



What the Special Session D Did

On Monday, October 29, 2007, the Florida House of Representatives approved the new proposed constitutional amendment (SJR 2D) developed by the Senate. The Senate passed it Monday morning by a 35-4 vote. Senate President Pruitt then told his members they could go home, meaning the House had to take it or leave it. If the House didn't approve it, as is, there would be no property tax amendment on the January 29, 2008 ballot.

Now, Florida voters will decide.

There was very little real support for the proposal in the House, and members spent the afternoon and early evening making derisive and negative comments at the Senate for leaving town and leaving them with a "mediocre" product. Still, the House voted 97-18 in favor of the joint resolution.

The new proposed constitutional amendment would:

- Allow homesteaded homeowners to transfer their Save Our Homes benefit, up to \$500,000, to a new home (reduced from the original \$1 million).
- Double the homestead exemption, allowing an additional \$25,000 of the value of homesteaded property over \$50,000. School taxes are exempt from this, making the effective value about \$15,000.
- Allow a tangible personal property tax exemption of \$25,000 for businesses.
- Put a 10% cap on annual assessments of non-homestead property. School taxes are exempt from this cap.
- The proposed amendment also requires the state to statutorily appropriate state funds annually to reimburse fiscally constrained counties for any revenue lost from this proposal.
- It is expected to save the average homeowner about \$240.

Not included:

- An additional exemption for new homeowners
- Low-income senior relief
- Working waterfronts relief
- Affordable housing relief
- The better House approach to homestead exemptions, the 40% minimum exemption that is phased out as SOH rises (as Florida TaxWatch has recommended)
- Removing property appraisers' presumption of correctness
- Requiring all property appraisers to be elected (only Miami-Dade's is appointed)

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. While supporters say they "believe" it will pass muster, they concede the question is not answered. It has even been implied by some lawmakers that including portability is just a way to get Save Our Homes thrown out by the courts. A better approach was contained in 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, but can be remedied in the next regular session.

And perhaps most importantly, 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." Passage of this amendment could be the end of hopes of real reform for non-homestead property.