

# Property Tax Reform Efforts An Update



*Office of Economic and Demographic Research  
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# Current Efforts to Look at Property Taxes

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- Property Tax Reform Committee (Executive)
- Department of Revenue Data and Estimates (Legislative)
- Office of Economic and Demographic Research Report (Legislative)
- Legislative Town Hall Meetings (Legislative)
- Taxation and Budget Reform Commission (Constitutional - mixed)



# Property Tax Reform Committee

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- Established by Executive Order
- Focus is on input from “real world”
- Organizational Findings
  - Affordability is a problem.
  - “Lock-in” effect exists.
  - Systematic inequities have emerged.



# Committee Recommendations

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- Future recommendations should be founded on a comprehensive approach, with an emphasis on simplifying the system for all taxpayers
- Property Tax Reform Committee should continue to meet
- The members concur with the Auditor General's suggestion regarding the Value Adjustment Board process, except for the creation of an appeals process at the regional or state level.



# Areas for Further Study: Affordability

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1. Assess business property based on current use only, instead of “highest and best use” value.
2. Cap tax revenue growth for individual local governments.
3. Cap tax growth for individual properties.
4. Full or partial replacement of the property tax with other forms of taxation.
5. Assess properties using a moving average value of several years’ assessments.
6. Simplify the “Truth in Millage” notice to be more easily understood by taxpayers (improving budgetary discipline from taxpayers).
7. Increase the homestead exemption.



# Other Areas for Further Study

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## Lock-IN

1. Save Our Homes portability.
2. Phase-out of the Save Our Homes tax preference.

## Equity

1. Partial-year assessment of improvements to real property.

## Other

1. Agricultural use classification improvements.
2. Protecting homestead-related tax benefits when property is taken through the use of governmental powers of eminent domain.
3. Protecting homestead-related tax benefits during frequent relocations required by military service.

# HB 7109: EDR's Reporting Framework

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The report must contain **findings** and **policy options** relating to Florida's property tax structure. Among other things, the findings and policy options must apply and consider the following principles of taxation:

- Equity
- Compliance
- Pro-competitiveness
- Neutrality
- Stability
- Integration

# Part I... DOR Data & Estimates

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- Impact of current homestead exemptions and homestead assessment limitations on different types of property.
- Analysis of the effect of *Save Our Homes* on:
  - Distribution of property taxes among and between homestead properties, as well as between homesteads and other types of property.
  - Affordable housing.
  - Each county.
  - Distribution of school property taxes.
- Analysis of the impact of extending *Save Our Homes* through portability.
- Analysis of the millage rates adopted by local governments compared to the rolled back rates.



# DOR Results on Save Our Homes

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Save Our Homes has acted to significantly shift the tax burden away from homestead property and onto non-homestead residential and non-residential property.

	<b>Percent of Taxable Value</b>	
	<b>Current</b>	<b>W/O SOH</b>
<b>Homestead Property</b>	32.1%	45.5%
<b>Non-Homestead Residential</b>	34.5%	28.4%
<b>Non-Residential Property</b>	32.5%	26.1%

# DOR Significant Numbers

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- Since 1995, the average annual growth rate of the Save Our Homes differential has been 54.4%, reaching \$404.4 billion in 2006 (24.5% of Taxable Value).
- The exponential growth in the differential is not expected to continue. Within the next several years, additions to taxable value from turnover will begin to balance increases in the differential due to property value growth.
- Inclusion of portability would reduce tax rolls below the levels they would otherwise have attained.
- For “full” portability, the preliminary fiscal impact would range from 0.7% reduction in the tax roll in 2008 rising to a 2.4% reduction in 2012.
- In 2005, local governments as a whole levied tax rates approximately 11% above the rolled-back rate; in 2006 the number grew to over 14%.

## Part II... Required EDR Elements

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- Evaluation of the *Save Our Homes* impact on:
  - Homeowners' willingness to purchase a new homestead.
  - Local government budget decisions, including whether the TRIM notification process adequately informs taxpayers of local governments' tax and budget decisions.
- Evaluation of the effectiveness of the TRIM process, focusing particularly on the notice and including alternatives methods of conveying information.

## Part III... Other Research

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Other available information coming from:

- ❑ The successful award of an RFP (statutorily required to be a state university(s) or a nationally recognized property appraisal education and certification organization)
- ❑ A legal analysis of Florida's property tax system and alternatives thereto within a constitutional framework.
- ❑ Surveys conducted by EDR (including property tax appraisers, tax collectors, school officials and representatives from local government).
- ❑ Independent research conducted by EDR.

# Property Tax Analysis Timeline

