



PROPERTY TAX RELIEF IN FLORIDA

A summary of two recent papers by the Executive director

The Governor and legislative leaders have all called for ad valorem (property) tax relief with many proposals dramatically modifying the basic structure of local taxes in Florida. Yet, state tax reform has not been directly discussed except for proposals to cap state and local revenues and increase the general sales tax significantly to provide local property tax relief.

Background data gathered in reviewing proposals for property tax relief have shown that, while local property taxes have increased by 36% in the current and past two fiscal years, the state has led the way by reducing the actual amount spent by it for the basic Florida Education Financing Program (“FEFP”) in each of those years while increasing the required local property tax effort 42.6%. This has led to the state’s share of the state-local financing to drop from 55% to a low of 44% in the current fiscal year. The state has also repealed or significantly reduced state taxes on a recurring basis by over \$3 *billion* in the current fiscal year with over 75% of that amount coming from the repeal of the estate and intangible taxes and corporate income tax credits or subsidies. The amount of tax relief is remarkably close to the amount the state would need to meet its 55% obligation in public school education funding; thereby providing immediate property tax relief.

In addition, the recent Florida boom in real property values has fueled a significant shift in property tax burden away from homestead property onto non-homestead residential and non-residential property.¹ The inequities in the Save Our Homes constitutional amendment of 1994 have become highly visible and dramatic where the same family purchasing a home in 2005 pays more than twice the property taxes than if it had purchased one in 1999; even more if the home was purchased in 1994.

¹Florida’s Property Tax Study, Interim Report, Office of Economic and Demographic Research, February 2007, shows that Homestead Property is currently 32.1% of assessed value instead of 45.5% without “Save Our Homes” and non-homestead residential is 34.5% and non-residential is 32.5% (instead of 28.4% & 26.1% respectively).

The current proposals in the Legislature do not directly deal with the inequities of the Save Our Homes cap but rather focus on providing a repeal or significant reduction of homestead property taxes across the board by substituting large increases in the general sales tax. Significant roll-backs and caps on local government property taxes are also included. Public School education is held “exempt” but there is no demonstrated ability of the state to assume its full share of funding and to be able to continue meeting its obligations for other aspects of its educational funding (universities and community colleges) and for its necessary support of health care, corrections, juvenile justice and other social program commitments, much less its commitments to environmental and infrastructure concerns.

In addition to our concerns about the present proposals, we suggest that for immediate property tax relief statutory provisions could be made to provide a circuit breaker for both renters and homeowners that are overburdened with property taxes and restoring the state’s share of education funding as well as meeting its health care responsibilities, especially to children. The source of funding could come from reinstating the intangibles tax on a broader base with a million dollar exemption, from closing corporate income tax “loopholes,” from a tax on energy with a 500kWh residential exemption and a dedicated portion of the revenue to develop a program whereby both residences and businesses can improve their energy efficiency and save far above the cost of the tax and from reviewing existing sales tax exemptions. Over the longer term (requiring a constitutional amendment), we suggest looking at decoupling the estate tax from federal tax because of the repealed state tax credit.

We added a special note on delaying constitutional action until completion of the initial review by the Constitutional Tax and Budget Reform Commission and the legislative committee work leading up to the 2008 Session.