



Senator Don Gaetz

Reports to Northwest Florida



From the Senate Floor 2:30 pm Eastern Time October 29, 2007

Dear Neighbor,

On October 29, 2007 the Senate overwhelmingly passed proposed constitutional amendments to reform the state's property tax system and provide some relief to both homeowners and non-homeowners. The House of Representatives adopted the proposal and it will go to the voters on January 29 when Florida casts ballots in the presidential primary election.

Key features of the Senate action include:

- doubling the homestead exemption from \$25,000 to \$50,000
- full portability of SAVE OUR HOMES benefits up to \$500,000 anywhere in the state
- elimination of the tangible personal property tax on 1.1 million small businesses
- a 10 % cap on increases in assessments of non-homestead properties

From previous reports, you know that I have advocated deeper and broader tax relief than was approved by the Senate. And I plan to continue that advocacy. However, when it became obvious that the choice today was between some tax relief and no tax relief, I joined other fiscal conservatives in voting for the package, knowing that the fight for additional reform will go on. Had we not voted out a package now, there would have been no chance for constitutional reforms for many more months.

Along with Senator Bennett, I sponsored an amendment that would have capped non-homestead property tax increases at no more than 3% per year, mirroring the protection given to homesteaders under SAVE OUR HOMES. Unfortunately, we were unable to gain enough support to pass a 3% cap, since it takes 30 of 40 senators to place a constitutional proposal on a special election ballot.

Fortunately, the 10% cap provides some protection against shifting tax burdens onto rental properties, commercial real estate, and second homes. In recent years it has not been uncommon for non-homestead properties to be slammed with 20%, 30%, even triple digit increases in assessed value. This skyrocketing tax burden has smothered an already sputtering real estate market with negative affects cascading throughout the economy. The 10 % cap, while not as low as I wanted, will at least give property owners some predictability and will buffer taxpayers from speculative market pressures.

Another casualty of negotiations between parties and chambers was a 25% exemption for first-time homebuyers. I had joined with Senator Baker to sponsor an amendment that would have treated military personnel returning from deployment as if they were first-time buyers, giving them eligibility for the same exemption.

A provision that was dropped while seeking common ground with the House of Representatives was a Senate provision to remove the presumption of correctness now given to Property Appraisers. I believe that taxpayers challenging the accuracy of assessments should not be presumed to be wrong, as is the case in current law. This year, the Bay County Property Appraiser had to acknowledge over \$600 million in overvaluations and assessment mistakes. This represents money that doesn't belong to the government but rightfully belongs to taxpayers. Along with other fiscal conservatives in the Legislature, I plan to raise this issue again during the spring session.

What follows is a detailed description of what the Senate passed and how it affects taxpayers. As always, I would be grateful for your feedback, criticisms, and guidance.

Senate Property Tax Reform Plan Senate Joint Resolution 2D & Senate Bill 4D

Portability (SJR 2D & SB 4D)

What is portability?

Save Our Homes (SOH) is a policy that prevents homesteaded property taxes from increasing more than 3% per year. Portability allows homeowners to transfer their current SOH tax benefit when they move from one home to another.

How it works:

When a homeowner moves into a **more valuable home**, the entire savings they receive under SOH is transferred to their new home. If the new home is **less valuable**, the transferred savings will be proportional to the value of the new home.

Helpful details ...

- Homeowners have two years from the day of sale to transfer their SOH savings.
- The transferred SOH benefit may not exceed \$500,000.
- Floridians who moved from one homestead to another in 2007 are eligible to transfer their benefits.
- The SOH benefit can be transferred throughout Florida – for example, a homeowner can sell in Miami-Dade and transfer their benefit to Jacksonville.
- This benefit applies to all taxes, including school taxes.

Why it's good for taxpayers:

- Portability is designed to spark the economy by removing the tax hurdle to home sales.
- Portability has a minimal impact on Florida's tax roll. When the Smiths downsize into a smaller home that meets their needs, thanks to portability, the Joneses can afford to buy the Smiths' home.
- Floridians are freed to focus on their needs when purchasing a home, rather than worrying about tax implications.
- Portability eliminates the "lock-in effect," which prevents homeowners – such as seniors and empty nesters – from downsizing when their needs and lifestyles change.
- Growing families, whether they need more space or want a backyard for their children, under portability can make that change without being penalized with large spikes in their tax bills.
- Portability gives Floridians more freedom to choose where to live and what sort of home to buy.

Double Homestead Exemption (SJR 2D & SB 4D)

What is the homestead exemption?

- Currently Florida homeowners do not pay taxes on the first \$25,000 of their home's value. This is called the homestead exemption.

How it works:

- An additional \$25,000 homestead exemption is provided for the value of homestead property above \$50,000. This exemption does not apply to school taxes.

Why it's good for taxpayers:

- Home values have continued to increase, so it makes sense that Floridians see their homestead exemption increase.
- This provision gives voters the opportunity to vote on immediate, substantial relief. Upon voter approval of the constitutional amendment, homeowners will begin enjoying the expanded exemption.
- If the homestead exemption had grown at the rate of the Consumer Price Index, it would have been \$60,275 in 2006.

Tangible Personal Property Exemption (SJR 2D & SB 4D)

What is Tangible Personal Property?

- Tangible Personal Property (TPP) is defined as all goods and other articles of value. This includes: machinery, equipment, furniture, fixtures, signs, window air conditioners, supplies, leased, loaned, borrowed, or rented equipment used in a business, mobile home attachments on rented land (carport, screened porch, Florida room, etc.) furniture and appliances in rental properties.

What is the TPP Tax?

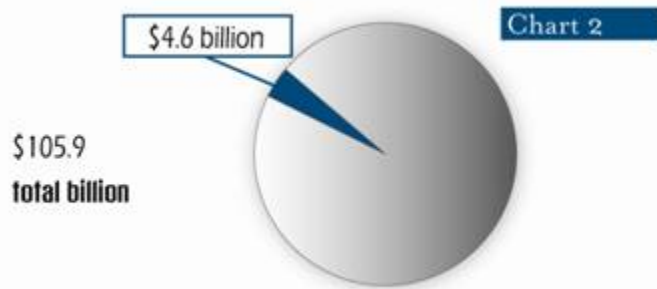
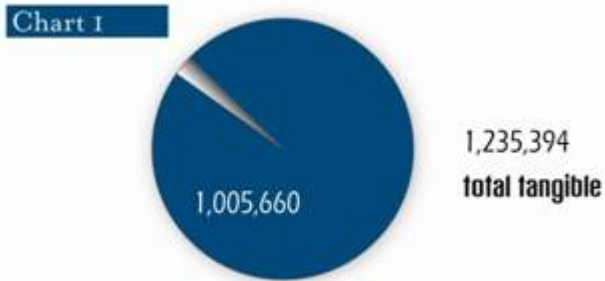
- Florida's Constitution provides for an ad valorem tax on tangible personal property. Motor vehicles, boats, airplanes, trailers, trailer coaches and mobile homes are exempt from this tax.
- Every person owning tangible personal property used in a business, commercial venture, or rental property is required to file an annual return with the Property Appraiser. Residential properties are exempt from this tax.

How it works:

- Business owners must submit a line item accounting of all tangible personal property used in their businesses. Each year, the business owner must adjust the value of the tangible personal property they own.
- The Senate proposal provides a \$25,000 exemption from ad valorem taxes to tangible personal property.

Why it's good for taxpayers:

- Of the 1,235,394 tangible personal property taxes filed in 2007, 1,005,660 were for taxable amounts less than \$25,000. This exemption would free over a 1,000,000 taxpayers from the burden of filing this return. **(See Chart 1)**
- The total amount of taxes collected from exempted taxpayers accounts for only \$4.6 billion of the total taxable value of \$105.9 billion. **(See Chart 2)**



Fiscally Constrained Counties (SB 4D)

This provision is designed to protect local services from being eliminated. In order to protect fiscally constrained counties throughout Florida, the Legislature will be required to distribute money to offset the reduction in revenues based on each county's needs. Counties will be required to submit documentation to support their requests for additional funds.

Assessment Cap for Non-Homestead Property (SJR 2D & SB 4D)

How it works:

The SJR limits the annual growth of assessed value for non-homesteaded residential and business properties to 10%. For most non-homesteaded housing properties, this accumulated assessment limitation will expire at change of ownership.

Helpful details:

- For business properties and housing properties of ten or more units (such as large apartment buildings), the assessment limitation remains with the property until there has been a substantial modification to the property (such as construction) or a change of use of the property (such as a sale).

- The cap will not take effect until the 2009 tax roll, or the 2010 tax roll if the amendment is approved in November.
- The 10% cap will sunset after 10 years, at which time it will be presented to the voters for re-approval.
- This provision does not apply to school taxes.

Why it's good for taxpayers:

- All properties in Florida will now have guaranteed protections against unexpected, substantial assessment spikes.
- Small business owners, second home owners, and renters will be among those benefiting from the new 10% cap, ensuring that the taxpayers who were hit hardest by the property tax crisis will receive relief and protection in the future.

For more information about this or any other issue, please contact Senator Don Gaetz, by e-mail at gaetz.don.s04@flsenate.gov, by letter, 217 Miracle Strip Parkway, SE, Ft. Walton Beach, FL 32548 or call 1-866-450-4DON toll free from anywhere in Florida.