twenty percent of the difference of the previous homestead's just and assessed value is applied to the new homestead.
- The Legislature may impose additional age or income limitations.

Discussion of Recommendation

The following is a brief discussion of each element of the recommendation.

Tax the first $10,000 of just value. Every homeowner should contribute to ad valorem revenues, as every homeowner receives public services from their local governments. At the average millage rate, taxing the first $10,000 in value cost $200 to the homeowner not currently paying property taxes.

Phase-in an additional $25,000 homestead exemption over five years. In 2004, the Florida Supreme Court declared unconstitutional a proposed amendment to double the existing homestead exemption. However, the sponsor of this citizen initiative, Jeffrey Saulls, has already begun to again gather signatures to put the same amendment on the 2006 ballot. Phasing this in over five years, makes the impact easier to adjust to for local governments. [59] This element may have a

[59]After year four, this could be replaced by taxing 50 percent of the first $100,000 – which somewhat reduces the impact on local government.

disproportionate fiscal impact on small rural counties, necessitating alternative support for these counties.

Reform SOH. Future SOH protection to homes is limited to those valued less than $250,000. The taxable value of homes valued over $250,000 is increased by the same amount as the increase in just value. This element will limit the SOH differential growth in the future and, over time, will offset the tax base losses due to the doubling of the homestead exemption.

Make SOH portable. The Department of Revenue data show that in 2004 seventy percent of people, who previously owned a homesteaded house in Florida, were purchasing a more expensive home, while the remainder is settling for cheaper homes. However, both realtors and home builders have argued that the current law that requires assessments of a new home at just value (minus exemptions) has had a very significant dampening effect on moving up or down from people's current homes. For instance, families whose children have moved out may want to downsize, but may feel they cannot afford the property taxes that may be higher, even though the home is smaller and cheaper. This portion of the proposal would allow for a limited portability of the previous home's SOH differential. As shown in Table 7 with the data from the Save Our Seniors provision, the portability provision can be made much more "affordable" to local governments, by adding limitations on age or income. Alternatively or in addition, the impact could be further reduced by allowing portability only once during the homeowner's lifetime.

Appendix B includes a draft of a constitutional amendment that would implement the paper's recommendation.

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