

Tax Reform Is An Incremental Process

Fourth in Tax Reform series by Morgan B. Gilreath, Jr.
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In your private or professional lives, have you ever received exactly what you wanted on any multi-faceted issue? Life's solutions, personal or corporate, usually come through incremental change, mostly delivered one step at a time. Tax reform, due to its complex nature, should be viewed as an *incremental process*, solving problems through incremental changes implemented over time.

Alternative solutions to property tax problems are many and varied. Options range from single-issue fixes to total replacement of the property tax with new means of taxation. Because of the nature of the problems/issues, most reforms can only be achieved through constitutional amendments. Enacting constitutional amendments is a difficult and structured process. For example, taxpayer initiated amendments are only allowed to address one issue and must go through a lengthy petition-gathering process. Only the Legislature and the now-convened Taxation and Budget Reform Commission (TBRC) have the power to propose multi-issue amendments. All amendments must achieve a 60% "Yes" vote in a general election.

The stage, the January 29th ballot, now contains the four legislatively choreographed issues discussed below. These will become the first incremental step in our tax reform efforts as individual Floridians decide to vote "Yes" or "No."

Summary Of The Four Amendment Issues:

Issues Affecting Homesteaded Property Owners:

- A. Portability.** This problem, the lack of *portability*, affects the most people. Every homesteaded homeowner has the constitutional right to annually accrue property tax savings through Save Our Homes (SOH) as housing prices increase, by 3% or the Consumer Price Index, whichever is less. Their savings, legally accrued as a constitutional right, is wiped out if they move from one home to another, a natural occurrence over time for most families and a required one for many due to changing family or job requirements. The amendment, simply put, allows everyone to keep the savings they accrued when they move to another home. It even allows retroactive portability to those who had a Florida homestead on January 1, 2007 and moved to another location afterwards.

- B. Raising the Base (beginning) Exemption Amount from \$25,000 to \$50,000.** This part of the amendment benefits most Florida resident homeowners, not just those wanting to move to a new home. The net effect is to raise the base homestead exemption from \$25,000 to \$50,000 (while exempting school millages) or alternately, to lower homesteaded property tax bills in Volusia County an average \$295.00. The base exemption has been \$25,000 for around 25 years.

Issues Affecting Non-Homesteaded Property Owners (businesses and all others):

- A. **Placing a 10% SOH-like value-cap on all non-homesteaded properties.** This protects businesses and other non-homesteaded properties from skyrocketing taxes should the real estate market ever return to double-digit appreciation rates as we saw from 2001-2006.
- B. **Giving A New \$25,000 Exemption To All Businesses.** Property tax and insurance increases have caused many Florida businesses to go out of business. This is a first-time ever exemption for Florida's businesses. It applies to Tangible Personal Property and will also essentially exempt property taxes on mobile home attachments. It will impact 28,000 Volusia businesses and 17,000 mobile/modular homeowners (45,000 total affected).

What happens after I vote "Yes" or "No?"

The January 29th amendment can be the first in a series of steps, moving toward complete and meaningful tax reform for Floridians. Regardless of the amendment vote (pro or con), both the Taxation and Budget Reform Commission (TBRC) and the 2008 Legislative Session will have the opportunity to enhance *the will of the people* expressed on January 29th.

If it passes (a "Yes" vote), both the TBRC and the Legislature can proceed to the next set of problems and mold solutions for them. If it doesn't (a "No" vote), both entities will have to rehash portability and re-construct assistance for non-homestead properties once again. Portability is the No. 1 issue and all others will pale until it is resolved to the satisfaction of our taxpayers.

Our property tax problems are critical. We are bound in our homes; Floridians are losing their businesses; many are leaving the state and moving elsewhere. The severity of the problems demands immediate attention and waiting another year or two is not the best option. The January amendment offers an immediate and retroactive solution to the most critical problem, *portability* of the Save Our Homes benefit from one home to another.

However, the vote isn't just about the four issues (portability, additional \$25,000 homestead exemption, business value-cap, business TPP exemption). The vote is also about whether the tax reform process gets to *go fishing* for additional solutions or continues to *cut bait* by re-visiting and revising these same issues again and again. In other words, a "no" vote instructs the TBRC and Legislature to try to re-do once again what took three legislative sessions in 2007. A "Yes" vote immediately puts retroactive solutions into place. A *Yes-Vote* also sends a very positive message to the TBRC and the Legislature to move on to additional problems and/or better alternatives.

It boils down to this... vote "Yes" and incremental tax reform becomes *incremented* and moves to the next step (additional reform measures voted on in November, 2008). Vote "No" and the TBRC and Legislature re-write the already re-written step one; then we have another vote in November, 2008... and wait a year or two for solution-implementation... then move on to the next step. It's all up to "You," Florida's voters and taxpayers. It's all about "the will of the people." ... I'm voting "Yes."