

FLORIDA HOMESTEAD STUDY: Summary of Key Findings

Florida's ongoing debate over homestead property tax concepts has far-reaching implications for municipal governments, residents, and statewide development goals. This study, conducted by Wichita State University, examines the fiscal, distributional, and community-level impacts of property tax concepts.

The analysis finds that:

- 1 Property tax concepts create uneven benefits across homeowners, renters, and communities.
- 2 Municipal fiscal stability and service capacity are significantly affected under most options.
- 3 Rural communities face outsized challenges due to limited revenue flexibility.
- 4 Policy design choices will determine whether property tax concepts strengthen or weaken Florida's long-term economic and community development goals.

What follows is a deeper review of these core findings. View the full study at flcities.com/propertytaxstudy.



1 | Distributional Consequences: Who Benefits and Who Bears the Burden

Property tax concepts—including full elimination, high fixed-dollar exemptions, and percentage-based discounts—produce clear winners and losers across households and property types.

Key takeaways:

- ▶ **Fixed-dollar exemptions disproportionately benefit owners of higher-value homes** and shrink local tax bases; percentage-based discounts distribute relief more evenly.
- ▶ **Renters and new homeowners receive no benefit**, intensifying disparities.
- ▶ **Commercial and rental properties may face higher effective tax burdens** if millage rates rise to offset municipal revenue losses.
- ▶ **Geographic inequities widen**: wealthier coastal areas may better absorb losses, while rural and inland areas face sharper tradeoffs.
- ▶ Local officials expressed concern that broad concepts may **compromise fairness** and intensify **fiscal disparities** across communities.

2 | Impacts On Fiscal Stability and Local Service Capacity

Property taxes account for roughly **43% of municipal general fund revenue** and serve as Florida cities' only stable, locally controlled revenue source. Reductions to the homestead tax base introduce volatility that affects essential services and long-term planning.

Microsimulation findings:

- ▶ **Full elimination** of the homestead property tax results in:
 - ▶ About **38% loss** in ad valorem revenue
 - ▶ **14% drop** in general fund revenue
 - ▶ Millage rates would need to **nearly double** to maintain service levels
- ▶ **High fixed-dollar exemptions (\$250k-\$500k)** produce **25-32% revenue losses** and require significant millage increases.
- ▶ **"Clean-slate" just-value reforms**, such as a 32% discount or a \$100k just-value exemption, **yield net revenue gains**, unlike expansions of existing exemptions.

Downstream effects:

- ▶ Reduced stability threatens **bond ratings, capital investment, and debt capacity**.
- ▶ Municipalities anticipate **cuts to police, fire, public works, and parks** without alternative revenue.
- ▶ Cities of all sizes spend **more on public safety than they receive in property tax revenue**, meaning even modest losses can create structural gaps.

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3 | Implications for Rural Communities and Development Initiatives

Rural communities depend heavily on predictable ad valorem revenue to sustain infrastructure, emergency services, and economic development. Homestead elimination or large exemptions challenge the core capacity needed to advance initiatives such as Florida's Rural Renaissance.

Rural impacts include:

- Loss of a central revenue source in areas with **fewer alternative revenue options**
- **Steeper proportional service impacts** to smaller and inland municipalities
- More limited **administrative and fiscal capacity**, expanding disparities with larger cities that have more diversified bases

Without compensatory measures, property tax concepts risk eroding long-term service capacity and weakening rural revitalization strategies.

4 | Policy Design Considerations

The study identifies several policy tools that can provide homeowner relief while preserving municipal sustainability:

- **State revenue replacement or cost-sharing mechanisms** to offset major municipal losses and support essential service delivery, infrastructure investment, and advance long-term community development
- **Targeted relief** (for example, income-based or senior-focused exemptions) that reduces disruption while improving fairness
- **Greater local fiscal autonomy** and expanded local-option revenues
- **Transparent fiscal-impact disclosures** to help residents understand tradeoffs

Conclusion

Homestead property tax concepts are a structured decision with significant implications for municipal fiscal stability, community services, rural development, and statewide competitiveness. Property tax concepts can modernize Florida's property tax system, but doing so responsibly requires targeted relief, compensatory revenue frameworks, and policies that preserve the local fiscal foundation that supports strong and resilient communities.