



# **NEWS**

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## **PROPERTY TAX “WINDFALLS” REALLY JUST TAX INCREASES** *Statewide Tax Roll Grows to \$1.25 Trillion*

**TALLAHASSEE** — Due to rising property values, many local governments in Florida are poised to enact significant tax increases if they don't roll back millage rates. That's the concern of Florida TaxWatch, which in a new research report advises cities, counties, and school districts to share record-setting property tax revenue “windfalls” with taxpayers by lowering those tax rates.

“When property values rise like this, some local governments either keep the same millage rate, which amounts to a major property tax hike, or they lower the rate only slightly and call it a property tax rate cut, when in fact, it's still a tax increase,” said Dominic M. Calabro, President of Florida TaxWatch. “These are misstatements that aren't in keeping with the spirit of the TRIM law.”

TRIM notices were mailed to property owners last month and many taxpayers are seeing significant increases in the taxes proposed by their local governments. This is mostly due to the state's continued housing boom, according to the TaxWatch report.

Florida's Truth in Millage (TRIM) law recognizes that property values are a powerful revenue-producing tool for local governments and that rapidly escalating values result in rapidly escalating tax burdens if the tax rate is not reduced. TRIM requires that taxing authorities calculate a “rolled back millage rate” which is the millage rate that, when applied to the current year's assessed value, would raise the same amount of revenue as last year.

According to TRIM, any millage rate in excess of the rolled-back rate is considered to be a tax increase and is to be advertised as such by local governments. New construction, additions to existing structures, major rehabilitations and annexations are excluded from the rolled back rate calculation to allow for some growth revenue. So, even if a taxing authority keeps the same millage rate, if the total assessed value of the property on last year's tax roll is up, then it's considered a tax increase.

The state has forecasted that the total taxable property value in Florida would grow by \$142 billion in 2005, bringing the statewide tax roll to \$1.257 trillion. This 12.7-percent growth marks the fifth year in a row that total taxable value has had double-digit annual growth. Some counties have seen their property tax rolls grow by as much as 20-percent this year, in excess of forecasts.

The TaxWatch report points out that the remarkable growth has allowed local governments to often lower millage rates while still increasing taxes. In fact, the estimated average statewide millage rate of 20.09 mills for 2005 is the lowest since 1989.

"It's remarkable that we have the lowest average statewide millage rates in more than 15 years, while property tax revenue has kept growing significantly," noted Kurt Wenner, Senior Research Analyst at Florida TaxWatch and author of the report.

Wenner points out that lower tax rates do not mean that local governments have been cutting property taxes. The report states total property tax collections have increased 57-percent from 2000 to 2005, reaching \$22.4 billion. This includes annual growth of more than \$2 billion in each of the last two years alone.

"Slight of hand misstatements and unsound fiscal policy decisions on the part of some local government officials only serve to fuel anti-tax campaigns, such as 'Save our Homes', the proposed doubling of the \$25,000 Homestead Exemption, and 'Voter Approval of Taxes'," said Calabro.

The report recommends that if local governments want to use this opportunity to significantly raise revenue, they should use it prudently and avoid instituting costly new programs or large expansions of existing programs that may not be sustainable when property values slow. Prudent use would best focus on growth management and the need for investing in infrastructure.

The report stressed the importance of cost control, government productivity and suggested that local governments need a "responsible, workable spending limitation".

"We need to emphasize the need for balance and good long-term fiscal and public stewardship in local government," said Calabro.

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**MEDIA NOTE:** For a broader explanation of TRIM, see the May 2001 Florida TaxWatch Special Report "*TRIM and Property Taxes: A Primer*" [Click Here to View](#)

For more information on Florida's growing housing bubble, see the August 2005 Florida TaxWatch Economic Commentary "*Is There a Bubble in Your House*" [Click Here to View](#)