

Special Session on Property Tax Reform

Here is what we believe FAR and Realtors should be pressing their Legislators to do while reforming Florida's broken property tax system:

- 1) **Address the lock-in effect.** Whether it's by allowing limited portability (limited by amount, time, or both) to homeowners who want to move, or proposing to phase out Save Our Homes, the Legislature needs to address the pent-up demand of citizens who want to change their lifestyles and be allowed the freedom to move but know it's not in their best interest to do so. If portability is the response, it needs to occur immediately and should be retroactive, so that the real estate market that is already on life support not be completely killed leading to up to a vote of the people.
- 2) **Call a special election to make the necessary changes to Florida's Constitution.** Florida's real estate market has been suffering from backbreaking insurance rates and an unfair property tax system. Many of the changes that will likely be made will necessitate constitutional amendments that require voter approval – and November 2008 is too long to wait. To get our economy going, FAR proposes a special election in late summer of 2007.
- 3) **Be careful with doubling the homestead exemption.** Realtors would support exempting a higher portion of a home's value if coupled with comprehensive tax reform. But simply doubling the homestead exemption would redistribute the burden onto other property classes, give relief in most cases to those who need it the least, and severely jeopardize the budgets of fiscally constrained cities and counties. FAR is receptive to expanding the homestead exemption to a percentage-based system, as long as Save Our Homes is phased out as well.
- 4) **Assess property based on its "present use", not "highest and best use".** Property assessment is a complicated matter in Florida, but many commercial properties are being taxed out of business simply because of what their property has the potential to become. That's not fair and needs to be addressed.
- 5) **Apply exemption amounts or millage rollback years to offer significant savings and future revenue caps, but don't cripple local governments' ability to protect citizens.** Realtors believe that local government property tax revenue has exploded in recent years and that cuts can be made and still offer necessary services. We also believe that raising revenue in the future should be capped so that abnormal property value increases don't cause the problem again in the future.
- 6) **Place a reasonable 10% cap on yearly assessments for non-homesteaded property.** Commercial property owners have suffered yearly property assessment increases of 20, 30, and 50 percent over the last 5 years. These increases keep economic expansion from occurring, confound business opportunities, and are likely to cripple new hiring plans, according to recent surveys. This proposed cap would ensure business owners that taxes would not catch them unawares, while allaying many of the problems that occur because of Save Our Homes.
- 7) **Cap yearly impact fee increases and limit them to a percentage of the overall project cost.** Impact fees in many areas of Florida are reaching dangerously high levels – affecting affordable housing and limiting development opportunities. Several local governments have already made plans to raise impact fees due to proposed cuts by the Legislature, though

impact fees are supposed to be levied due to the cost of providing necessary infrastructure, not based on how much revenue is lost elsewhere. In order to prevent skyrocketing impact fees, the Legislature should consider reasonable limits to impact fee increases, and limit them overall to a certain percentage of the project cost.