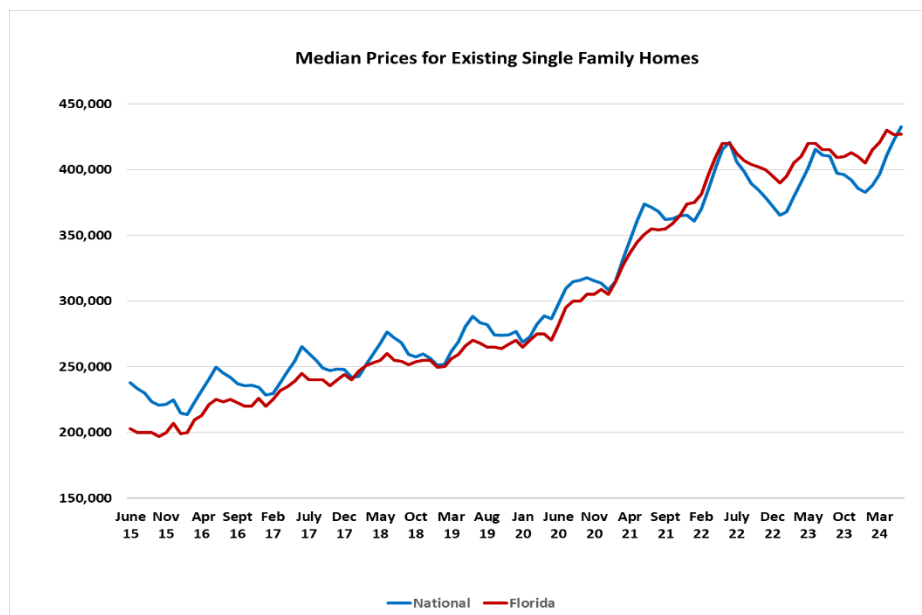


***Documentary Stamp Tax
Executive Summary
August 2024***

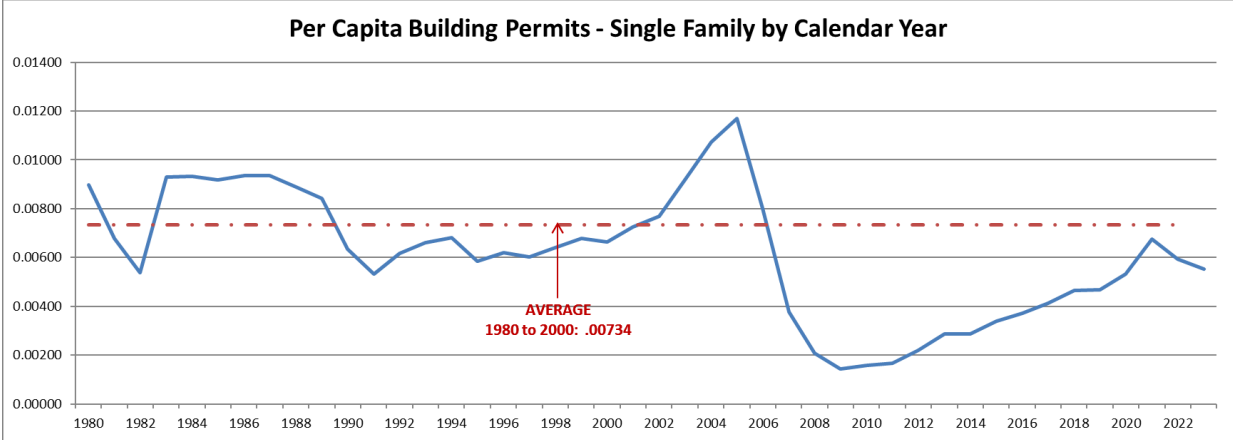
Documentary Stamp Tax collections in FY 2023-24 came in lower than the prior year for the second consecutive year. The Conference views this period as a correction from the interest rate-fueled surge during the height of pandemic which inflated collections in FY 2020-21 and FY 2021-22. While the Conference had expected a drop of -10.6 percent, the final decline of -7.4 percent was better than expected for the year.

Because construction activity continues to be subpar relative to the state’s long-term average, attention over the past decade has focused on the market for existing homes as an upstream indicator of future construction need. All market metrics point to an existing home market that overheated as a result of the Federal Reserve’s initial response to the pandemic and is now cooling off. At the onset of the public health emergency, record low interest rates were induced by the Federal Reserve’s actions to institute rate cuts to near-zero percent as a firewall between the pandemic-related turmoil in the economy at-large and the financial system. When the Federal Reserve began to raise rates in March 2022, home sales began to slow, with FY 2021-22 (-4.5 percent) and particularly FY 2022-23 (-23.1 percent) both posting lower levels of sales activity than the prior year.

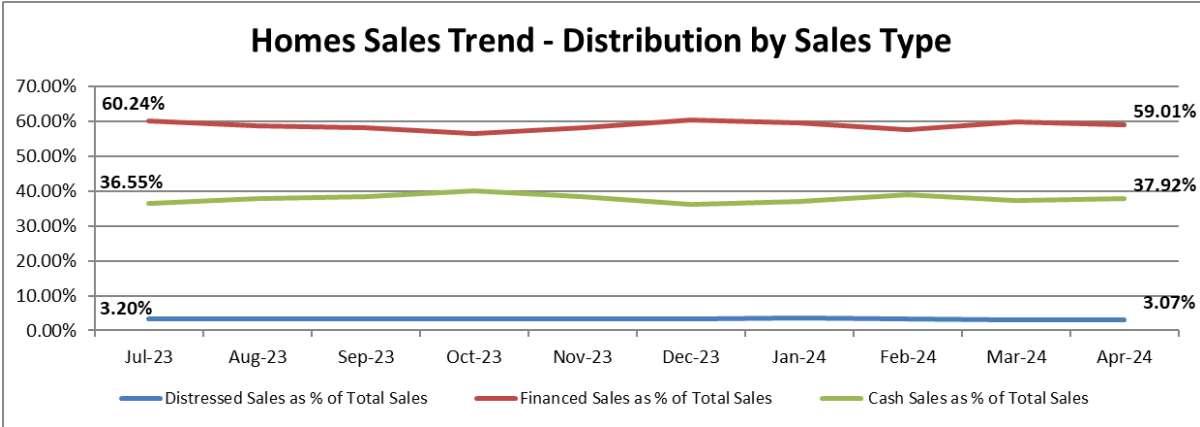
The story is different for sales price. Through November 2021, Florida’s existing home price gains roughly tracked national gains, but generally stayed below the national median price. From December 2021 through May 2024, Florida’s median price was at or above the national median, peaking in February 2023 at 107.3 percent. Florida’s median price first surpassed its own prior peak (\$256,200 from June 2006) in June 2018—and at \$429,900 in April 2024, set a new record high.



The Federal Reserve’s actions during the public health emergency also helped boost the construction market. Despite the strong double-digit growth in eight of the ten calendar years from 2012 to 2021, the per capita level is still below historic standards for single family building permits. With the robust growth seen in 2021, the level finally reached 92.2 percent of the long run average; however, it reduced to 81.0 percent in 2022 and further to 75.4% in 2023. This was the first time the series had turned negative since 2009 during the collapse of the housing market.



The distinction between deeds and notes within the tax base is also a factor. While financed sales continue to have the biggest percentage of all sales (ending April 2024 with a share of 59.01 percent), the share for cash sales remains elevated—as high as 37.9% in April 2024. A cash sale results in a deed; it does not result in a note. This means that the feed-through to Documentary Tax Stamp taxes is muted.

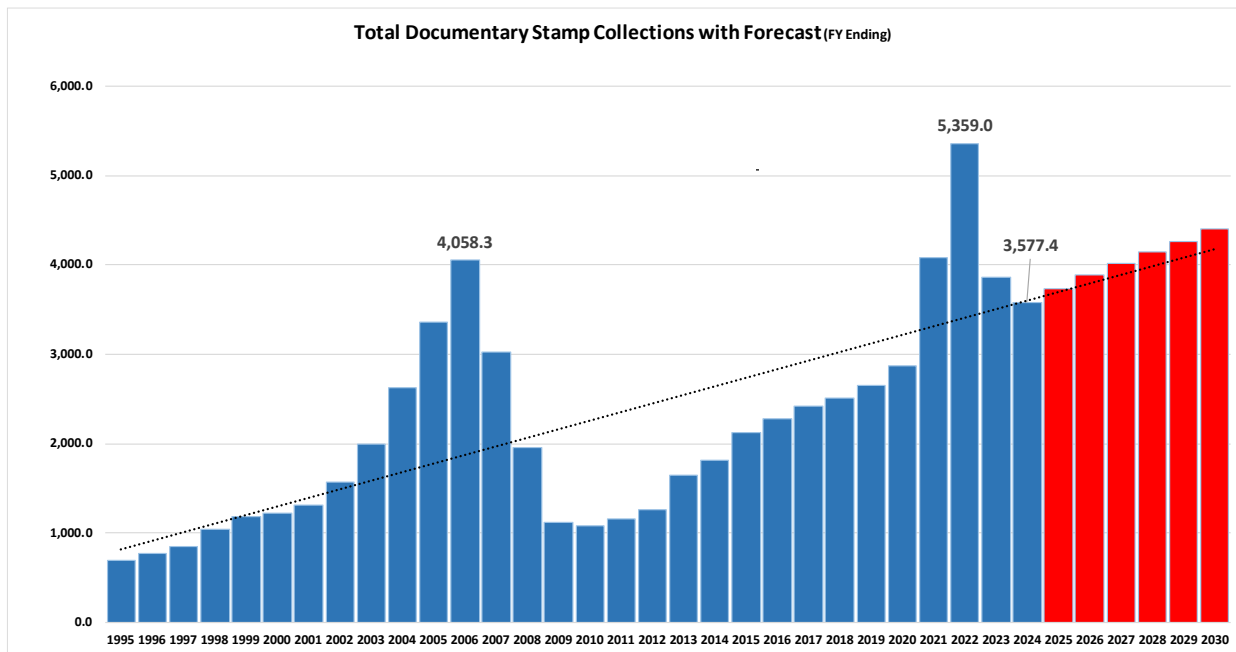


A final factor is the increase in interest rates from the recent historic lows. At the end of 2023, the 30-year mortgage fixed rate was 7.3 percent, significantly higher than the 6.5 percent recorded in June 2023. The Mortgage Bankers Association now expects the 30-year fixed rate to be 6.6 percent by the fourth quarter of the 2024 calendar year, and to remain as high as 6.0

percent for the 2025 calendar year. These levels will likely be sufficient to leave dampened sales activity in their wake.

After reaching a new peak in FY 2021-22 at 132.1 percent of the prior peak in FY 2005-06, Documentary Stamp Tax collections had dropped to 88.2 percent of that level as the 2023-24 fiscal year ended. Documentary Stamp Tax collections are expected to be 91.9 percent of the 2005-2006 fiscal year peak in the 2024-25 fiscal year, and 95.8 percent of the 2005-2006 fiscal year peak in the 2025-26 fiscal year, as affordability increasingly becomes an issue.

With affordability challenges, a high volume of cash sales, a surge of pre-buying during the pre-pandemic, and the end of record low interest rates, documentary stamp tax collections in FY 2024-25 are expected to increase a solid 4.2 percent to \$3.73 billion. One last year of stronger growth is expected in FY 2025-26 (4.3 percent), before the remaining years of the forecast downshift to a range between 3.0 and 3.2 percent of expected annual growth.



The table below shows both the new forecast for total collections from the Documentary Stamp Tax and the constitutionally required distribution to the Land Acquisition Trust Fund. The constitutional provisions requiring the set-aside of funds into the Land Acquisition Trust Fund expire July 1, 2035. The new long-run forecast does not assume the Legislature continues this treatment beyond that date.

Documentary Stamp Tax Total Collections			Land Acquisition Trust Fund								
Fiscal Year	Total Doc Stamps	Percent Change	Total to LATF	Debt Service	Remainder LATF	Total to LATF	Debt Service	Remainder LATF	Total to LATF	Debt Service	Remainder LATF
			(New Estimates)			(Old Estimates)			(Difference)		
2024-25	3,728.7	4.2%	1,227.2	104.6	1,122.6	1,208.1	104.6	1,103.4	19.2	-	19.2
2025-26	3,889.4	4.3%	1,280.3	81.1	1,199.1	1,260.1	81.1	1,179.0	20.2	-	20.1
2026-27	4,014.7	3.2%	1,321.6	60.7	1,260.9	1,300.7	60.7	1,240.0	20.9	-	20.9
2027-28	4,141.5	3.2%	1,363.5	44.2	1,319.3	1,341.1	44.2	1,296.9	22.4	-	22.4
2028-29	4,266.3	3.0%	1,404.7	24.6	1,380.0	1,381.4	24.6	1,356.8	23.2	-	23.2
2029-30	4,398.8	3.1%	1,448.4	6.7	1,441.6	1,423.0	6.7	1,416.2	25.4	-	25.4
2030-31	4,530.7	3.0%	1,491.9	6.7	1,485.2	1,465.8	6.7	1,459.0	26.1	-	26.2
2031-32	4,666.6	3.0%	1,536.7	6.7	1,530.0	1,509.8	6.7	1,503.1	26.9	-	26.9
2032-33	4,806.6	3.0%	1,582.9	3.4	1,579.5	1,555.2	3.4	1,551.8	27.7	-	27.7
2033-34	4,950.8	3.0%	1,630.5	3.4	1,627.1	1,602.0	3.4	1,598.5	28.5	-	28.6
2034-35	5,099.3	3.0%	1,679.5	3.4	1,676.1	1,650.1	3.4	1,646.7	29.4	-	29.4
2035-36	5,252.3	3.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2036-37	5,409.9	3.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2037-38	5,572.2	3.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2038-39	5,739.4	3.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2039-40	5,911.6	3.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2040-41	6,088.9	3.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Note: Estimates in bold were adopted at the General Revenue Estimating Conference (August 2024). The constitutional provisions requiring the set-aside of funds into the Land Acquisition Trust Fund expire July 1, 2035. The new long-run forecast does not assume the Legislature continues this treatment beyond that date.