

Understanding the Tax Reform Proposals

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Constitutional Amendment Special Election: January 29, 2008

What did the Florida Legislature approve this year for property tax reform?

In the June 2007 Special Session, the Florida Legislature passed two laws. One -- House Bill 1-B ("H1-B") -- rolled back local government spending, resulting in some modest tax cuts this year. The other legislation approved was a proposed constitutional amendment, which will appear on the Presidential primary ballot on January 29, 2008.

How much will my property taxes be cut by the H1-B tax "roll-back" law?

Your Truth in Millage (TRIM) Notice of proposed property taxes shows you the approximate amount of your proposed property taxes this year versus last year. The actual amount of your total tax bill may be slightly lower on your November tax bill, as the taxing authorities routinely make additional spending cuts during the public hearings.

How does the new H1-B tax "roll-back" law work?

Under H1-B law, Florida counties, cities and several other taxing authorities must lower their tax rates a certain percentage based on their past taxing history. The school districts, which account for nearly 40% of your annual tax bill, are not required to make any budget cuts under this law. The tax cut in 2007 is expected to provide some small relief to all classes of property.

H1-B requires all cities, counties and special taxing districts to calculate the "rolled-back rate" for this fiscal year. In other words, the total tax collected for FY 2007-08 by each taxing authority must not exceed the amount from last year (FY 2006-07). However, taxing authorities are permitted to add to that amount the value of taxes for new construction which was not on last year's tax roll.

After calculating the rolled-back rate, H1-B next requires each city and county to further reduce taxes based on the recent taxing history from 2001-2006 in relation to the statewide averages during that period of time. Those taxing authorities who increased taxes at a faster rate than the statewide average are forced to make larger tax cuts. For the Broward County portion of your tax bill, the additional required cut is 5% beyond the rolled-back rate. For other Broward taxing authorities (cities and special taxing districts), the additional required cuts range between 0% and 9%, depending on the taxing history. Note: H1-B provides no tax rate cuts for debt service (bonds).

Beginning next year, and continuing each year thereafter, the law requires all local taxing authorities (except school districts) to set millage rates based upon the rolled-back rate, adjusted by population growth and the annual growth of Florida personal income. A taxing authority may override this cap requirement by a super-majority vote, a unanimous vote or a public referendum -- depending on the size of the tax increase -- making an override unlikely except in the case of an economic emergency such as community rebuilding after a major hurricane. Additionally, the annual cuts under this law are projected to be significantly larger in future years if the January 2008 Constitutional Amendment is approved because it would include large educational budget cuts for the public schools.

You may download a PDF copy of the entire H1-B tax reform law -- 69 pages long -- on the LEGISLATION page of our www.bcpa.net website. You can also download a five-page executive summary of the law (prepared by the Florida Senate) on our website.



Will H1-B give property owners any tax refunds for the 2001-2006 years?

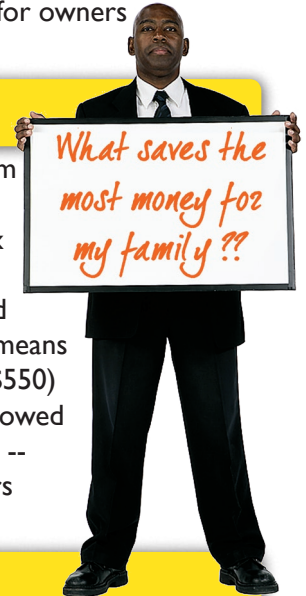
No, the law does not provide for any refunds for past years.

What property tax issue is on the January 29, 2008 Presidential Primary ballot?

Floridians will decide whether to approve a proposed Constitutional Amendment. It contains several different items -- all voted on together as a single, packaged deal -- including the so-called "Super Exemption" for homesteaded properties, a phase-out of the Save Our Homes protection and the 3% annual assessment increase cap, a tax break for the tangible personal property of businesses, and assessment methodology changes that may reduce tax bills for owners of waterfront marinas and affordable residential rental properties.

What is the "Save Our Homes" protection and what is it worth?

The Homestead Exemption currently exempts the first \$25,000 of value (worth about \$550) from the annual tax bill of homesteaded properties. The Florida Constitution also provides "Save Our Homes" (SOH) protection to all homesteaded properties, meaning the annual assessment for tax purposes cannot increase more than 3% per year -- regardless of how much more the property increased in actual market value. Due to the SOH protection, the average Broward homesteaded property saves an additional \$2,900 in taxes each year above the basic homestead amount. This means the AVERAGE eligible Broward owner saves approximately \$3,450 each year in taxes (\$2,900 + \$550) under the current law. If the Amendment passes, only current homesteaded owners would be allowed to keep the SOH protection (but only on the existing homesteaded property). Through attrition -- sales, deaths, moves -- SOH would be permanently phased-out over a period of years if the voters approve the Amendment in January.



What does the "Super Exemption" mean?

The "Super Exemption" would exempt 75% of the first \$200,000 of market value of your home, plus exempt 15% of the next \$300,000 in market value (amount may be adjusted in later years). The maximum protected by this exemption is \$195,000 of assessed value. The Amendment does **NOT** contain any annual assessment cap, so your homesteaded tax assessment would increase each year to match the full market value under the "Super Exemption."

Will I save more with the "Super Exemption" or with Save Our Homes' 3% cap?

For many people, the answer is a gamble. There is no "one-size-fits-all" answer. The real answer depends on your specific situation. If you have substantial Save Our Homes savings currently, you'd do best to keep the current exemption. If you are a recent buyer, you could initially save more under the new plan -- although it may cost you much more within a few years. To see a **side-by-side comparison** of what the two plans will mean to you, visit our www.bcpa.net website. Just look up your own homesteaded property -- click on the link at the top of the page -- and you'll see if you save more money with the current law or the new amendment.



Does the Amendment give any protection for tenants, commercial properties or second homes?

No. These properties would all continue to be assessed each year at full market value. Unlike some other states, the proposal does not provide any direct tax benefit for residential renters. Landlords, however, may be able to obtain lower tax assessments if they keep rents affordable. Nothing in the law requires these savings be passed to the tenants.

What does the Amendment do for our public schools, police, and fire/EMS protection?

If the Amendment is approved by the voters, public school district funding throughout the state would be significantly cut starting in FY 2008-09. This would result in additional tax cuts for property owners, but at the cost of cutting educational funds for Florida's children. Newspaper reports have projected that further cuts under H1-B triggered by Amendment approval may result in a reduction in the number of police and fire/EMS positions in our community.

What happens if the Amendment fails in January?

If the voters reject the Amendment in January 2008, the current Homestead Exemption and Save Our Homes protection would remain intact. The Florida Legislature would then have an opportunity during the 2008 Session to propose a different approach and place it on the November 2008 ballot for voter approval.