

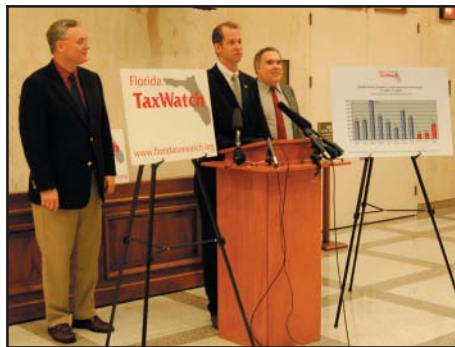
Florida TaxWatch Releases Property Tax Report

Florida's property tax system is in crisis, with skyrocketing levies accompanied by explosive local government spending that is exceeding the taxpayers' ability to pay. In response to this escalating problem, Florida TaxWatch recently released a report entitled "Controlling Escalating Property Taxation and Local Government Spending and Revenue". The report calls for the repeal of a popular three-percent cap on homesteaded property owners' annual tax bills, while maintaining taxpayers' current savings, a cap on local property taxes and revenues, and a fairer system for assessing a property's value.

In recent years, Florida's rapidly escalating property values have made it possible for cities, counties, and school districts to raise significant new revenues without increasing, and even slightly reducing, millage rates. Many local governments have treated this as a windfall, when by law it is actually a significant tax increase and supposed to be acknowledged as such by local officials in public budget hearings, which doesn't always happen.

According to **Kurt Wenner**, TaxWatch Senior Research Analyst and author of the report, "Some local government officials are ignoring the state's Truth in Millage law in proclaiming tax cuts, when in reality they are raising taxes." The report recommends tightening accountability controls within the law to require local governments to use last year's tax rate as a starting point for creating a new budget.

On December 15, Florida TaxWatch held a news conference at the Capitol



Florida TaxWatch Senior Vice President for Research John Turcotte looks on as Harvey Bennett, Vice President of Communications & Marketing, conducts a news conference about the recently released Property Tax report. Kurt Wenner, on the right, Senior Research Analyst and author of the report, spoke about his findings as well.

to announce the release of this report. The report was released the same day that **Dominic M. Calabro**, President & CEO of Florida TaxWatch, testified before the Governor's Property Tax Reform Committee. Calabro believes that the Reform Committee, formed in the summer of 2006 to examine the problems and develop solutions to the property tax crisis, as well as the upcoming Taxation and Budget Reform Commission (TBRC), have the opportunity to develop "truly deep, comprehensive reform, and the Legislature or TBRC can provide constitutional proposals to voters."

The report places part of the blame for the property tax crisis on the state's "Save Our Homes" amendment in the Florida Constitution. Since it took effect in 1995, it has limited annual increases in homesteaded property to three

percent or the increase in inflation, whichever is less. The report shows that while holding down taxes for many homeowners, the amendment has brought on a myriad of problems, shifting billions of dollars in taxes from homesteaded taxpayers to non-homesteaded businesses and individuals owning second properties, creating inequities in tax treatment, increasing housing costs for renters and new home buyers, and restricting the financial ability of some people to move to a different home.

"Florida taxpayers perceive our property tax system as unfair and unaffordable and they are right," said Calabro. "Our research quantifies the growing tax burden and tax shift onto certain classes of property owners that has created two separate, but unequal, tax systems in Florida."

Wenner concurs. "Save Our Homes is flawed and, as TaxWatch pointed out in 1992, it is not a tax limit but a tax shift. Even though average millage rates have been falling, they are certainly much higher than they would be without the amendment."

Total property tax levies in Florida have more than doubled in the last nine years (FY 1997 - FY 2006), including growth of 42% in just three (continued on page 2)

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years. This is almost three times as fast as the combined growth in population and inflation, and doesn't even include the recently begun local fiscal year (FY 2007), which is likely to have the largest increase in recent history.

Statewide, taxable values in Florida increased a remarkable 25% in FY 2006. Although this may benefit some property owners, it hurts others, resulting in considerably higher property taxes for those owners that are not covered by the homestead act or have recently moved to a different house. This has led to people feeling "trapped in their homes", with many homeowners who want to move to another house feeling that they cannot due to the huge tax increases they would face when the new home is initially reassessed at full value.

The property tax report notes that

many taxpayers are upset and some are predicting a tax revolt. If taxing and spending continues unabated, this is a real possibility. Florida TaxWatch has seen a big increase in the volume of calls and e-mails from upset taxpayers.

Inequities, such as two similar houses in the same area having vastly different tax bills, have created an unfair tax system. To add insult to injury, virtually all sources of local government revenue are increasing rapidly, some even faster than property taxes. For the ten year period from 1994-2004, total local property tax revenues grew 94%, but total local governments' revenue increased 108%. Charges for services grew 200% and miscellaneous revenues, which include impact fees and special assessments, grew 144%. Interestingly, non-property taxes, including sales, franchise, utility, and communications, grew slightly

faster than property taxes.

Florida TaxWatch acknowledges that the Florida Legislature is feeling a lot of pressure to do something about property taxes.

"The 2007 Session will surely consider measures such as allowing for Save Our Homes portability and increasing the homestead exemption," said Calabro. "The Legislature should avoid attempting quick fixes, such as increasing the homestead exemption, that do not address the real problems and, in fact, would magnify those problems."

Building on its recent research recommendations, Florida TaxWatch is providing key input to the Governor's Property Tax Reform Committee and helping define the agenda for the upcoming TBRC.

Florida TaxWatch's Recommendations Cited in the Property Tax Report

In addition to repealing the Save Our Homes amendment, Florida TaxWatch recommendations include:



Allowing homeowners who currently enjoy the protection of the amendment's cap to keep their reduced assessment. Future assessments would be at full market value minus the existing differential under the cap.



Capping local governments' revenues. This could include mandating that local governments adopt a millage rate that is no higher than a redefined rolled-back rate that allows for new construction and inflation or growth in personal income or both. The cap could be overridden by a supermajority vote of the local government body.



Allowing a one-time statewide portability of a homeowner's assessment reduction. If a homeowner moves within Florida, their new house's fair market assessment would be reduced by the same amount as their old house, so long as the new home's assessment is of equal or greater value.



Assessing commercial property at the value of its existing business, rather than what the property could sell for under the current "highest and best use" criteria.



Considering increasing the homestead exemption once changes in the Save Our Homes amendment are made.

Florida TaxWatch Regional Board Meetings Coming Soon to a Location Near You!

As part of the Florida TaxWatch "2005-2010 Strategic Plan", TaxWatch Board leadership and staff resolved to find a new way to work directly with the membership more frequently. This has resulted in the planning of regional board meetings in different locations around the state so that Florida TaxWatch members can conveniently meet to discuss issues that are important to them as well as find out what issues Florida TaxWatch is currently researching.

The Florida TaxWatch regional board meetings also provide members with a forum to voice their concerns about local and state issues and explore how Florida TaxWatch can help. These meetings, originally part of a challenging experiment, have been enthusiastically received. They continue to serve as an important interactive platform, to nurture key partnerships and provide a collaborative exchange between Florida TaxWatch members and staff.

The first regional meeting of 2007 took

place this month in Tallahassee, with 27 TaxWatch members in attendance. The two big items on members' minds: property taxes and property insurance. While members expressed concern that the high cost of both was burdensome and increasingly unfair to homeowners, there was also concern that the high costs would drive away potential businesses from locating to Florida and, in the case of property and casualty insurance, drive out the private market.

It was also pointed out that Florida has the third highest communications services tax burden in the country, an issue the Legislature may look at in its next session. Members also expressed continuing concern about the shortage of healthcare workers and the need for greater workforce preparation. Quantifying the growing and shifting tax burdens was also deemed an important area for future TaxWatch research and one the organization can champion a call for continued vigilance by local and state governments.

The staff of Florida TaxWatch would like to extend its deepest thanks to the outstanding volunteers that have led and participated in these meetings. We look forward to seeing you in the year ahead in your region, and working together to ensure the health and prosperity of our state to the benefit of all of Florida's taxpayers. We encourage you to invite others who would benefit from these briefings to join you as our guest.

We would also like to extend a special "Thank You" to our Regional Board Leaders and gracious hosts from the past year!

We wish everyone a Happy New Year and hope to see you soon! For your convenience, we have provided a schedule of 2007's regional board meetings, as well as regular board meetings, below. Members will receive notification of when and where a meeting will be taking place in their area.

FY 2007 Florida TaxWatch Regional/Regular Board Meetings (Tentative Schedule)

REGION	DATE
West Palm Beach	January 30, 2007
Ft. Lauderdale	Week of February 26
Miami	Week of February 26
S.W. Florida/Naples/Ft. Myers	Week of April 9
SPRING BOARD MEETING (Ritz-Carlton Orlando Grande Lakes)	May 24 - 25
Tampa/St. Petersburg	Week of June 11
Orlando/Central Florida Area	Week of August 27
Jacksonville	Week of September 17
ANNUAL BOARD MEETING (Location TBA)	November 28 - 30, 2007

New Volunteer Leadership for Florida TaxWatch

At the recent Florida TaxWatch Annual Membership Meeting, held in December at the Ponte Vedra Inn & Club in Ponte Vedra Beach, Florida, nominations for new members of the Florida TaxWatch Board of Trustees were accepted. The following Florida TaxWatch members have been elected to serve a new **one-year term** on the Florida TaxWatch Board of Trustees:

John R. Alexander - Alico, Inc.

Barney Bishop - Associated Industries of Florida

Nelson Diaz - Becker & Poliakoff

Pepe Fanjuel - Florida Crystals Corporation

Viann Hardy - Maximus

David Hart - WCI Communities

Ralph Marrinson - The Marrinson Group

Bob Nave - Convergys

Chris Neal - State Farm Insurance Companies

Marty Rubin - Smart City Telecom

Steve Smith - Blue Cross Blue Shield

The following Florida TaxWatch Board Members will serve an **additional three-year term**:

Carlos Alfonso - Alfonso Architects

Steve Avera - Flowers Foods, Inc.

Kevin Bakewell - AAA

Janegale Boyd - Florida Association of Homes for the Aging

Mark Bostick - ComCar Industries

Nolia Brandt - Brandt Information Services

David Bundy - Children's Home Society of Florida

Tom Cardwell - Akerman Senterfitt

Elias Chotas - Dean Mead Egerton

Allison DeFoor - Earth Balance

Carol Dover - Florida Restaurant and Lodging Association

Jerri Franz - AmSouth Bank

John Fumero - Lewis, Longman and Walker

Bill Graham - The Graham Companies

Joe Hajek - Tupperware

Andrew Krusen - Dominion Financial

Erika Lorenz - Fidelity National

Paul Marinelli - Barron Collier

Elliott Messer - Messer Law Firm

Rich Morrison - Adventist Health System

Pat Neal - Neal Custom Homes

Whit Palmer - W.M. Palmer Company

Bill Phelan - Florida Health Care Association

Nancy Riley - Florida Association of Realtors

Steve Rogers - IBM

Fred Seamon - MGT of America

Jeff Shuman - Harris Corporation

James Trafton - Florida Farm Bureau Insurance Co.

Ben West - WestWayne

Florida TaxWatch would like to thank all of our new and returning Board members for their commitment to our organization and the taxpayers of Florida.

"I want to thank Florida TaxWatch for your very good research and suggestions on improving Florida's property tax system." (Tony Villamil, CEO of the Washington Economics Group, Florida TaxWatch member, and member of the Governor's Property Tax Reform Committee)

Florida TaxWatch Center for Competitive Florida (CCF) Selects New Chairman and Makes Plans for 2007

Florida TaxWatch has started off the new year by reactivating its Center for Competitive Florida (CCF) to, according to its mission, "identify issues important to Florida's ability to effectively compete in markets at home and abroad and through its research and recommendations, promote policies designed to assure Florida's continued economic growth, security and sustainability."

"This is a forward-looking group focusing on forecasting future issues facing Florida and quantifying, from a research perspective, challenges and suggested solutions," said **Victoria Zepp**, Executive Director of the TaxWatch Center. Zepp says the Center is steered by an advisory board made up of "some of the brightest and most creative civic and business leaders in the state."

CCF Board members include:

John Adams, President & CEO of Enterprise Florida

Barney Barnett, Vice Chairman of Publix Super Markets, Inc.

Marshall Criser, III, Florida President of BellSouth

Moray Dewhurst, Vice President of Finance & CFO of Florida Power & Light

Glenda Hood, former Secretary of State

Robert Hudson, President & CEO of AvMed Health Plan

Governor Bob Martinez, now with Holland + Knight

David McIntosh, Trustee at Bluefield Ranch Mitigation Bank & Trust

David Smith, President & CEO of PSS World Medical

CCF is chaired by **John Zumwalt, III**, Chairman and CEO of Post, Buckley, Schuh & Jernigan, Inc. (PBS&J) of Tampa, who recently assumed the post previously filled by former Chairman **David McIntosh**.

CCF was established by the Florida TaxWatch Board of Trustees in the Spring of 1997 to complement the tax and fiscal policy research and taxpayer advocacy of Florida TaxWatch. In creating the Center, the TaxWatch Board wanted to maintain the focus of Florida TaxWatch, while acknowledging that there are numerous issues relating to Florida's long-term economic sustainability and competitiveness that indirectly, but inevitably, affect the fiscal soundness of Florida and wellbeing of its citizen taxpayers and businesses.

CCF has researched such hot potato issues as a new services tax and the proposed FAIR Amendments, which CCF determined could possibly impose billions of dollars of new sales taxes, without a proper legislative review.

Now the Center for Competitive Florida has reorganized to take on a new breed of challenges to Florida's competitive well-being. Its big project this year promises to be an **Immigration and Visa Policy Summit** in the Largo/St.Petersburg area on February 22. Entitled "Florida's Tipping Point: Balancing Physical and Economic Security - Post 9-11", the Summit will build on CCF research that revealed federal policy has restricted foreign immigration and investment in Florida, ranging from tourists from Central American countries to European researchers visiting Florida's universities.

Details about the Summit are listed below:

Location: The Collaborative Labs at St. Petersburg University

Date/Time: Thursday, February 22, 2007, 8:30 a.m. to 5:30 p.m.

Attendance Fees: \$250.00 for Florida TaxWatch member; \$400.00 for Non-Florida TaxWatch member; \$200.00 for each additional company representative (*please note that the Summit will probably sell out, and registration is on a first come, first served basis*)

Hotel: Hilton Carillon Park Hotel, St. Petersburg, Florida

Website: For complete information about the Summit, including speakers, hotel and travel information, and access to the Summit registration form, go to <http://www.floridataxwatch.org/ccf>.

Florida TaxWatch Speakers' Bureau

Do you need a speaker for your next event? The Florida TaxWatch team and network of scholars are available to headline or participate in your organization's next gathering. Florida TaxWatch staff will help you match the topic with the appropriate speaker. To learn more, contact Harvey Bennett at (850) 222-5052 or e-mail Harvey at hbennett@floridatxwatch.org.

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 Steve Evans, Chief Operating Officer; John Turcotte, Senior Vice President for Research; Becky Reese, Editor
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Florida TaxWatch is a statewide, non-profit, non-partisan taxpayer research institute and government watchdog that over its 27 year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Our mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies, and programs and to increase the productivity and accountability of Florida Government. On the web at www.FloridaTaxWatch.org.



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