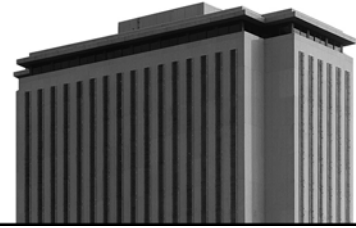




# LEGISLATIVE ISSUE BRIEFS



## Property Tax Reform

The Florida League of Cities supports a tax structure that is fair and equitable, is competitively neutral and allows municipalities the flexibility to provide adequate services in their communities. In addition, the League supports simplifying and stabilizing Florida's state and local revenue structure in a manner that provides tax fairness for both businesses and citizens of our state. However, the League opposes arbitrary caps on property assessments, municipal expenditures or municipal revenues. As such, the Florida League of Cities will support legislation that:

- Does not restrict a municipality's ability to set millage rates to correspond to a community's desired levels of services;
- Provides state financial assistance, in a revenue-neutral manner, to impacted local governments to allow for property tax adjustments without reductions in municipal levels of services, if exemptions or changes to property tax assessment criteria are implemented statewide;
- Authorizes municipalities and counties to provide exemptions or changes to property tax assessment criteria (such as Save Our Homes, Save Our Seniors, portability of exemptions or assessment criteria for affordable housing) under specific circumstances within their jurisdiction;
- Establishes specific assessment criteria and standards for the taxation of very-low-, low- and moderate-income housing;
- Establishes an equitable assessment system with standards and criteria that apply equally to all types of property and is based on the market value of the property's current use;
- Establishes property tax equity by authorizing and requiring property appraisers to assess new construction, subject to appropriate exemptions, on a partial-year basis;
- Enhances a local budgeting process to encourage public participation;
- Establishes a more simplified and informative truth-in-millage (TRIM) process for property owners specifically as it relates to a taxing authority's proposed budget and the implications for the property owner's tax bill, including the elimination of information such as the "rollback" rate;
- Allows local governments to continue to establish revenue reserves based upon local circumstances and without interference from or prejudice by the state;
- Authorizes municipalities to levy any tax authorized by the state for any public purpose;
- Authorizes municipalities, or municipalities collectively within a county, to levy a sales tax with the proceeds, in part, to offset property taxes;

- **Provides a constitutional amendment to clarify the intent of Section 1, Article VII of the Florida Constitution that prevents the dual taxation of municipal property for the primary benefit of the property or residents in the unincorporated areas; and**
- **Provides a constitutional amendment to strengthen Section 18, Article VII of the Florida Constitution to prohibit unfunded state mandates.**

## **Background:**

### General

The ad valorem tax or “property tax” is the primary source of revenue for Florida’s municipalities, counties, and school districts. During the ten year period from 1997-98 to 2006-07, property tax collections for all local governments increased from \$12.9 billion to \$30.5 billion. In fiscal year 2006-07, property taxes represented 18% or \$4.1 billion in municipal revenues.

During this same ten year period, the value of land and housing costs has increased dramatically. Despite efforts to control property tax increases for individual homeowners, property tax revenue has benefited from new development, low interest rates, increased construction costs and increased demand for housing caused by investors from outside the State of Florida. From 1997-98 to 2006-07, taxable value has grown from \$594.8 billion to \$1,648.7 billion. The increases in just or market value have put tremendous political pressure on millage rates and property tax collections at the local level.

### 2007 Legislative Session

For fiscal year 2007-08, the Legislature imposed statutory “caps” and decreases on municipal, county, and special district millage rates. This first year alone resulted in a reduction of property tax revenues by over \$2.1 billion, with municipal property taxes being reduced by approximately \$500 million. The Legislature has also imposed restrictions on millage rates for fiscal year 2008-09 and thereafter. The long term impacts of these restrictions are unknown.

### 2008 Florida Constitutional Amendment – Amendment 1

On January 29, 2008, Florida voters approved Amendment 1 to the state constitution, which included provisions that: double the homestead exemption, allow for portability of the Save-Our-Homes assessment differential; provide an exemption for tangible personal property, and provide a 10% assessment cap for non-homestead property. The fiscal impact of Amendment 1 on municipalities is largely unknown, but some estimates show the statewide impact to cities, counties and schools may exceed \$9 billion. Consequently, cities must budget additional reductions or adjustments as these impacts come to light.

### 2008 Legislature

Legislators have filed numerous bills that impact property taxes in some form. Some, like **HB 7003** (Gov’t Efficiency Council), would increase homestead exemptions for various classes of property owners, such as veterans or deployed military veterans. Others, such as **HB 7005** (Gov’t Efficiency Council), **HB 129** (Lopez-Cantera), **SB 626** (Atwater), **SB 2334** (Gaetz), and **HB 1283** (Cannon) would make changes to the method in which the property appraiser determines the “just value” of property, changes to the burdens of proof in taxpayer challenges to property assessments, and changes to value adjustment board processes. Still others propose constitutional amendments

that would limit property taxes in the aggregate to not more than 1.35% of a parcel's value, as in **HB 949** (Lopez-Cantera) and **SB 2190** (Bennett), or replace all property taxes with a sales tax, as with **HB 1381** (Needelman). Finally, others like **HB 177** (Richter) and **SB 664** (Bennett) would revise Truth in Millage (TRIM) notices by requiring millage rates to be included in them.

**Status:**

**HB 177** passed the House State Affairs Committee. **HB 7003** is on the House Second Reading Calendar. **HB 7005** and **HB 1283** are on the agenda for the House Policy & Budget Council for March 18th. **HB 129** passed the Committee on State Affairs.

**Contact:** Rebecca O'Hara or Kraig A. Conn

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