

**October Meeting of the Governor's Property Tax Reform Committee
October 17, 2006, Miami, Florida**

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The ultimate solution to all of Florida's property tax ills will require clarity of requirements, a spending cap on ad valorem revenues, perhaps a supplemental source of revenue and a solution to the inequities currently existing because of Save Our Homes (either a fix to SOH or an alternative which insures that SOH recipients keep their benefits, but lose the inequities). Florida's capped homeowners will also demand that their future not be jeopardized by any proposed SOH-replacement.

This paper presents an overall of the conditions surrounding Florida's property tax problems and contains a number of proposals/alternatives for consideration by the Governor's Tax Reform Commission. For brevity, they are presented first, then followed by more detailed narrative and simulation results. They are not presented as "silver bullets" to solve all property tax ills, but as alternatives I believe worthy of further study and consideration by the Commission.

There are many other proposals offering ways to amend Save Our Homes (SOH). A number were introduced in the 2005 Legislative Session. I did not discuss these assuming Legislative Staff has adequately researched and presented them for review. The following proposals are ones on which I have not seen previous research.

Proposal #1: Change the term "Roll Back Rate" in Chapter 200.065 to read "Last Year's Rate."

Proposal #2: Place a limitation on local government ad valorem spending increases from one year to the next.

Proposal #3: Consider other sources of income to supplement the property tax in funding Florida's local governments and schools (two alternatives presented).

Additional alternatives (Proposals #4 & #5) for replacing Save Our Homes (SOH) with Homestead Exemption changes..., designed to eliminate The Portability Problem, The Inequity Between Homestead Recipient Problem, and to equalize/stabilize The Transfer Of Taxes Problem.

Proposal #4: Increase the Homestead Exemption to an amount equal to existing Average Total Homestead \$25K plus SOH Exemption (example provided at \$115,000).

Proposal #5: A. Replace SOH benefit with a Percentage Assessment Level for Homesteaded properties.

B. Replace SOH benefit with Combining Percentage Assessment Level with Base Homestead Exempt Amount.

Proposal #6 - Require Florida's Local Governments To Annually Notify Citizens Of All Fees, Surcharges, Etc.

Florida's property tax problems are not simple and the solution will likewise not be simple. We are dealing with Constitutional issues. Those solutions requiring Constitutional Amendments (yes, plural) will need to be thoroughly researched with all proposals realistically simulated. We will only get one chance to bring Constitutional Amendments before the voters. That effort will pass or fail on the convincing nature of the research and simulation of each proposed initiative.

Two Primary Problems

Many problems with the administration of the property tax and a number of valuation issues could be discussed. The most important, I believe, are the Governmental Ad Valorem Spending Issue and the Save Our Homes Issue. Dealing with either or both will involve new constitutional amendments. I'll attempt to define and present solution alternatives for your review.

A. The Governmental Ad Valorem Spending Issue

The Governmental Spending Issue is, in my opinion, the largest problem for Florida's non-capped property owners. Volusia County has the 10th largest county tax base in Florida. While we may not be typical of all small counties, I think our problems are similar. A Property Appraiser's data base has all the descriptive, tax roll and millage information needed to simulate solutions to any alternatives. The Volusia data base is used to illustrate impact of proposals where possible.

Why do taxes increase? Some would say because values are increased by Property Appraisers. Property Appraisers increase values for one of three reasons: (1) The property was undervalued the year(s) before and needed to be brought in line with other properties; (2) The real estate market rose an incredible amount and the Property Appraiser is simply trying to keep up with the market; or (3) The Property Appraiser has made a mistake and the value has been overstated, relative to sales of other comparable properties. There are established remedies for all of these.

The "tax increase" problem is not a *single property issue*, it is a *corporate* one involving the entire amount of property taxes throughout an entire taxing district (municipality, county, water management district, etc.). County or Municipal (or other taxing authority) property taxes, in the corporate sense, only go up when the taxing authority

spends more money. My own definition of taxes is simple, *taxes = spending*. My definition of a tax increase is also simple “*If you spend one dollar more this year than you did last year, you’ve raised taxes.*”

Property tax amounts (at the corporate level or individual property level) do not start with a millage rate, they start with a dollar amount. Florida’s millage rates are defined in F.S. 200.065 and are calculated each year on the Department of Revenue’s DR Form 420 - “Certification of Taxable Value,” by each taxing authority. These forms are processed out from and then back through each County Property Appraiser’s office and are public record documents.

To briefly digress, the administration of the property tax in Florida enjoys the separation of powers familiar throughout our federal, state and local governments. One elected body determines the amount of the property tax (the Municipal and County Commissioners). The tax is collected by elected County Tax Collectors. The valuation of property, on which the millage is to be applied is assigned to another elected official, the County Property Appraiser. The process of calculating and forming the official millage is set in stone in F.S. 200.065 (calculation, process and format). Those determining the tax can not control the valuation. Those performing the valuation can not determine the amount of tax or collect it. The *process* is a good one. The problem is one of communication with the public in the way participants refer to the component parts, primarily the millage rate.

To fix a problem one must understand its nuances. The primary one with millage rates is what I call “*the myth of the millage.*” “*We’re using the same millage as last year.*” “*We’re lowering the millage below last years rate.*” Unless a taxing authority is levying a millage below the roll back millage, both statements are misleading and false. F.S. 200.065 clearly defines the roll back rate as “last years rate on this years tax base.” Exhibit #2 contains some of the pertinent language.

The definition of a millage rate is:

Taxing Authority Revenues (budgets) divided by Total Taxable Valuations

equals Millage Rate.

For the City of Daytona Beach, for the 2006 Preliminary Tax Roll, the calculations, on the DR420 were as shown on Exhibit #1. A city official was quoted in the Daytona Beach News Journal, “This is not a tax increase, it’s additional revenue.” The DR420 clearly shows the 26.73% increase that the 2006-2007 proposed ad Valorem budget will bring in. Such statements are confusing and misleading to the public. This situation could be helped by my Proposal #1.

Proposal #1: Change the term “Roll Back Rate” in Chapter 200.065 to read “Last Year’s Rate. By its own definition, the roll back rate *is* last years millage rate calculated

on this years tax base. This is the point from which budget discussion should begin. The clear message to the public should be “*We are raising the City of Daytona Beach’s General Fund Operating millage rate from 5.28492 to 6.70279.*” The rate is not being “lowered.” The numeric millage used last year was only applicable to last year’s revenues and last year’s tax base from which it was calculated. Any reference intended to relate to the taxes spent last year must relate to the roll back rate which is last year’s revenues divided by this year’s tax base. It *is* “last year’s rate,” let’s call it that and stop the confusion.

See the figures on a few Volusia cities below.

Taxing Authority Codes	Taxing Authority Name	2006	2006	2006	2006 Taxable Value	2006	2006	2006	2006
		Roll Back	Proposed	Est. Revenue	Estimated revenue	Property	Gross	New Taxes	2006
		Millage Rate	Millage Rate	Proposed millage rate	with 2006 roll back rate	Tax Increase	Percent Increase in Taxes	On New Const. & Annex.	Change in Taxes
0210 [M]	Daytona Beach Operating	5.28492	6.70279	36,668,692	28,912,006	8,032,346	28.05%	349,605	26.83%
0211 [M]	Daytona Beach I & S 2004	0.30353	0.30072	1,649,582	1,664,996	432	0.03%	15,685	-0.92%
0240 [M]	Daytona Beach Shores	2.93430	3.83700	7,175,144	5,487,106	1,735,977	31.92%	62,682	30.76%
0190 [M]	Debary Operating	2.21927	3.50746	6,789,175	4,295,704	2,612,542	62.55%	188,200	58.05%
0150 [M]	Deland Operating	4.76722	5.69770	9,515,613	7,961,637	2,154,171	29.26%	717,338	19.52%
0155 [M]	Deland I & S 1999	0.18038	0.19000	318,070	301,966	38,818	13.90%	23,921	5.33%
0130 [M]	Deltona	3.25939	4.15000	13,663,075	10,730,913	3,432,654	33.55%	637,239	27.32%
0290 [M]	Edgewater Operating	4.92190	6.45000	7,091,636	5,411,523	1,848,151	35.25%	220,204	31.05%

Compare Property Tax Spending Increases to Consumer Price Index

The actual amount of spending increases (property tax increases) over the past four years has been incredible, as compared to the Consumer Price Index. Consider the following for a few Volusia taxing authorities:

2000 Thru 2006 Increases in CPI & Tax Revenue For Volusia County Taxing Authorities and Tax Roll						
Tax Roll Year	% of Increase					
	C.P.I.	Tax Roll	Volusia County General Fund	Daytona Beach Operating	DeBary Operating	Ponce Inlet Operating
2000	3.40%	6.44%	6.44%	1.05%	5.21%	24.83%
2001	1.60%	8.17%	8.17%	1.17%	8.39%	5.78%
2002	2.40%	9.47%	9.47%	31.70%	9.47%	44.19%
2003	1.90%	13.82%	13.82%	9.64%	41.25%	18.58%
2004	3.30%	14.76%	14.76%	10.83%	30.50%	24.71%
2005	4.20%	20.51%	14.05%	21.47%	8.73%	23.18%
2006	3.50%	27.88%	19.44%	28.05%	62.55%	25.00%

These tremendous increases in spending, when the CPI never exceeded 4.2%, combined with the transfer of taxes through Save Our Homes (detailed below), created a *one-two punch* which has come close to a knock-out for those without exemption protection

(including 1st year homesteaders). This leads to Proposal #2 which recommends a limitation on spending by taxing authorities.

Proposal #2: Place a limitation on local government ad valorem spending increases from one year to the next. My recommended means of accomplishing this would be: *“Limit ad valorem spending from one year to the next to the Roll Back rate, plus the previous years Consumer Price Index (CPI) plus 3%.”*

To simulate the effect of this recommendation, we went back to the 2000 Tax Roll year and began with the actual ad valorem revenues of each of our 45 taxing authorities. We then applied the proposed maximum allowable increases shown above and brought all 45 authorities budgets forward and calculated the millage changes, by year, to the present (budget setting time, 2006). For Volusia County, the average millage rate would have been reduced from 22.1 mills to 16.58 mills. The Property Tax Reform Committee staff has a copy of the spreadsheet making these calculations, which also detail them at the individual taxing authority level. The City of Daytona Beach’s Operating Fund millage, for example, would have been 4.19192 instead of the current proposed millage of 6.70279. For virtually all of the taxing authorities, there would have been little change in the first two years, but most millage rates would have been lowered significantly over the past three years.

Prior to the second (final) 2006 budget hearing in Volusia County, on the County’s General Fund, this proposal would have had the following impact:

<u>Taxes From Roll Back Rate</u>	Plus	<u>The Previous January 1 CPI</u>	Plus	<u>3%</u>	=	<u>Tax Limit</u>
162,150,763		Times	1.035	Times 1.03	=	172,860,820
+ Additional funding from New Construction would be available -----						+ <u>4,954, 355</u>
						<u>177,815,175</u>
Initially Proposed Ad Valorem Budget = 188,578,850						
<u>Tax Limitation Amount -----</u>						<u>177,815,175 (5.7% reduction)</u>
Would Lower Proposed Budget -----						10,763,675

At the second budget 2006 hearing, Volusia’s County Council voted to go to the Roll Back Rate. After the second budget hearing our 44 taxing authorities increased their budgets as follows:

<u>0 – 10%</u>	<u>10%-15%</u>	<u>15%-20%</u>	<u>20%-25%</u>	<u>25%-30%</u>	<u>Over 30%</u>
17	6	8	8	3	2

B. Save Our Homes (SOH) Issues

Save Our Homes (SOH) was a well-intentioned, improperly researched, constitutional amendment created by a lack of legislative attention to a problem frustrating Florida

taxpayers. It has done what it championed and it has done a lot more. Florida's resident homeowner citizens now have a system which:

- ❖ Limits assessed value increases to 3% or the CPI, whichever is less.
- ❖ Does not limit property tax increases to 3%. Millage increases are not limited.
- ❖ Creates a new level of inequity and discrimination each year. This year's capped homesteaders pay more than last year's owners of the same property, who pay more than those the year before and who will pay less than those who buy next year. It is grossly unfair and incredibly inequitable, even among those who receive its benefits.
- ❖ Passes tremendous amounts of tax increases to all who own *non-capped properties*, primarily Florida's businesses, most of whom live here. In Volusia County this year, only 4% of the annual increase in the property tax was paid by SOH capped property owners; 96% of the annual increase in property taxes was paid by non-capped owners. This, combined with the tremendous increases in spending (outlined and discussed above) create a disastrous business environment for many of Florida's small businesses. We have seen some Volusia businesses leave because the tenant business cannot pay the property tax increases passed down to them by the landlord. It is my opinion that this situation is already a consideration by new businesses evaluating whether or not to relocate to the State of Florida. As a result of this increasing burden on non-capped properties each year, the property taxes on over \$11 billion of tax base was shifted in 2006 in Volusia County.

Because of continuing multiple inequities like these and their impact on non-capped properties, constitutional reform and/or replacement for Save Our Homes appears the only option. Many are concerned that someone will "take SOH away from us." No one can until the people of Florida recognize, endorse and vote for a better and more equitable property tax exemption package. The people put SOH in place and they are the only ones who can replace it.

I have thought of a number of alternative ideas and recommend additional research and analysis of these and any others presented by anyone. Some are beyond the data available to my office to research and others are presented with data relative to Volusia County, understanding that the situation may be different in a smaller county. After simulating results against Volusia County's data, the following were thought worthy of presenting for wider consideration and research by the Property Tax Reform Committee and the Office of Economic and Demographic Research.

Proposal #3: Consider another source of income to supplement the property tax in funding Florida's local governments and schools.

Florida's state-wide property tax base has been *guttled by exemptions* to the point where it may be difficult to solve the existing problems because the remaining base cannot economically sustain the tax burden. I believe this is a very real, though perhaps not

realized, problem and that it will become much worse unless reform is introduced into the process. The introduction of alternative forms of funding seem to me a viable alternative. The two alternatives presented below are not considered exhaustive, but are illustrative of other ideas which could be developed around the concept.

- A. Additional Sales Tax** – Increase the sales tax by ½ or 1 cent to supplement local government/school spending with a guaranteed reduction of property tax rates to equal the funds transferred from the sales tax. This would widen the taxpaying base, but would have to recognize the regressivity of the sales tax. This option would have to be accompanied by a *spending cap*, like the one proposed above. Otherwise, it would be suspect as just more money without a means to prove to the public that it really would reduce/replace property tax spending.
- B. Replacement of Property Tax with Alternative Tax (like the *Flat Tax* or *Fair Tax*)** – The Flat Tax is an income tax and, as such, probably isn't a possibility in Florida, but it is an option. The *Fair Tax*, however, provides another option. The Fair Tax concept was originated to replace the Federal Income Tax by eliminating all income taxes and replacing them with a 23% sales tax with no exemptions. My suggestion is to research potential revenues from increasing the sales tax with the objective of totally eliminating or partially eliminating the property tax. As mentioned above, this would require demonstrative (perhaps legislative or constitutional) guarantees to the public that the amount of additional tax provided by this mechanism would result in reduced property taxes on the other end. Otherwise it would not be credible.

Alternate proposals (Proposal #4 & #5) for replacing Save Our Homes (SOH) with Homestead Exemptions designed to eliminate The Portability Problem, The Inequity Between Homestead Recipient Problem, and to equalize/stabilize The Transfer Of Taxes Problem.

The remaining proposals were constructed with the basic idea of eliminating inequity and discrimination within Florida's property tax system by re-establishing the *same playing field for all resident-homeowner taxpayers*. Each proposal has differing assumptions and results, but all have the following three important tenants:

- ❖ The Portability problem is solved because when one sells one's home and purchases another, the property taxes are determined under the same calculations and assumptions as in the former home. This eliminates the discrimination/inequity affecting mobility.
- ❖ It also eliminates the inequity among all SOH recipient's problem because one taxpayer purchased their home a year or more before another. All taxpayers, regardless of the year of purchase would have property taxes calculated the same way.

- ❖ And lastly, when coupled with a *property tax spending cap*, it will stabilize the *transfer of property taxes to non-capped properties* problem.

Each proposal was simulated against actual Volusia County data, run on each property with summary statistics as shown below.

Proposal #4: Increase the Homestead Exemption to an amount equal to existing Average Total Homestead \$25K plus SOH Exemption.

In Volusia County the average homestead property enjoys a *total homestead exemption* of approximately \$110,000. This is more than double the traditional \$25,000 and is perhaps illustrative of the magnitude of the problem which must be overcome before voters can be convinced to do away with the existing status quo in lieu of any alternatives. This proposal would completely replace SOH and appears to, in one fell-swoop, do away with the portability problem, the inequity problem and restore equity into the process (all taxpayers treated equally or, in the case of those without homestead exemption, equally unequal).

An important qualifying criteria was that the *taxable value* under any assumption must approximate the current taxable value, allowing local governments and schools to continue funding at current levels. Simulations were run at differing exempt amounts, from \$50,000 to \$250,000 with \$115,000 providing the best results. Even that, however, would bring some change and changed payment status for taxpayers in different categories. We stratified the data by \$100,000 amounts, with a qualifier that the results could not reduce the “Taxable Value” already available to Volusia’s Taxing Authorities.

I do not believe there is an “be all, end all” solution for all taxpayers across the value scale (from low priced properties to high priced properties). The bias, in this proposal, is in the higher end of the value scale. The chart below shows the results.

Raising Homestead Exemption to \$115,000 (Volusia's Average)

Current Taxable Value: \$11,920,805,144
 Taxable Value Under Assumption: \$11,869,445,689

Ranges (Just)	Parcel Count	Cum %	Average Taxable - Current	Avg Taxable - w/Proposed Exemption - \$115,000	Taxes - Current	Taxes - w/Proposed Exemption	Difference Current Taxes Less Prop Taxes
0 - 100,000	9,337	7.8%	22,062	0	\$487.68	\$0.00	-\$487.68
100,001 - 200,000	65,542	62.8%	63,845	34,871	\$1,411.33	\$770.84	-\$640.49
200,001 - 300,000	27,755	86.1%	123,359	126,607	\$2,726.90	\$2,798.70	\$71.79
300,001 - 400,000	9,155	93.8%	180,693	225,329	\$3,994.29	\$4,980.98	\$986.69
400,001 - 500,000	3,184	96.5%	242,342	327,079	\$5,357.06	\$7,230.19	\$1,873.13
500,001 - 600,000	1,385	97.6%	293,918	429,741	\$6,497.17	\$9,499.58	\$3,002.42
600,001 - 700,000	863	98.3%	337,000	530,117	\$7,449.50	\$11,718.43	\$4,268.93
700,001 - 800,000	454	98.7%	357,768	632,369	\$7,908.59	\$13,978.75	\$6,070.16
800,001 - 900,000	382	99.0%	408,341	731,233	\$9,026.53	\$16,164.17	\$7,137.64
900,001 - 1,000,000	254	99.3%	454,502	833,422	\$10,046.94	\$18,423.09	\$8,376.15
> 1,000,001	890	100.0%	616,614	1,275,091	\$13,630.48	\$28,186.34	\$14,555.86
	119,201						

This proposal lowers taxes on the lower spectrum of properties (approximately \$300,000 and below) and raises them on those above \$300,000. Raising the exemption above \$115,000 cuts the total taxable value available to local governments, while lowering the exempt amount raises the taxable value. This proposal would lower or keep roughly equal the property taxes on 86% of Volusia's taxpayers.

I would propose running these numbers on the state-wide average homestead exemption (\$25,000 plus SOH).

Proposal #5: A. Replace SOH benefit with a Percentage Assessment Level for Homesteaded properties.

B. Replace SOH benefit with Combining Percentage Assessment Level with Base Homestead Exempt Amount.

Proposal #5A. 50% Assessment Level

The Volusia average residential value is around \$210,000 with the average total homestead exemption (\$25K + SOH) of \$110,000. The *average percentage assessment level* is, therefore around 50%. The statewide average would be my recommendation for beginning a statewide study of this alternative. Our county data, again with the qualifier that we must keep the taxable tax base intact, indicated the following for the \$100,000 brackets as illustrated above. The Volusia results are as follows:

Current Taxable Value: \$11,920,805,144
 Taxable Value Under Assumption: \$12,607,283,192

Ranges (Just)	Parcel Count	Cum %	Avg Taxable - current	Avg Taxable - Proposed	Taxes - Current	Taxes - Proposed	Difference Current Taxes Less Proposed Taxes
0 - 100,000	9,337	7.8%	22,062	40,858	488	903	416
100,001 - 200,000	65,542	62.8%	63,845	74,537	1,411	1,648	236
200,001 - 300,000	27,755	86.1%	123,359	120,804	2,727	2,670	-56
300,001 - 400,000	9,155	93.8%	180,693	170,165	3,994	3,762	-233
400,001 - 500,000	3,184	96.5%	242,342	221,039	5,357	4,886	-471
500,001 - 600,000	1,385	97.6%	293,918	272,371	6,497	6,021	-476
600,001 - 700,000	863	98.3%	337,000	322,559	7,450	7,130	-319
700,001 - 800,000	454	98.7%	357,768	373,684	7,909	8,260	352
800,001 - 900,000	382	99.0%	408,341	423,117	9,027	9,353	327
900,001 - 1,000,000	254	99.3%	454,502	474,211	10,047	10,483	436
> 1,000,001	890	100.0%	616,614	695,045	13,630	15,364	1,734

The results of this actually raised the taxable value above current levels. In addition, the average tax impact was more level at different value-strata than the previous proposal. However, the results were biased against lower priced properties in favor of those between \$200,000 - \$700,000. A provision to accommodate the increased taxes shown above on the lower stratum of property would make this more value-neutral than Proposal #4 (see below).

Proposal #5B. Combine Assessment Level With Base Exempt Amount

The above proposal led to our final simulation to-date. This was to run varying amounts of exemptions along with an assessment level. The idea was to try to level out the bias in proposal #4 above. The best result we calculated came from an Assessment Level of 62% with an exemption of \$50,000.

Current Taxable Value: \$11,920,805,144
 Taxable Value Under Assumption: \$11,937,800,158

Ranges (Just)	Parcel Count	Cum %	Avg Taxable - current	Avg Taxable - Proposed	Taxes - Current	Taxes - Proposed	Difference Current Taxes Less Prop Taxes
0 - 100,000	9,337	7.8%	22,062	19,664	488	435	-53
100,001 - 200,000	65,542	62.8%	63,845	61,426	1,411	1,358	-53
200,001 - 300,000	27,755	86.1%	123,359	118,796	2,727	2,626	-101
300,001 - 400,000	9,155	93.8%	180,693	180,004	3,994	3,979	-15
400,001 - 500,000	3,184	96.5%	242,342	243,089	5,357	5,374	16

500,001 - 600,000	1,385	97.6%	293,918	306,739	6,497	6,781	283
600,001 - 700,000	863	98.3%	337,000	368,973	7,450	8,156	707
700,001 - 800,000	454	98.7%	357,768	432,369	7,909	9,558	1,649
800,001 - 900,000	382	99.0%	408,341	493,664	9,027	10,913	1,886
900,001 - 1,000,000	254	99.3%	454,502	557,022	10,047	12,313	2,266
> 1,000,001	890	100.0%	616,614	830,856	13,630	18,366	4,736

This proposal resulted in the most revenue-neutral of all. It lowers or roughly equals the average property tax on properties below \$500,000 (97% of Volusia County Homesteaded properties) with relatively minor increases to the remaining 3% of taxpayers.

Proposals #4, #5A and #5B above also need to allow for increasing the initial exemption by the CPI in each subsequent year. Otherwise, the current situation of having the exempt amount incremented each year to allow for inflation would not be available. Any change or amendment to the existing SOH situation must have the basic tenants of leaving homeowners in the same relative position and with assurance that future exempt status and amounts will increase annually similarly as they do now.

Non-Property Tax Proposal To Provide Detailed Information To Citizens

Proposal #6 - Require Florida's Local Governments To Annually Notify Citizens Of All Fees, Surcharges, Etc.

The purpose is an attempt to fully inform our public regarding every place where their financial lives are *hit* by local government charges of one kind or another. I believe there is a credibility problem between Florida's local governments and their citizens. In my opinion, one of the prime culprits is a lack of communication from government back to the citizen about *what, when, and how much* is being passed down in the way of fees, surcharges, telecommunications charges, gasoline taxes, special district fees, and other miscellaneous charges.

Most citizens, in my opinion, are somewhat suspect of the spending actions of their local governments concerning all forms of taxation. I call all government charges "*taxes.*" This proposal would more fully inform our citizens and increase their understanding regarding the funding of *their* government.

Therefore, I propose a detailed annual notification to every taxpayer (could be mailed with TRIM notices) from all municipal, county and multi-county taxing authorities. While many of these charges are finalized throughout a government's fiscal cycle, the *notification* could easily list the current charge and the charge from a year ago (for each fee, surcharge, etc.). While every government charge/fee/tax is discussed in a public hearing and many are advertised, there is nowhere, to my knowledge, a citizen can find all of them in a single list.

Florida's property tax is the only tax doing this already. The Notice of Proposed Taxes (NOPT or TRIM) has a *line-item* detailed notification to taxpayers of all aspects of its impact on them (see Exhibit #3 – Volusia Notice of Proposed Taxes). This NOPT (TRIM) is mailed to every taxpayer every year, detailing (1) what they spent last year, (2) what is being *proposed* in the way of tax increases this year, (3) what their taxes will be with no budget increase, (4) where they can go to discuss budgets with taxing authorities and (5) what value increases are and where and how they can disagree with those. Many taxpayers think the property tax represents a majority of their governments spending. The property tax, however, is only 30% of Volusia County government's overall spending and around 10% of our municipalities spending. There's a lot more going on in local government than the property tax.

This proposal would put government on the information-offensive and in my opinion, would be a breath of fresh air to our tax-paying public. We could call it *TRIGS... Truth in Government Spending*.

Summary

All of the above *Proposals* are perhaps more accurately described as *Alternatives*.

Proposals #1 (changing roll rate to "last year's rate") and #2 (spending cap) would, in my opinion, introduce clarity and budgetary discipline into a process where, in recent years, the opposite has occurred. Proposal #3 (additional sources of revenue for local governments) could only be introduced with or after a spending cap were enacted.

Proposals #4 and #5 above were designed to serve as replacements for the Save Our Homes Amendment. Each of them would solve the basic problems of SOH, but would alter the exact amount of tax paid by a particular taxpayer at present.

Proposal #6 is a stand-alone non-property tax suggestion which could assist in more fully informing our citizens of the many charges they are paying their local governments.

Before any of the proposals were simulated, I would never have guessed the size of "fix" which would be required to put equity back into the system and still allow people to keep essentially the same exempt status they have come to enjoy under Save Our Homes. This attests to the tremendous impact SOH has had, particularly on those who were supposed to reap benefits from having it but have found themselves with inequitable and discriminatory tax amounts, based on their year of purchase.

* *I have been in the property tax arena since 1972, writing courses, teaching for the International Association of Assessing Officers, serving on International committees,*

assisting with the development of a number of text books, publishing many articles on the topic and presenting papers at international conferences. In a "prior life," I installed computerized assessment valuation systems in over twenty-five counties in Florida, Georgia, North Carolina, Connecticut, New Jersey, Michigan, Ohio, Kansas, Nebraska, Colorado, New Mexico, Washington State, and probably more that I cannot remember.

Morgan B. Gilreath, Jr.

Exhibit #1

DR-420 Form – Certification of Taxable Value - City of Daytona Beach, 2006




SECTION I		Certification of Taxable Value		DR-420 R. 01/95
2006 Year		To	AUTH 0210 DAYTONA BEACH OPERATING	
VOLUSIA County		(Name of Taxing Authority)		
(1)	Current Year Taxable Value of Real Property for Operating Purposes	\$	4,987,828,550	
(2)	Current Year Taxable Value of Personal Property for Operating Purposes	\$	480,852,818	
(3)	Current Year Taxable Value of Centrally Assessed Property for Operating Purposes	\$	1,979,604	
(4)	Current Year Gross Taxable Value for Operating Purposes (1) + (2) + (3)	\$	5,470,660,972	
(5)	Current Year Net New Taxable Value (New Construction + Additions + Rehabilitative Improvements Increasing Assessed Value By At Least 100% + Annexations - Deletions)	\$	52,158,198	
(6)	Current Year Adjusted Taxable Value (4) - (5)	\$	5,418,502,774	
(7)	Prior Year Final Gross Taxable Value (From Prior Year Applicable Form DR-403 Series)	\$	4,272,302,452	
I do hereby certify the values shown herein to be correct to the best of my knowledge and belief. Witness my hand and official signature at <u>DELAND</u> , Florida, this the <u>1st</u> day of <u>JULY</u> , 20 <u>06</u> .				
 Signature of Property Appraiser MORGAN B. GILREATH, JR.				
TAXING AUTHORITY: If this portion of the form is not completed in FULL your Authority will be denied TRIM certification and possibly lose its millage levy privilege for the tax year. If any line is inapplicable, enter N/A or -0-				
SECTION II				
(8)	Prior Year Operating Millage Levy	\$	6.70279 per \$1,000	
(9)	Prior Year Ad Valorem Proceeds (7) x (8)	\$	28,636,346	
(10)	Current Year Rolled-Back Rate (9) divided by (6)	\$	5.28492 per \$1,000	
(11)	Current Year Proposed Operating Millage Rate	\$	6.70279 per \$1,000	
(12) Check TYPE of Taxing Authority:				
<input checked="" type="checkbox"/> Municipality		<input type="checkbox"/> County	<input type="checkbox"/> Dependent District	<input type="checkbox"/> Municipal Service Taxing Unit
<input type="checkbox"/> Independent Special District		<input type="checkbox"/> Multi-County	<input type="checkbox"/> Water Management District	
(13) IF DEPENDENT SPECIAL DISTRICT OR MSTU IS MARKED, PLEASE SEE REVERSE SIDE.				
(14)	Current Year Millage Levy for VOTED DEBT SERVICE	\$	_____ per \$1,000	
(15)	Current Year Millage Levy for OTHER VOTED MILLAGE	\$	_____ per \$1,000	
DEPENDENT SPECIAL DISTRICTS SKIP lines (16) through (22)				
(16)	Enter Total Prior Year Ad Valorem Proceeds of ALL DEPENDENT Special Districts and MSTU's levying a millage. (The sum of Line (9) from each District's Form DR-420)	\$	154,129	
(17)	Total Prior Year Proceeds: (9) + (16)	\$	28,790,475	
(18)	The Current Year Aggregate Rolled-back Rate: (17) divided by (6)	\$	5.31336 per \$1,000	
(19)	Current Year Aggregate Rolled-back Taxes: (4) x (18)	\$	29,067,591	
(20)	Enter Total of all non-voted Ad Valorem Taxes proposed to be levied by the Principal Taxing Authority, all Dependent Districts, and MSTU's if any. Line (11) x Line (4)	\$	36,836,028	
(21)	Current Year Proposed Aggregate Millage Rate: (20) divided by (4)	\$	6.73338 per \$1,000	
(22)	Current Year Proposed Rate as a PERCENT CHANGE of Rolled-back Rate: [(Line 21 divided by Line 18) - 1.00] x 100		26.73 %	
Date, Time and Place of the first Public Budget Hearing: <u>SEPTEMBER 6, 2006 - 6:00 P.M., CITY OF DAYTONA BEACH, CITY COMMISSION CHAMBERS, 301 S. RIDGEWOOD AVE., DAYTONA BEACH, FLORIDA.</u>				
I do hereby certify the millages and rates shown herein to be correct to the best of my knowledge and belief. FURTHER, I certify that all millages comply with the provisions of Section 200.071 or 200.081, F.S. WITNESS my hand and official signature at <u>DAYTONA BEACH</u> , Florida, this the <u>3rd</u> day of <u>AUGUST</u> , 20 <u>06</u> .				
 Signature of Chief Administrative Officer and Title RICARDO A. KISNER		301 S. RIDGEWOOD AVE., DAYTONA BCH., FL Address of Physical Location		
P.O. BOX 2451 Mailing Address DAYTONA BEACH, FL 32115-2451 City State Zip		RICARDO A. KISNER Name of Contact Person 386-671-8060 386-671-8065 Phone # Fax #		
See Instructions on Reverse Side				

Exhibit #2
Florida Statute 200.065 – Method of Fixing Millage
(Emphasis below added)



September 18, 2006

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The 2006 Florida Statutes

Title XIV	Chapter 200	View Entire Chapter
TAXATION AND FINANCE	DETERMINATION OF MILLAGE	
200.065 Method of fixing millage.--		

(1) Upon completion of the assessment of all property pursuant to s. [193.023](#), **the property appraiser shall certify to each taxing authority the taxable value within the jurisdiction of the taxing authority.** This certification shall include a copy of the statement required to be submitted under s. [195.073\(3\)](#), as applicable to that taxing authority. The form on which the certification is made shall include instructions to each taxing authority describing **the proper method of computing a millage rate** which, exclusive of new construction, additions to structures, deletions, increases in the value of improvements that have undergone a substantial rehabilitation which increased the assessed value of such improvements by at least 100 percent, and property added due to geographic boundary changes, **will provide the same ad valorem tax revenue for each taxing authority as was levied during the prior year. That millage rate shall be known as the "rolled-back rate."** The information provided pursuant to this subsection shall also be sent to the tax collector by the property appraiser at the time it is sent to each taxing authority.

(2) No millage shall be levied until a resolution or ordinance has been approved by the governing board of the taxing authority which resolution or ordinance must be approved by the taxing authority according to the following procedure:

(a)1. Upon preparation of a tentative budget, but prior to adoption thereof, each taxing authority shall compute a proposed millage rate necessary to fund the tentative budget other than the portion of the budget to be funded from sources other than ad valorem taxes. In computing proposed or final millage rates, each taxing authority shall utilize not less than 95 percent of the taxable value certified pursuant to subsection (1).

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2. The tentative budget of the county commission shall be prepared and submitted in accordance with s. [129.03](#).
3. The tentative budget of the school district shall be prepared and submitted in accordance with chapter 1011, provided that the date of submission shall not be later than 24 days after certification of value pursuant to subsection (1).
4. Taxing authorities other than the county and school district shall prepare and consider tentative and final budgets in accordance with this section and applicable provisions of law, including budget procedures applicable to the taxing authority, provided such procedures do not conflict with general law.
 - (b) Within 35 days of certification of value pursuant to subsection (1), each taxing authority shall advise the property appraiser of its proposed millage rate, of its rolled-back rate computed pursuant to subsection (1), and of the date, time, and place at which a public hearing will be held to consider the proposed millage rate and the tentative budget. The property appraiser shall utilize this information in preparing the notice of proposed property taxes pursuant to s. [200.069](#). The deadline for mailing the notice shall be the later of 55 days after certification of value pursuant to subsection (1) or 10 days after either the date the tax roll is approved or the interim roll procedures under s. [193.1145](#) are instituted. If the deadline for mailing the notice of proposed property taxes is 10 days after the date the tax roll is approved or the interim roll procedures are instituted, all subsequent deadlines provided in this section shall be extended. The number of days by which the deadlines shall be extended shall equal the number of days by which the deadline for mailing the notice of proposed taxes is extended beyond 55 days after certification. If any taxing authority fails to provide the information required in this paragraph to the property appraiser in a timely fashion, the taxing authority shall be prohibited from levying a millage rate greater than the rolled-back rate computed pursuant to subsection (1) for the upcoming fiscal year, which rate shall be computed by the property appraiser and used in preparing the notice of proposed property taxes.
 - (c) Within 80 days of the certification of value pursuant to subsection (1), but not earlier than 65 days after certification, the governing body of each taxing authority shall hold a public hearing on the tentative budget and proposed millage rate. Prior to the conclusion of the hearing, the governing body of the taxing authority shall amend the tentative budget as it sees fit, adopt the amended tentative budget, recompute its proposed millage rate, and publicly announce the percent, if any, by which the recomputed proposed millage rate exceeds the rolled-back rate computed pursuant to subsection (1). That percent shall be characterized as the percentage increase in property taxes tentatively adopted by the governing body.
 - (d) Within 15 days after the meeting adopting the tentative budget, the taxing authority shall advertise in a newspaper of general circulation in the county as provided in subsection (3), its intent to finally adopt a millage rate and budget. A public hearing to finalize the budget and adopt a millage rate shall be held not less than 2 days or more than 5 days after the day that the advertisement is first published. During the hearing, the governing body of the taxing authority shall amend the adopted tentative budget as it sees fit, adopt a final budget, and adopt a resolution or ordinance stating the millage rate to be levied. The

resolution or ordinance shall state the percent, if any, by which the millage rate to be levied exceeds the rolled-back rate computed pursuant to subsection (1), which shall be characterized as the percentage increase in property taxes adopted by the governing body. The adoption of the budget and the millage-levy resolution or ordinance shall be by separate votes. For each taxing authority levying millage, the name of the taxing authority, the rolled-back rate, the percentage increase, and the millage rate to be levied shall be publicly announced prior to the adoption of the millage-levy resolution or ordinance. In no event may the millage rate adopted pursuant to this paragraph exceed the millage rate tentatively adopted pursuant to paragraph (c). If the rate tentatively adopted pursuant to paragraph (c) exceeds the proposed rate provided to the property appraiser pursuant to paragraph (b), or as subsequently adjusted pursuant to subsection (10), each taxpayer within the jurisdiction of the taxing authority shall be sent notice by first-class mail of his or her taxes under the tentatively adopted millage rate and his or her taxes under the previously proposed rate. The notice must be prepared by the property appraiser, at the expense of the taxing authority, and must generally conform to the requirements of s. 200.069. If such additional notice is necessary, its mailing must precede the hearing held pursuant to this paragraph by not less than 10 days and not more than 15 days.

(e)1. In the hearings required pursuant to paragraphs (c) and (d), the first substantive issue discussed shall be the percentage increase in millage over the rolled-back rate necessary to fund the budget, if any, and the specific purposes for which ad valorem tax revenues are being increased. During such discussion, the governing body shall hear comments regarding the proposed increase and explain the reasons for the proposed increase over the rolled-back rate. The general public shall be allowed to speak and to ask questions prior to adoption of any measures by the governing body. The governing body shall adopt its tentative or final millage rate prior to adopting its tentative or final budget.

Exhibit #3 – Example Volusia County Notice Of Proposed Taxes (NOPT)

NOTICE OF PROPOSED PROPERTY TAXES				
VOLUSIA COUNTY TAXING AUTHORITIES 123 W. INDIANA AVENUE DELAND, FLORIDA 32720		FULL PARCEL ID 27-15-28-00-00-0010 SHORT PARCEL ID 5827-00-00-0010 ALTERNATE KEY 2032227		DO NOT PAY THIS IS NOT A BILL
SEE REVERSE SIDE FOR EXPLANATION				
APPLICABLE TAXING AUTHORITY	COLUMN 1 Unincorporated	COLUMN 2 Unincorporated	A PUBLIC HEARING ON THE PROPOSED TAXES AND BUDGET WILL BE HELD AT THE FOLLOWING LOCATIONS AND DATES	COLUMN 3 Unincorporated
	YOUR PROPERTY TAXES LAST YEAR	YOUR TAXES THIS YEAR IF PROPOSED BUDGET CHANGE IS MADE		YOUR TAXES THIS YEAR IF NO BUDGET CHANGE IS MADE
COUNTY TAXING AUTHORITIES:				
COUNTY-WIDE			September 7, 2006 6:00 p.m. Thomas C Kelly Admin Center 123 W Indiana Av, Deland, FL (386) 736-5934	
General Fund	951.98	919.50		790.64
Library	106.69	108.48		88.61
Voter Approved Vol Echo	35.92	37.15		29.83
Vol Forever	35.92	19.71		29.83
V Forever I45	.00	17.44	17.44	
COUNTY DEPENDENT DISTRICTS				
MSD	Vol. Caty MSD	303.73	267.68	248.69
FIRE DISTRICT	Fire District	582.32	602.22	476.32
OTHER DEP DIST.				
PUBLIC SCHOOL TAXING AUTH.				
BY STATE LAW	Local Req Eff	932.76	927.48	776.09
Voter Approved Debt Payments	1986 Bond I45	58.20	.00	.00
BY LOCAL BOARD	Discretionary Cap. Improvmt	133.28	128.54	110.90
		359.24	371.51	298.88
MUNICIPAL TAXING AUTHORITIES				
OPERATING				
Voter Approved Debt Payments/ DEP DISTRICT				
INDEPENDENT SPECIAL DISTRICTS				
ST. JOHN'S RIVER WTR MGT DIST				
OPERATING	St. Johns MSD	82.98	85.82	69.05
FLORIDA INLAND NAVIGATION				
OPERATING	FL Inland Nav	6.92	7.15	5.76
HOSPITAL AUTHORITY				
OPERATING	W. Vol Hos Au	278.41	287.92	234.50
Voter Approved Debt Payments				
OTHER INDEPENDENT DISTRICTS				
OPERATING				
TOTALS				
	3,868.35	3,780.60		3,176.54

The taxing authorities which levy property taxes against your property will soon hold PUBLIC HEARINGS to adopt budgets and tax rates for the next year. --The purpose of these PUBLIC HEARINGS is to receive opinions from the general public and to answer questions on the proposed tax change and budget PRIOR TO TAKING FINAL ACTION. --Each taxing authority may AMEND OR ALTER its proposal at the hearing.

FOR DETAILS ON INDEPENDENT SPECIAL DISTRICTS, VOTER APPROVED DEBT, AND TAXES, CONTACT YOUR TAX COLLECTOR AT:

** DELAND/ORANGE CITY (386) 736-5938 ** DAYTONA BEACH (386) 254-4635 ** NEW SMYRNA BEACH (386) 423-3325

SHORT PARCEL ID: 5827-00-00-0010 SERIAL: 2032227 FULL PARCEL ID: 27-15-28-00-00-0010
 ALTERNATE KEY: 2032227 LEGAL DESC: REAL ESTATE SITE#: 2000 BRIAR CREEK FARMS RD PIERSON
 27-15-28 N 440.16 FT MEAS ON W/4 OF W 1030 FT MEAS ON 2/4 OF NE 1/4 OF SE 1/4 SEC N 44.32 FT OF E 323.20 FT PER OR 4424 PG 0196

IF YOU FEEL THE MARKET VALUE OF YOUR PROPERTY IS INACCURATE OR DOES NOT REFLECT FAIR MARKET VALUE, CONTACT YOUR PROPERTY APPRAISER AT:

** DELAND (386) 736-5901 ** DAYTONA BEACH (386) 254-4601 ** NEW SMYRNA BEACH (386) 423-3318 ** ORANGE CITY (386) 735-5217

IF THE PROPERTY APPRAISER'S OFFICE IS UNABLE TO RESOLVE THE MATTER AS TO MARKET VALUE, YOU MAY FILE A PETITION FOR ADJUSTMENT WITH THE VALUE ADJUSTMENT BOARD.

PETITION FORMS ARE AVAILABLE FROM THE COUNTY PROPERTY APPRAISER AND MUST BE FILED ON OR BEFORE: **September 12, 2006**

	MARKET VALUE	ASSESSED VALUE	EXEMPTION VALUE	TAXABLE VALUE	
YOUR PROPERTY VALUE LAST YEAR	265,814	204,618	25,000	179,618	PAULERSON MICHAEL D & KELLY F 2000 BRIAR CREEK FARMS RD PIERSON FL
YOUR PROPERTY VALUE THIS YEAR	350,256	210,757	25,000	185,757	

32180

NOTE: YOUR FINAL TAX BILL may contain NON-ADVALOREM ASSESSMENTS which may not be reflected on this notice such as assessments for roads, fire, garbage, lighting, drainage, water, sewer, or other governmental services and facilities which may be levied by county, city, or any special district.