

Tax Reform

January's Constitutional Amendment

**New Smyrna Beach – Town Hall Meeting
With Representative Dorothy Hukill**

December 5, 2007

Ormond Beach Chamber Of Commerce

Morgan Gilreath, Volusia Co. Property Appraiser

December 7, 2007

A line from an old country song...

“Dance with the one that brung ya”

**Who/What brought us to the Tax Reform
Dance...?**

Two primary reasons for the “tax reform party”

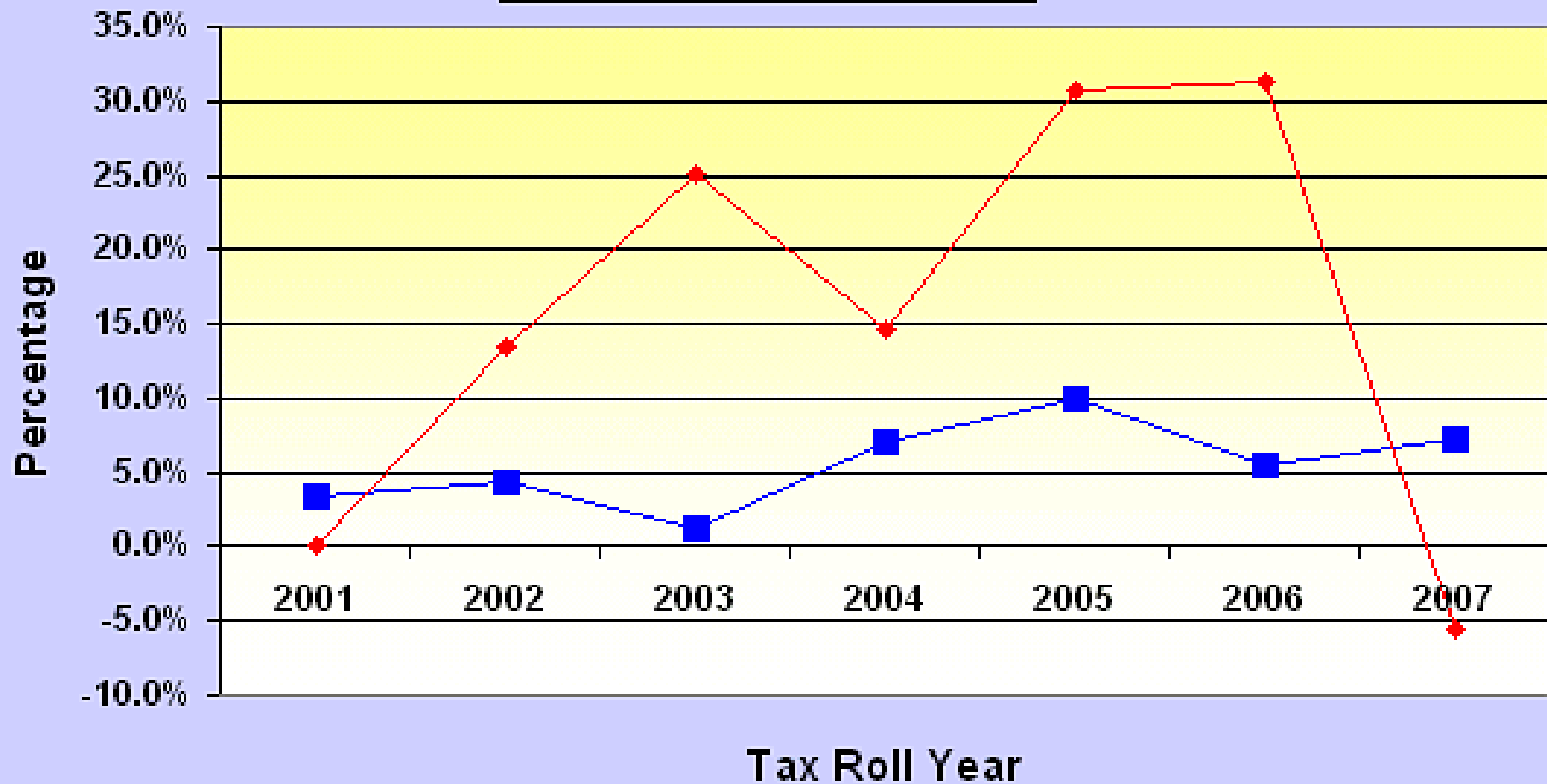
- Incredible increases in local government spending**

(fueled by record increases in real estate prices).

Local Government Spending went up almost 100% in five years when taxpayers incomes went up under 20%.

No business can survive spending money at 5 times it's income... Florida's governments survived, denied doing it and threatened their taxpayers with cuts of critical services ... the “dance” continues...

Daytona Beach Shores 2001-2007



■ PCI + Growth %
◆ Actual Prop Tax % Increase

* % Increase in tax roll includes New Construction for each year

...2nd Reason For Tax Reform...

2. “Pass-through” of property taxes from SOH to all non-homesteaded properties.

(business’, 2nd home-owners, out of state and new homeowners).

See next slide....

Tax Payment Impact of Save Our Homes - Volusia County 1995-2007

Year	Total # Of Homesteaded Properties	Number of New Homesteads	# OF Hx Parcels Under Cap	Cumulative Taxable Value Lost Via S.O.H.	Average Taxable Value Lost Via S.O.H.	Property Taxes Transferred To Others	Change in Property Taxes Transferred To Others Over Previous Year		C.P.I. Cap. % For S.O.H.
							\$	%	
1995	107,883	-----	-----	81,658,668	757	2,041,467	-----	-----	2.70%
1996	109,718	1,835	107,883	168,145,672	1,559	4,203,642	2,162,175	106%	2.50%
1997	112,159	2,441	109,718	190,234,672	1,734	4,755,867	552,225	13%	3.00%
1998	114,320	2,161	112,159	268,468,253	2,394	6,711,706	1,955,839	41%	1.70%
1999	116,482	2,162	114,320	403,212,592	3,527	10,080,315	3,368,609	50%	1.60%
2000	118,318	1,836	116,482	583,168,433	5,007	14,579,211	4,498,896	45%	2.70%
2001	121,644	3,326	118,318	883,960,568	7,471	22,099,014	7,519,803	52%	3.00%
2002	124,193	2,549	121,644	1,623,497,286	13,346	40,587,432	18,488,418	84%	1.60%
2003	126,106	1,913	124,193	2,525,294,579	20,334	63,132,365	22,544,933	56%	2.40%
2004	128,351	2,245	126,106	3,851,653,511	30,543	96,291,338	33,158,973	53%	1.90%
2005	130,255	1,904	128,351	6,261,078,524	48,781	142,122,919	45,831,581	48%	3.00%
2006	131,734	1,479	130,255	11,080,033,140	85,064	228,712,714	86,589,795	61%	3.00%
2007	133,869	2,135	131,734	11,463,813,838	87,022	221,103,357	-7,609,357	-3%	2.50%

Source: Volusia County Property Appraiser's Office – Morgan B. Gilmore, Jr. – Property Appraiser

Over 13 years, \$221.1 million in taxes transferred from homesteaded properties to all non-homesteaded property owners! Because of the 2007 legislative millage cuts, this went down 3% in 2007!

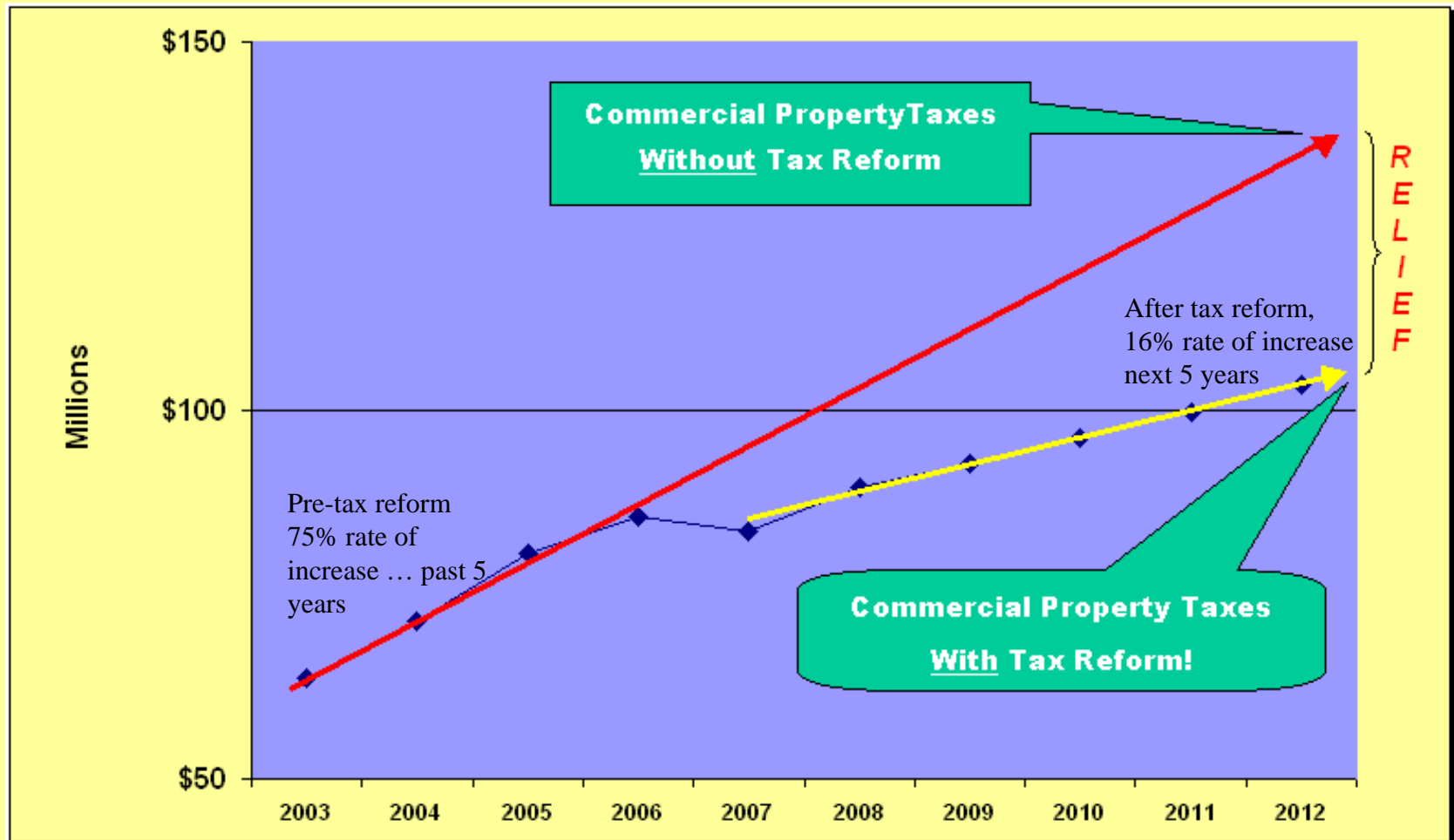
Government Spending has been “capped”

... the regular legislative session put a “spending-cap” in place in the Florida Statutes. It is already in place for 2007 and all years afterwards. See Florida Statute 200.065

All other solutions require Constitutional Amendment....

- January Amendment allows for **Portability**... see web calculator. ...Allows people to move without tax penalty!
- Gives all homesteaded properties **another \$25,000 exemption** (excludes school levies so net exemption is about \$12,500).
...lowers all Homestead Taxes by \$295.
- January Amendment puts in place a **SOH-like 10% cap on all non-homesteaded property**... Excludes school levies..
- Gives all businesses a **\$25,000 TPP exemption**...

Cutting spending creates tax relief for everyone... especially non-residential!



Portability & Exemption Property Tax Calculator for Your Current, Prior or Newly-Purchased Homestead (HX) Property

(Complies with 2007 Special Session #2 New Legislation)

	Column 1	Column 2
Instructions: (1) Only input values into the yellow fields; (2) If you <u>are not</u> purchasing a new property, only enter values under Column 1; (3) If you <u>are</u> purchasing a property which will be your new homestead, enter the new Just Value under Column 2.	<i>Current Or Prior Owned Hx Property</i>	<i>Newly-Purchased Hx Property</i>
Enter the Just Value(s)	220,000	250,000
Enter the Assessed Value	75,000	105,000
"CAPPED" value (up to 500,000)	145,000	145,000
Exempt Value <i>(defaulted to 25,000)</i>	25,000	25,000
Taxable Value	50,000	80,000
Estimated Amount of Property Tax - PRE LEGISLATIVE session	\$ 964.35	\$ 4,339.59
"Additional Exemption" - <i>after 1st 50,000 of Assessed Value (excludes school levies)</i>	25,000	25,000
Estimated Savings from "Additional Exemption"	\$ 295.50	\$ 295.50
Estimated Amount of Property Tax - POST LEGISLATIVE session	\$ 668.85	\$ 1,247.46
Total Estimated Tax Savings from New Legislation:	\$ 295.50	\$ 3,092.13

Color Key:

Read Only and/or Calculated Fields

*Where is the real estate market
going...?*

What does this mean to me...?

...A 27 Year View Of Florida's Real Estate Market...

House Price Index - Office Of Federal Housing Enterprise Oversight

% Change In House Prices		
Year	Florida	Volusia
2007	4.6	5.5
2006	26.8	28.3
2005	22.5	23.0
2004	12.6	13.7
2003	10.5	10.4
2002	9.4	9.0
2001	9.3	9.1
2000	5.1	3.8
1999	3.3	1.6
1998	5.1	6.4
1997	1.4	0.1
1996	5.3	5.1
1995	-0.4	-2.8
1994	2.8	0.8
1993	1.1	2.4
1992	3.1	3.6
1991	1.1	1.5
1990	3.6	4.5
1989	4.3	3.4
1988	3.5	1.1
1987	4.0	7.9
1986	2.7	1.6
1985	2.2	5.7
1984	1.9	9.6
1983	3.8	9.8
1982	7.4	3.3
1981	10.8	-0.4
1980	10.8	10.2
Mean =	6.4	6.4

Average Excluding 2004-2006		
Avg	Florida	Volusia
(1980-2003)+2007	4.7	4.5

Excluding 2004-2006, annual price increases averaged = 4.7 per year

65% "run-up" in housing prices in 3 years!

From 1988 – 1997... Market "waffled" for 10 years!

From 1981 – 1983 ... Market only took 3 years to recover

What Does this mean?

- **27 year average housing prices increased 4.7% per year...**
- **2004 – 2006 (3 years) a price “run-up” of 65%...**
- **...when “typical” increase in prices over 3 years would have been around 15% (4.7% * 3 years = 14.1%)**

Possible.... A 50% drop in prices from the top of the market would leave us where we “typically” would have been, based on the activity of the past 27 years.

What is happening in the Real Estate Market now?

- ... How far will prices drop? ...**
- ... How is the Property Appraiser going to react to it? ...**

The 2007 Real Estate Market

- **Approx. 64% of the typical # of sales transactions**
- *8,684 SFR sales in 2006*
- *Estimated 5520 in 2007*
- **Highest Number of Listings in memory**
- **Longest Listing-to-sale time in memory**
- **Record Numbers of Foreclosures**
- **Mortgage Banking Crisis (*Citibank Article, WSJ*)**
- *“Free Cars, TV’s, Trips, Etc... with your new home...”*
- *Etc... Etc... Etc...*

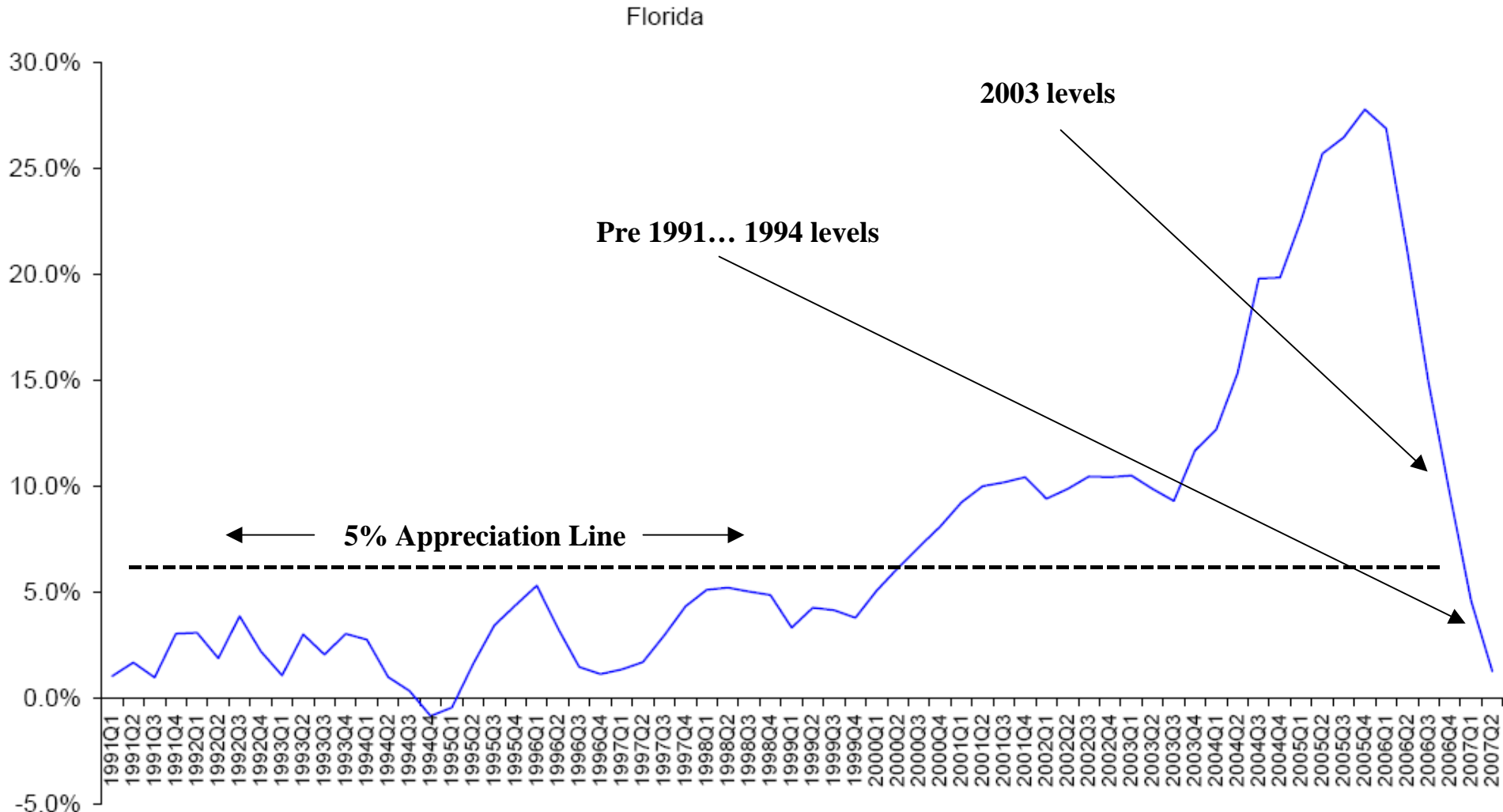
How do you estimate Values on 300,000 Properties

- **when You have very few sales...**
- **lots of foreclosures ...**
- **and lots of listings...**

... Use all of the data... not just traditional data

Home Appreciation Rates, Florida, 1991-2007

Source: Office of Federal Housing Enterprise Oversight (OFHEO)



Good “Data” Makes For Good Estimates

(of anything)

- ... What was the average sales price decline?**
- ... What was the average listing decline?**
- ... What was the foreclosure amount (to original sale)?**
- ... What is the inventory of approved subdivision lots (compared to 2006, 2005, 2004...)?**
- ... What is the average decline in new homes, new lots?**
- ... What is the “Sale to Assessment Ratio?”**
- ... What is the “Listing to Assessment Ratio?”**
- ... What is the “Foreclosure to Assessment Ratio?”**

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