

# Look before you leap away from legislative tax reform

“Well, ‘they’ didn’t do much for us up in Tallahassee this year, did they?” some residents are saying.

But let’s look at where we were before the legislative session began. We had no property tax relief. We had in Volusia County taxing authorities raising taxes an average of 17 percent per year over the past 5 years. We had no-spending caps. We had no equal treatment for new homeowners. We had no way to reduce taxes this year or in the future for anyone. We had no breaks for working waterfronts or reduced taxes for affordable housing. We had nothing but frustration.

This new legislation may not provide as much relief as quickly as some wanted, but it is, under any definition and without argument, comprehensive tax reform, which all parties demanded.

Let’s look in more detail at what was accomplished by the Legislature.

Legislative act effective this year:

1) Immediate relief this year in the form of taxing authorities cutting spending, introducing a new term called the “mandatory maximum millage rate.” What we’ve seen was the same as last year’s millage and almost never the rolled-back rate, the significantly lower rate that would have resulted from beginning from last year’s spending level instead of “all you can get.” This forces all taxing authorities to a mandatory millage reduction of as much as 9 percent below the rollback rate. Then, in the constitutional part, they are capping future spending, all of which will start from this lowered millage. Some are saying it isn’t enough, but it’s more than they think. No one wanted to touch school spending this year, which had accounted for about 50 percent of the tax increases everyone’s been complain-



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ing about. This bill this year keeps “them” from spending like “they’ve” been spending. A number of central Florida county tax rolls are up from 11-25 percent; ours is up 7 percent. Does anyone doubt for a minute there wouldn’t have been significant tax increases this year without this Legislature’s action?

All other issues required Constitutional amendments to be voted on in January 2008.

2) There will be a permanent spending cap on all taxing authorities, limited to annual per capita income percent, about 4-5 percent annually. Tax increases from year to year will be limited to percentage increases in the per capita income index, about 4-5 percent per year. Local governments also will get additional dollars generated from new construction, averaging about 2-3 percent per year, topping out at around 5-8 percent per year. That’s a reasonable approach, and it will keep taxes down over time, regardless of what happens in the real estate market to values. I think it causes about a 2 to 2.5 percent millage rate reduction each year.

3) Changes our homestead exemption in a number of ways:

a) Existing Save Our Homes residents get to keep their SOH for as long as they stay in their home. Right now, we are “stuck in our

homes.” Under this amendment, when one moves to a new home or when they buy their first home, they automatically go under the new exemption called the “Super-Exemption,” which actually starts out with a larger exemption than SOH would on a new home. Everyone with SOH now will be able to keep it as long as they stay in that home. If they move to another home, they go under the “Super-Exemption,” which starts off with a 75 percent exemption (up to \$200,000).

b) Creation of a new homestead exemption called the “Super-Exemption.” This will not affect anyone who has SOH unless they choose to change to it. The new exemption starts out with a 75 percent exemption for the first \$200,000, then 15 percent on all values between \$200,000 and \$500,000; then the \$500 maximum is increased each year by the PCL. The Super-Exemption favors lower-valued homes and does increase higher than SOH on upper-limit price levels.

4) The plan does away with the need for portability. By having the same homestead plan for all existing resident Floridians (new or old), it brings back total equality for all homeowners, not just to existing homesteaded citizens but all, no matter when someone moved here — five years ago, yesterday, today or tomorrow. Yes, the new system (Super-Exemption) uses a different calculation, but it’s one with a much higher exemption than SOH offers for first-time homesteaders (\$25,000 existing exemption in year one), and it’s offered to all residents.

5) The plan provides a tax break for all home businesses, small businesses, large businesses and for essentially all mobile homeowners

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through a \$25,000 exemption from their tangible personal property assessments. To repeat, no business with under \$25,000 in tangible personal property will have to file a tangible tax return after the first year (it will work much like the automatic homestead exemption). This will essentially exempt many small businesses and all home businesses and mobile home attachments from having to file annual tax returns and save them up to \$600 in taxes.

6) Low-income seniors (older than 65 with an income less than \$24,000) will receive a minimum \$100,000 homestead exemption. Regular homestead exemption will be a minimum of \$50,000. The low-income seniors exemption cannot go below \$100,000. If they live in a \$100,000 home, it’s tax free. The Legislature takes the decision to give this exemption out of the hands of cities that didn’t understand that it didn’t cost them money and many would not give it to their poor elderly residents.

7) The plan provides rental relief for owners of almost every conceivable type of affordable housing and/or workforce rental housing. This has potential to impact many types of properties, from rental houses to mobile homes, duplexes, apartments or any property renting to someone qualified for affordable housing or workforce rental housing. This is tax relief to the owners of rental property, allow-

ing them to charge rents that those needing affordable housing can afford to pay. Owners will have to qualify, for example, for affordable housing programs such as Federal Section 8 housing program. The relief will come through lower value-in-use valuations based on actual rents, rather than on comparable sales (market value appraisals).

8) The plan provides long-term relief for working waterfront properties, changing its valuation methodology from a value-in-exchange (market value) to a value in use. Many old Florida waterfronts are being transformed and overrun by condo developments and cannot continue with having to pay taxes based on comparable property appraisals. This will be further defined by the 2008 Legislature after the classification is created within the constitutional framework.

Is it perfect? I don’t know anything that is. Our legislative process allows for input by everyone — taxpayers, local governments, newcomers, old-comers, all-comers — and the 2007 Legislature got an earful from all of them. Then they passed the best proposals they could get all political parties in the House and Senate to agree on and vote for.

I’ve heard that a good compromise doesn’t please anyone completely. I don’t think we’ve ever had a legislative session so focused or so devoted to a single issue. No one is happy with all of it, but it is comprehensive.

I don’t think we’ll ever see this level of conversation from all sides, this level of

analysis from all sides nor this level of agreement from all sides. It’s not perfect, but it’s a comprehensive plan with results that can happen. That’s what a compromise is all about.

If this package fails, we are back where we were with frustration as our closest companion and our best hope — separate, single-issue constitutional amendments, all well-intentioned, but driven by the group proposing the issue.

Make your own decision, but I implore you to analyze, decipher, learn, discern and then “look before you leap.”

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## Elks

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