



## Florida TaxWatch Analysis of 2007 Legislative Special Session on Property Taxes

The Legislature's action was a step in the right direction. However, the only way the Legislature could honor its political commitment to cut taxes on this fall's next tax bills was to do an across the board cut – which reduced taxes for everyone equally, regardless of how much their taxes have been increasing. By providing relief to those whose taxes have not gone up substantially, this reduced the amount of money available to provide true reform.

“The plan is certainly far from perfect, but it is an improvement over the current system,” according to Florida TaxWatch Senior Research Analyst **Kurt Wenner**. “It should have better targeted relief to those who have been hurt the most during the run-up in property taxes – commercial property owners, owners of rental units and second homes, and snowbirds.”

The statutory and proposed constitutional changes do embody several of the principles and results contained in previous Florida TaxWatch recommendations:

- Future property tax increases are capped, based on taxpayers ability to pay
- The proposed Super Homestead Exemption will help eliminate tax barriers to first-time homebuyers and those who have felt “trapped in their homes”, as they won't face being taxed at full value when they move
- The Super Homestead Exemption marks the beginning of the end for the “Save Our Homes” tax protection and its unfair tax shifting onto non-homesteads and those outlined above.

Florida TaxWatch has continuously stated that elimination of Save Our Homes is critical to true long-term tax reform but that it should be done without unfairly increasing taxes on homesteaded homeowners and ensuring they're protected from rapid tax growth. The combined statutory and proposed constitutional changes can accomplish this. There are a few big “ifs” though:

- Local governments must not override the initial cut or future caps
- Enough homestead homeowners must agree to move from the Save Our Homes protection to the proposed Super Homestead Exemptions
- Local governments must avoid compensating for the lost property tax revenue by increasing other sources of local revenue, such as impact fees, special assessments, charges for services and licenses and permits.

“Many people who will initially save money with the Super Homestead Exemption may be better off long-term staying with the Save Our Homes protections,” according to **Wenner**. “Allowing taxpayers to decide which they want will slow the demise of Save Our Homes.”

(MORE)

## **Impact on Non-Homestead Property Owners**

Likewise, should local governments decide to override future property tax caps, tax burdens would be shifted from homestead to non-homestead property owners, continuing the trend of the past ten years.

“The way the cap is written, if the voters approve the Super Exemption, local governments cannot make up for any revenue loss by adjusting millage rates in the following year,” **Wenner** points out. This is an important taxpayer protection provided by the Legislature. “However, if a local government overrides the cap, the taxable value loss from the exemption will be made up by non-homestead property owners.”

Wenner notes that the new Super Exemption would apply to Florida’s 67 school districts’ levies as well. Another major concern by Florida TaxWatch is that if the Legislature makes up for that revenue loss (which legislative leaders said they would find a way to do) by raising the state-mandated portion of school property taxes, billions of dollars of tax burden could be shifted to non-homestead property taxpayers. This should be prohibited and instead the state should be required to re-direct other state revenues to fully fund schools.

This fall’s initial modest cut in property taxes and the future cap will be a real benefit to all taxpayers, homestead and non-homestead alike. But what does the proposed constitutional amendment really provide for non-homesteaded properties?

Not much in terms of direct savings, besides a \$25,000 exemption for tangible personal property taxes paid by businesses (worth about \$500 in actual tax reduction). The benefit lies in the phasing-out of Save Our Homes. The amendment should reduce the tax shift from homestead to non-homestead property. Barring numerous overrides by local governments in the first year of the new exemption and increases in legislatively set school taxes, the distribution of the tax burden will become more and more equitable.

Passage of the January 29, 2008 constitutional amendment is not guaranteed, with a number of local government officials and related groups expected to campaign against it for the cuts in revenue that it may bring to those same local governments.