



# **ADVISORY**

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**CONTACT:** Harvey Bennett  
850-510-7185 (cell)

## **Statement from Dominic M. Calabro on the Property Tax Reform Proposal by the Florida House**

**TALLAHASSEE** — This is a very bold and extremely ambitious effort that has a lot of good elements, some of which Florida TaxWatch has previously recommended. This plan contains ideas that are healthy to discuss and it needs more analysis. We should review and vet these proposals with an eye toward evolution, not revolution, of Florida's tax system.

Increasing Florida's sales tax in order to eliminate property taxes for homesteaded owners raises the question of whether it is equitable and wise to exempt one large class of taxpayer from such a significant source of government income, while increasing another tax that everyone pays to replace it. We would be replacing a proportional tax with one that is more regressive. Issues of equity and tax fairness will have to be resolved.

It will cut the cost at one end, for homesteaded homeowners, but this tax shift will add tremendous costs to business inputs, increase the cost of doing business in Florida, and make us far less economically competitive with our neighboring states.

There are questions as to whether it is a good idea to have the highest sales tax rate in the nation. It could create competitive problems, increase taxes for anyone who doesn't currently pay property taxes, make Florida more expensive (and less desirable) for tourists and create some major enforcement issues. With sales taxes that high, people will search for ways to avoid them. It could also hasten the eroding of Florida's sales tax collections from internet and other remote sales.

In trying to achieve needed results, Florida must make sure there are no unintended consequences that could kill the goose that laid the golden egg of economic vitality.

The real problem is that local governments have had little or no restraint on spending. Our property tax woes are a manifestation of the spending problem. Instituting a revenue cap on local governments is an idea whose time has long come and was recommended last year by Florida TaxWatch. Likewise, the proposed tightening of state revenue limits is good and long called-for by Florida TaxWatch, because it's a loose and ineffective cap that's been irrelevant for the past decade. But we don't want to be overly restrictive in our application of these limits.

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Another concern is that by eliminating property taxes for homesteaded homeowners, we'll be taking these voters almost entirely out of the local budgeting and spending process, which is not healthy for a democratic republic.

Florida TaxWatch, in a research report entitled [\*Controlling Escalating Property Taxation and Local Government Spending and Revenue\*](#), released in December by its Center for Local Government Studies, recommends repealing the Save Our Homes amendment, allowing homeowners to keep the reduced assessments they currently enjoy and then establishing limits on the growth of both millage rates and total local government revenues in the future. This is a system that protects taxpayers' current savings, keeps inequities from getting worse and begins to equalize them, and, most importantly, holds taxes down for all property owners in the future.

This is very much a work in progress and we stand ready to assist the Legislature, Governor, and the Taxation and Budget Reform Commission in their efforts to bring tax fairness to all Florida taxpayers.

**MEDIA NOTE: The past two decades of Florida TaxWatch research on Florida's property tax system, together with its position on the various issues relating to this subject and additional data resources, can be found on our property tax webpage at <http://www.floridataxwatch.org/news/propertytax.php>.**

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Florida TaxWatch is a statewide, non-profit, non-partisan taxpayer research institute and government watchdog that over its 28 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](http://www.FloridaTaxWatch.org).