

Florida's Property Tax: A Path to Equity and Adequacy

Iris J. Lav, Deputy Director
Center on Budget and Policy Priorities, Washington, DC

www.centeronbudget.org

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Goals

- Hold down the proportion of total property tax paid by permanent residents, especially homestead property
- Prevent the property tax and increases in the property tax from unduly burdening resident households
- Avoid the inequities that an assessment limit such as Save Our Homes creates and that will grow greater over time

Goals

- Provide relief to full-time residential renters
- Assure that local governments have sufficient revenue to provide quality law enforcement, fire services, infrastructure development and protection, health and education and other services

Meeting Goals Requires State Participation

To provide adequate and equitable property
tax relief ...**AND**

Assure local government has adequate
revenues...

Requires use of the **broader state tax base**
to be **PART** of the solution through state-
financed tax relief

Eliminate Save Our Homes

- Creates inequities among taxpayers with similar homes and similar incomes
- Creates inequities among local jurisdictions
- Disadvantages young people buying a first home and newcomers to the state
- Encourages over-housing and impedes free movement around the state
- Evidence from other states suggests problems just grow over time

Options to Hold Down Share Paid by Homestead Property

- A split-rate roll that taxes homestead property at a lower rate than non-homestead or commercial property
- A higher homestead exemption
- Taxation of homestead property on a specified, reduced proportion of just value

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- All three options are “portable” in the sense that all homestead property qualifies regardless of length of ownership
- All three options reduce local revenue; they should not be relied upon to solve the **entire** problem

Enact Circuit Breaker

- Prevents taxpayers from being “overloaded” by their property tax bill
- Protects taxpayers from property tax increases they cannot afford – once property tax reaches designated proportion of income, all additional property taxes are rebated
- Well-targeted on those who need the relief
- “Portable” if move
- 24 states have circuit breakers

Examples of Circuit Breaker Formulas

- New Jersey
 - Rebate equals total amount by which property tax exceeds 5% of income
 - Available to single persons with incomes below \$100,000 and families with income below \$200,000
 - 18% of rent is deemed to be property tax
 - Maximum benefit is \$1,200 for homeowners and \$825 for renters
 - Cost = 4.2 percent of property tax collections

Examples of Circuit Breaker Formulas

- Maine
 - Rebate equals half the amount by which property tax exceeds 4% to 8% of income and the full amount by which it exceeds 8%
 - Available to single persons with incomes below \$77,000 and families with income below \$102,000
 - 20% of rent is deemed to be property tax
 - Maximum benefit is \$2,000
 - Cost = about 2.3% of property tax collections

Florida Property Tax As Percent of Income

Approximate average percentages as reflected
in itemized deductions on federal tax returns

\$50,000 - \$75,000	4.3%
\$75,000 - \$100,000	3.6%
\$100,000 - \$200,000	3.0%

Source: Statistics of Income, Tax Year 2004. Comparable percentages in NJ are 8.0%, 6.5%, and 7.8%; in Maine they are 3.9%, 3.3%, and 2.6%

Example of Possible Florida Circuit Breaker

- Rebate **property taxes that exceed 3 percent** [or, if preferred, 4%] **of income** for people whose income is **below \$75,000** and rebate property taxes that **exceed 5 percent of income** for people whose income is **between \$75,000 and \$200,000**
- Deem **20 percent of rent** to be property tax that landlords pass through to tenants in rent
- Make available to homestead property owners and full-time rental residents who qualify for sales tax exemption
- Determine level at which to set max benefit

Examples

Income	\$ 60,000	\$125,000
Just Value	200,000	400,000
Less Homestead	175,000	375,000
Millage	18.5	18.5
Tax	\$3,238	\$6,938
Limit: Percent of Income (3%/5%)	\$1,800	\$6,250
Potential rebate (depending on max)	\$1,438	\$ 687

Would Require Outreach

- Homeowners and renters have to file a form to receive their circuit breaker rebate
- This requires an outreach effort to make sure eligible people receive it
- Nonprofit organizations and civic groups can spread the outreach message

State Revenue Options to Pay for Circuit Breaker

- **Corporate Tax – closing “loopholes”**

- Combined reporting (+\$494 M)
- Tax S-Corps under CIT* (\$960 M)
- Tax LLCs under CIT* (\$250 M)
- Decouple from Domestic Production Deduction (\$139 M)
- Enact Throwback rule (\$29 M)

* Of six states with CITs but no PITs, only AK and FL exempt S-Corps and LLCs from the regular corporate income tax

Revenue estimates from Florida Tax Handbook except Domestic Production Deduction which is CBPP estimate

State Revenue Options to Pay for Circuit Breaker

- Decouple from federal **estate tax** changes with large exemption - \$7 million per couple (\$650 M)
- Re-impose **intangibles tax** on a broader base with \$1 M exemption
- Expand **sales tax to selected services**; limit unwarranted exemptions