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Oh What a “Tax” Relief It Is?

The great southern comedian Jerry Clower once recounted a hunting trip in which his friend climbed a tree to flush out a raccoon the dogs had cornered, only to come face to face with a bobcat instead. While wrestling with the bobcat, he pleads with his buddy below to shoot up into the tree. When the buddy states that he can't see what he's shooting and may hit him rather than the bobcat, the friend says, in the most southern of drawls, “Just shoot on up here amongst us. One of us got to get some relief!”

There are lots of tax proposals coming out of Tallahassee right now, each one purported to be the bullet needed to bring relief to Florida property owners. Attached is a sheet comparing the elements of each proposal. As you can see, there are many already and more to come. However, they are radically different in design, and the outcome of action on any is unknown. But I can't help feeling like that hunter up the tree. Just do something, I say. Any kind of relief is better than what we're dealing with now.

Often, I'm asked, “What is the company's position on property taxes?” A reasonable question perhaps, but not one easily answered. Not only is the topic multi-faceted and complex, but it is fraught with concerns over balancing short and long-term impacts, and influenced by political perspectives about government's role and spending. As such, I question the wisdom of expressing a company position and elect to support FAR in its excellent efforts on our behalf. But since I'm asked so often, I will offer a personal opinion, subject to change as the issue evolves, of course.

Portability

I am clearly in favor of statewide portability, but know there are strong reservations by interior counties that implementation will severely compromise their revenue base. I feel this concern is overstated, and we know portability will stimulate activity from those residents who want to move, but currently feel trapped in their present home. And I would much rather have these people move down the street or to the next town, rather than to the Carolinas.

Save Our Homes

I feel it's necessary to continue limiting the potential annual increase in property taxes associated with property ownership, but agree that the disparities existing between homesteaded properties and non-homesteaded properties are both unfair and an impediment to the health of our critical second home and investment markets. A cap on annual increases should continue to apply, but we must be open for some indexing to CPI or similar measure.

Homestead Exemption

Some proposals call for doubling of the homestead exemption. In most of our coastal markets, the benefit to residents would not be adequate to offset dramatically rising values over these recent years, but it could be devastating potentially to rural markets in the interior of the state, where the average assessed value remains extremely low. Those municipalities could experience catastrophic reductions in revenues, which would then require the slashing of services. I am not in favor of increasing the exemption, as I don't believe it represents the best strategy, and once again, it fails to impact those most in need of relief, including second homeowners, investors, and commercial owners.

Tax Substitution

The House Republicans' proposal to use sales taxes to replace property taxes is very intriguing and attractive on the surface. But in my opinion, reliance on sales taxes to fund the future of our state is risky, and possibly shifts a disproportionate burden to those least able to pay. I also believe that with the uncertainty of future storms and the need for expansion or replenishment of CAT funds, the availability of a sales tax remedy is best left on the table for insurance. If used to offset property taxes, it won't be available.

Overall, Florida has failed historically to keep pace with population growth in the construction of infrastructure and delivery of services required to maintain or improve our quality of life. Sufficient funding is imperative if we are to be the desired destination for future residents. However, over the last three to four years, municipal revenues have grown by an average of between 60-70%. If only personal incomes had come even close. Not only is limiting future tax increases vital, but any reduction in the uncertainty associated with the cost of homeownership is a boost for investment and our industry.

While we have yet to see the proposal coming from the Senate Republicans, there are many favorable elements of the House Democrats' proposal. In the end, the best solution will probably be a sensible one, based on elements from several. Political affiliations should, in no way, influence preference in this matter. Like the hunter up the tree fighting the bobcat, I simply know action must be taken to relieve the current pain.

Best Regards,

A handwritten signature in black ink, appearing to be 'J. [unclear]', written in a cursive style.

PROPERTY TAX RELIEF PROPOSALS

| Issue | Governor | House Republicans | House Democrats | Senate Republicans | Senate Democrats |
|---|--|--|--|---------------------------|--|
| Portability | Provide for statewide portability of Save Our Homes differential. | None. However, voters have option on county-by-county basis to replace homestead property tax with 2.5 % sales tax increase, which would render portability unnecessary if that were done. | None. But would provide new homestead exemption that would ease burden on new purchases. | Not released yet. | Provide for portability of Save Our Homes differential with limits of \$250,000 maximum differential when upsizing and assurance of no higher taxes when downsizing in market value. |
| Homestead Exemption | Double the exemption from \$25,000 to \$50,000. | None. However, voters have option on county-by-county basis to replace homestead property tax with 2.5 % sales tax increase, which would render portability unnecessary if that were done. | Give homestead property owners an additional homestead exemption starting after first \$50,000 of value and equal to ½ median home value in county, if that plus current \$25,000 exemption exceed the Save Our Homes value. | Not released yet. | New exemption for first-time homebuyers who purchase home below median home price in county. |
| Property Assessment Limit | Apply SOH-type cap (lesser of CPI or 3%) to all non-homestead real property. | None. Caps property taxes, not assessments. | None. Caps property taxes, not assessments. | Not released yet. | Increase current SOH cap (lesser of CPI or 3%) to CPI + 3% (but not to exceed 6%). Apply new SOH-type cap at 10% to all non-homestead property. |
| Tangible Personal Property Exemption | Exempt tangible personal property for persons owning \$25,000 or less. | Exempts tangible personal property up to \$25,000. | None. | Not released yet. | Exempt tangible personal property for persons owning \$25,000 or less. |
| Property Tax Cap | None. Caps property tax | 2007 by statute rollback millage rates to 2001 rate plus annual CPI—allow for | Limit future property tax increases to new construction, CPI | Not released yet. | Statutory rollback of millage rates to 2005-2006 levels plus CPI |

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| | assessments, not taxes. | override by unanimous vote of governing body. 2008 forward by constitutional amendment allow for increase in rollback rate based upon CPI—allow for override by extraordinary vote of governing body. Excludes schools, special districts, financially constrained counties and bonded debt. | and 3%. | | plus 3% with exemption for schools and independent special districts. Effective for 3 years. |
| Renter Relief | Nothing specific to renters, but assessment caps would provide some assistance. | Clarify that renter relief provision in Florida Constitution allows for relief to be provided in form of relief to landlord. Separate bill (HB 1375 Davis) is moving and provides special assessment rules for affordable housing. | Counties would have option to develop programs to deliver relief to permanent resident renters by calculating per unit savings received by landlords from new exemption. | Not released yet. | Utilizes affordable housing tax treatment in HB 1375 but includes 4-year recapture of tax if use changes. |
| Working Waterfront | Not specifically addressed, but assessment cap would provide some relief. | Not specifically addressed, but millage rollback would provide some relief. | Not specifically addressed, but new exemption up to \$250,000 would provide some relief. | Not released yet. | Actual use valuation mandated, with 4 years of recapture if use changes. Waterfront hotels not included. |
| Exemptions | See tangible personal property. | See tangible personal property. | Provide new exemptions for non-homestead residential and commercial equal to 25% of median value of like property in county. Exemption capped at \$250,000 for | Not released yet. | New exemption for first-time homebuyers who purchase home below median home price in county. |

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| | | | commercial property. | | |
| Partial Year Assessment | Not addressed. | Not addressed. | Not addressed. | Not released yet. | Mandates partial year assessment to be placed on tax bill in subsequent year. |
| State Revenue Cap | None. | Tightens Existing Constitutional Cap—include Medicaid monies—allow for override by 2/3 vote of each chamber. | None. | Not released yet. | None. |
| Replacement of Property Taxes | None. | Constitutional amendment to allow voters to replace school-required local effort property tax with 1 cent increase in sales tax. Require county referendum on issue of whether to replace county, city and special district property tax on homestead property with 1 cent increase in sales tax; require school board referendum on issue of whether to replace discretionary school tax with ½ cent increase in sales tax. No windfall in sales tax allowed, but no hold harmless provision. Counties authorized to determine distribution formula re county, cities and special districts. | None. | Not released yet. | None. |
| Special Districts | Not specifically addressed. | Independent districts excluded from rate rollback, but included in homestead tax buyout. | Not specifically addressed. | Not released yet. | Study to consider collapsing some districts into counties or water management districts. |

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| Special Election | Yes, 2007. | Yes, 2007. | Unclear. | Not released yet. | Yes, 2007. |
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