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Florida Legislature says it has reached agreement on property tax reform

TALLAHASSEE, Fla. – June 11, 2007 – We have a deal. Senate President Ken Pruitt (R-Port St. Lucie) and House Speaker Marco Rubio (R-Miami) announced that they've reached an agreement to cut property taxes in Florida.

It's a complicated, two-step formula that would offer moderate relief this year and greater relief next year. Homesteaded owners win most, but commercial interests also benefit. Details will be discussed starting tomorrow, the first day of the Florida Legislature's special session, with a vote possible before the scheduled end on June 22.

Step 1

The two steps operate independently and cut taxes in different ways. Step one can be accomplished immediately if approved by the Legislature and signed by Gov. Charlie Crist. Under this step, all cities and counties will be required to cut taxes in the upcoming 2007-2008 fiscal year to the 2006-2007 revenue levels. After determining that level, each local government will then be required to make an additional cut of 3 percent, 5 percent, 7 percent or 9 percent.

The specific amount each local government must cut depends on a formula. Rubio and Pruitt say they'll calculate property taxes over five years and use a statewide average of increases as a baseline. They will then compare each local property tax increase to that baseline number. Local governments on the high side must institute an additional 7 to 9 percent decrease; those on the low side must cut by 3 to 5 percent. Special taxing districts and fiscally limited cities and counties will be required to cut taxes to the 2006-2007 revenue levels and make an additional cut of 3 percent.

Finally, local governments may increase tax revenues over time but only by an amount based on local increases in personal income and new construction.

However, local governments would be able to override the proposed cut and caps, and the method – supermajority vote, referendum, etc. – for override approval would depend on the magnitude of the change.

Step 2

To amend the Constitution, voters will be asked to replace "Save Our Homes" and the $25,000 homestead exemption with a new "super exemption." This would give most homeowners increased savings, and also open the market to anyone seeking homestead property, including new residents and first-time buyers who now start from scratch and pay property taxes on the full value of the property their first year. Passage would require approval from 60 percent of voters.

The exemption has two tiers:

Tier 1: Homestead property will receive an exemption of 75 percent of the first $200,000 in value of the home; or, put another way, a taxable value of $50,000. The minimum exemption is $50,000 per homestead.

Tier 2: In addition to Tier 1, homestead property will obtain another 15 percent exemption for the next $300,000 in value. A $350,000 property, for example, would have a taxable value of $177,500 – $50,000 on the first $200,000, and $127,000 on the additional $150,000.

If a homeowner would benefit more from the existing Save Our Homes exemption – generally long-term owners – he will be able allowed to retain that benefit until he sells the home. Legislators have also agreed to address issues such as relief for low-income elderly taxpayers, incentives for affordable housing and tax reform for "working waterfronts" and small businesses. Other details need to be worked out.

Related Topics: Florida Legislature, Property taxes, Taxes

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