



Legislature's Property Tax Reform Plan Is Seriously Lacking

Amendment is too limited to truly reform Florida's system

As tout the latest legislative property tax reform plan, Florida TaxWatch reminds voters that the plan really amounts to tax cuts – not true tax reform.

“The debate was changed from ‘the system needs reform’ to ‘homeowners need relief,’ and non-homestead property was left out,” said Kurt Wenner, Director of Tax Policy at Florida TaxWatch. “There is no real justification for increasing the homestead exemption, without other additional remedies.”

“The plan falls short and doesn’t deal with the real problem – that people are being slammed by high property values and high taxes under a system that doesn’t treat all taxpayers fairly,” said Dominic M. Calabro, President and CEO of Florida TaxWatch. “We’ve got a real problem. Property taxes are making the cost of living and doing business in Florida unsustainable.”

Perhaps most important, Calabro added, is increasing exemptions for homesteaded property means homesteaded voters have no incentive to re-engage in local government.

“If they’re saving money while their governments continue to spend wildly, they have no reason to re-engage in government to weigh in on how their tax dollars should be spent.”

Florida TaxWatch finds that the The Taxation and Budget Reform Commission can and should make up the difference between where the legislature’s plan leaves off and what Florida’s property tax system really needs.

Florida TaxWatch notes that if the voters approve this new amendment, future attempts to reform non-homestead property taxes will be extremely difficult. This amendment provides two major benefits to homestead properties -- one needed (portability) and one not needed (double homestead. It is extremely important to acknowledge that by providing more benefits to homesteaders and attempting to fix problems Save Our Homes created for them, it makes it much more difficult to create a future constitutional amendment to help non-homestead property that would garner enough voter support to pass. Since any changes to help non-homestead property will likely put upward pressure on homesteaders’ tax burden, these homestead benefits should be part of a comprehensive property tax relief and reform proposal that has “something fair and equitable for everybody.”

The new property tax amendment falls far short of what is needed. There are a number of reasons why:

- The plan gives relief to those who need it the least (long-term Save Our Homes property), while giving virtually nothing to those that have seen their taxes rise the most (non-homestead property).
- It will perpetuate and exacerbate the current system that shifts tax burden from homestead to non-homestead property. It will also continue to shift tax burden to new homeowners.
- While some solution to portability is needed, there are serious constitutional concerns about providing it. Supporters concede the question is not answered. The potential is there for this amendment to lead to a court challenge or portability and Save Our Homes. A better approach was contained in the House proposal, the 40% minimum exemption for all homeowners that is phased out as SOH rises.
- The 10% cap for non-homestead property is so high as to be of little value to most properties. The average annual growth in the value of non-homestead property is less than 5%. And since school taxes are not covered under the cap, it only applies to approximately 60% of the average tax bill. Moreover, if the non-homestead cap works the way Save Our homes does, in years where a covered property's just value does not rise as much as the cap, the assessment can still increase 10%, as long as it does not exceed just value. So while the cap may help some properties with high price spikes, it will be very hard for the vast majority of non-homestead properties to accumulate any savings.
- The statutory implementing bill (SB 4D) does not include important language that all the other proposals contained. To ensure that more tax burden is not shifted to non-homestead properties, the statutory millage cap must be amended to ensure that local governments truly absorb the cost of the double homestead exemption and portability. This can be done by requiring that the rolled-back rate is calculated before the value of these exemptions is removed from taxable value. This is essential to ensuring that these are true tax cuts and not tax shifts. This language has been omitted.