

## Part III: There's No "Devil In The Details" Of The January 29<sup>th</sup> Amendment!

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Messengers often flavor their messages. We're hearing opinions from all quarters regarding the amendment. A few flavors floating around...

- "I heard it changes Save Our Homes."
- "I'm confused about the amendment, what's being offered?"
- "I think the Legislature should have done more."
- "I'm waiting for the Budget and Tax Reform Commission to make their recommendations."
- "I'm going to wait on the 2008 Legislature to make this a better fix."
- "I don't like property taxes, I want to see another way of funding local government like the Fair Tax, I'm not voting for this."

### What's being offered in the amendment?

#### 1. Save Our Homes (SOH) Portability will allow moving without penalty.

The first question I hear is "how does it affect Save Our Homes (SOH)? Have no doubt or fear about the sanctity or future of SOH... **The January 29<sup>th</sup> Amendment does not change Save Our Homes (SOH), it makes it better for homeowners!** The amendment lets you keep the "capped value" you've accrued as long as you reside in Florida, even if you move to another home. Transporting the capped value from one home to another is called "Portability." For example:

|  |   |
|--|---|
|  | <u>Now</u>                              |
| Your <u>current home</u> Just (market) Value                   | = \$300,000                             |
| Your Assessed Value (because of SOH)                           | = 125,000 ( <u>175,000</u> SOH benefit) |
| <u>Less \$25,000 regular homestead exemption</u>               | <u>- 25,000</u>                         |
| Equals Taxable Value   | = \$100,000                             |
| <u>Times Millage Rate of 19.2871 mills</u>                     | <u>x .019287071</u>                     |
| Equals amount of <u>Property Taxes</u>                         | = <u>\$1,928.71</u>                     |
| <i>[Your "SOH Benefit Value" is 300,000-125,000 = 175,000]</i> |   |

|   |                           |
|---|---------------------------|
| <u>You buy another home worth more</u> (buy "up")   | <u>With "Portability"</u> |
| Your <u>new home</u> Just (market) Value            | = \$375,000               |
| "Portability" from old home is previous SOH benefit | = <u>-175,000</u>         |
| Beginning Assessed Value on new home                | = 200,000                 |
| <u>Less \$25,000 regular homestead exemption</u>    | <u>- 25,000</u>           |
| Equals Taxable Value                                | = 175,000                 |
| <u>Times Millage Rate of 19.2871 mills</u>          | <u>x .019287071</u>       |
| Equals amount of <u>Property Taxes</u>              | = <u>\$3,375.24</u>       |

**Versus [375,000-25,000=350,000 x .019287071=] \$6,750.47 Without Portability**

| <u>You buy another home worth less</u> (buy “down”)  | <u>With “Portability”</u>  |
|--|----------------------------|
| Your <u>new home</u> Just (market) Value   | = \$200,000                |
| “Portability %” from old home (175,000/300,000=58.33%)                                     | - <b>116,660</b>           |
| Beginning Assessed Value, new home (200,000-116,660)                                       | = 83,340                   |
| <u>Less \$25,000 regular homestead exemption</u>   | <u>- 25,000</u>            |
| Equals Taxable Value   | = 58,340                   |
| Times Millage Rate of 19.2871 mills  | x .019287071               |
| Equals amount of <u>Property Taxes</u>   | = <b><u>\$1,125.21</u></b> |
| <b>Versus [200,000-25,000=175,000 x .019287071=] <u>\$3,375.24 Without Portability</u></b> |                            |

“Portability” saved these new homeowners significant money in the first year and every year thereafter. **This will enable thousands of Floridians to move** (relocate) without tremendous property tax penalty. The additional \$25,000 exemption detailed below would add another \$295 in savings to those illustrated above. To see and use this process in detail, go to [www.volusia/property](http://www.volusia/property), then to “New Portability & Exemption Calculator.”

In both examples above, **unless the January amendment passes, these homesteaded property owners will pay twice the amount of taxes. Portability alone, in my opinion, is enough reason for Florida voters to pass the January 29<sup>th</sup> amendment.**

**2. Every Volusia homesteader will receive a \$295 tax reduction, due to the additional \$25,000 exemption** (in addition to portability).

Portability provides tremendous potential benefit to those who want to move. The amendment also provides an additional \$295 (using Volusia millages) to those who plan to stay in their existing homes. This is the average tax savings from the additional \$25,000 homestead exemption which will be available if the amendment passes. It provides a positive benefit to resident homeowners, regardless of their desire to re-locate.

**3. All non-homesteaded properties (all other properties) will receive a SOH-like value cap of 10% per year.**

The amendment provides SOH-like protection to all non-homestead property owners. Future value increases are limited to 10% per year. This, along with the “spending-cap” legislation passed by the 2007 legislature, will insure long-term protection against tax-increases.

**4. All Florida businesses receive a new \$25,000 exemption.**

These non-homesteaded (business and other) properties have never had such an exemption before. It applies to their tangible personal property (business machinery, furniture, computers, equipment, mobile home attachments on rented land, etc.). This will average around \$500, benefiting all, but will have greater impact on small businesses. It is an additional incentive for all businesses.

## Summary

Complex problems rarely have simple answers. Tax reform is complex and a single amendment covering all reform areas has already proven problematic to the Florida Supreme Court. The following tax reform problem areas, however, have now been addressed by either the 2007 Legislature or the January 29<sup>th</sup> Amendment:

**Local Government Spending Increases:** The 2007 regular Legislative Session put a local government-spending cap into the Florida Statutes (FS200.065). Local government spending increases are limited to “last year’s budget” plus the PCI (Per capita income index), as well as moneys from newly constructed buildings.

**Inability Of Homeowners To Move To Another Home:** The January amendment provides for “Portability,” as illustrated in detail above, solves this problem affecting so many Floridians.

**Tax Relief For Non-Homesteaded Properties:** The January amendment provides a 10% SOH value-cap for all non-homesteaded property. This is protection against abnormal real estate markets like we saw from 2001-2006. It also provides for an additional \$25,000 business tax exemption.

**If It Fails:** Failure of the amendment in January will delay any solutions for at least one year and possibly two, depending of the actions of the Constitutional Budget and Tax Reform Commission and the 2008 Legislature. Florida’s real estate market and associated service industries fuel much of our economy that is already in crisis mode. Shortfalls in sales tax revenues and rising unemployment are among a host of effects being felt now. Delay will exacerbate the economic situation. A solution to the portability problem will, in my opinion, provide impetus for re-starting the market with increased relocations. We are in the thirteenth year of a normal seven-year relocation cycle where many families are waiting to be able to move without penalty.

On any complicated issue in your life or business, have you ever received all you wanted... at one time... on the first effort? Or did it involve a “process” requiring more of an incremental approach? If we don’t take step-one, how will we get to step-two?

*Next in the series...*

*What tax reform is left? What alternatives are available? Where do we go from here?*