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Florida's Property Tax Reform: Statutory Changes[1]

Rodney L. Clouser and W. David Mulkey[2]

Introduction

In June 2007, during a special legislative session, the Florida Legislature made changes in the state's property tax system. These changes were signed into law by the Governor on June 21, 2007. The changes cover two primary areas: (1) statutory changes that initially reduce the amount of property taxes that can be levied by units of local government and then place caps on future growth and (2) a proposed constitutional amendment that will be voted on by Florida residents on January 29, 2008.

The statutory changes made during the June 2007 special legislative session are complicated, not easily interpreted by individuals without technical or legal skills, and vary for state fiscal years (July 1 – June 30) 2007-08, 2008-09 and 2009 and beyond. A brief summary of the changes are provided for the various years.

Statutory Changes

A General Overview

- Most cities, counties, and special districts will reduce property taxes levied (amount collected) for the 2007-08 fiscal year between three and nine percent based upon their increase in per capita tax levies between 2001 and 2006.
- The rolled-back millage computation is exclusive of new construction (the rolled back millage rate is the tax rate that will raise the same amount of taxes as in the prior year exclusive of new construction that was not on the prior year's tax roll).
- The larger the city, county, or special district per capita property tax increases, the larger the decrease required.
- Tax cuts do not apply to school districts.
- All independent special districts will have tax revenues decreased three percent.

1. This is EDIS document FE704, a publication of the Food and Resource Economics Department, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL. This document is part of a series of documents on Florida Property Tax Reform. Published December 2007. Please visit the EDIS website at http://edis.ifas.ufl.edu.

This factsheet should not be considered as a comprehensive assessment of property tax changes adopted or proposed by the legislature. Some details of actual or proposed changes are not discussed due to space limitations. This factsheet represents the interpretation by the author(s) of the most significant changes. This factsheet is not intended as a replacement for personal knowledge about actual or proposed changes but is a guide to inform the public on property tax issues.

2. Rodney L. Clouser, Professor and Extension Public Policy Specialist, and W. David Mulkey, Professor and Associate Chair, Food and Resource Economics Department, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL.

- Local taxing authorities that have not levied property taxes for at least five years are not subject to any reduction.

- Fiscally constrained counties will see tax cuts no greater than three percent.

  Counties defined as a "County of special financial concern" and fiscally constrained by F.S. 218.67 and where 1 mill, or where $1 per thousand of value, generates less than $100 of revenue per capita will have no cuts.

- Municipalities of special financial concern likewise will see tax cuts no greater than three percent.

  Municipalities of special fiscal concern are defined as a city in a fiscally constrained county or a city that has been in a state of financial emergency since July 1, 2001 will have no cuts.

- Municipal service taxing units (MSTU) and dependent districts that provide emergency medical or fire protection services will have reductions limited to three percent.

- Local governments can override the tax cuts by different voting methods (super majority, unanimous, or voter approved methods).

More Detailed Information

Fiscal Year 2007-2008

Fiscal year 2007-08 covers the time period between July 1, 2007 and June 30, 2008. Changes passed by the legislature require cities, counties (including municipal services taxing units (MSTU), or dependent special districts to local governments to reduce property tax levies (taxes collected) based on annual growth in per capita tax levies. This reduction is accomplished by reducing a rolled-back millage rate (referred to as RBR and is the tax rate per $1000 of taxable value), exclusive of new construction, by the specified percentage rate approved by the legislature.

The following is an example of how a rolled-back millage rate is calculated:

Your county government had a taxable value of $20 billion in 2006-07, the millage rate was 5 mills, and property taxes generated are $100 million. In 2007-08, the taxable value of that same property (not including new construction and additions) increased 10 percent to $22 billion. The rolled back rate would be 4.545 mills (the millage rate required to raise $100 million on the $22 billion value). The rolled back rate then can be applied to any new construction or additions to the tax roll from the prior year. Assume this value is $1 billion. This would provide the local government with $ 4.54 million in additional property tax revenue.

The reduction levels specified in the legislation for fiscal years 2008 and 2009 and applied to the rolled-back millage are shown in Table 1. Note that those cities and counties with larger increases in local taxes have larger reductions.

All fiscally constrained counties and cities were required to reduce taxes by three percent. However, counties of special financial concern and municipalities of special financial concern are not required to reduce taxes. Counties of special fiscal concern are defined as fiscally constrained, where 1 mill, or where $1 per thousand of value, generated less than $100 of revenue per capita. Municipalities of special fiscal concern are defined as a municipality in a fiscally constrained county or a municipality that has been in a state of financial emergency since July 1, 2001.

In Table 2, reductions on a county-by-county basis in Florida are shown. Because of the large number of municipalities in the state, it is not possible to show the reductions by each city. This information, however, is available online at the Florida House of Representatives website at http://www.myfloridahouse.com/FileStores/Web/HouseContent/Approved/Announcements/Uploads/Documents/Property_Tax_Reform_Documents/City%20Roll%20Back%20Groups%203--with%20zeros.pdf.

Independent special districts were all required uniformly to reduce tax levies by three percent. MSTU and dependent special districts to cities and counties whose “predominant function is to provide emergency medical or fire rescue services” are treated as independent districts and are not included in the calculation of the maximum millage rate.

The legislation allows for the millage limitation imposed by the legislature to be superseded under certain conditions. The rolled-back millage (RBR) rate can be adopted if a two-thirds vote of the governing body is achieved (three-fourths vote if the governing body has nine or more members); the non-voted millage rate (the millage rate set by the local governing body) for 2006-07 rate can be approved by unanimous vote of the local board, and a millage rate higher than the 2006-07 rate can only be approved by a referendum of eligible voters.

What happens if local units of government do not comply with the law? According to the legislation passed, “(6) Any county or municipality that is in violation of this section shall forfeit the distribution of the local government half-cent sales tax revenues during the 12 months following a determination of noncompliance by the Department of Revenue, subject to the conditions provided in Florida Statutes 200.065 and 788 218.63 (Florida House of Representative, HB 1B, Enrolled).

Fiscal Year 2008-2009

The procedure required in the 2008-09 fiscal year is similar to the prior year. Counties, MSTU's of each county, and special districts dependent to the counties, as well as municipal governments and special districts dependent upon the municipality and independent special districts must calculate a rolled-back millage (RBR) rate, exclusive of new construction. However, any tax levies that resulted from a millage rate approved by a super majority in excess of the maximum millage rate that could be levied by a simple majority vote must be reduced by the revenue resulting from the higher rate. In other words, if a unit of local government exceeded the maximum rate, the additional revenue raised must be subtracted before the 2008-09 RBR is calculated. The maximum millage rate is then adjusted by the growth in Florida per capita personal income.

The RBR can be exceeded in fiscal year 2008-09. As long as the rate is 110 percent or less of the RBR, a required vote of two-thirds of the governing body is needed. Any millage rate in excess of the 110 percent requires a unanimous vote of the governing body (three-fourths if the governing body has nine or more members), or approval by voter referendum. If units of local government fail to comply, they again forfeit the distribution of the local government half-cent sales tax revenues during the 12 months following a determination of noncompliance

Fiscal Year 2009-2010 and Beyond

For fiscal years 2009-10 and beyond, the changes are based on and similar to the prior fiscal year. The primary difference compared to fiscal year 2008-09 is that any tax levies that resulted from a millage rate approved by a super majority in excess of the maximum millage rate that could be levied by a simple majority vote are not required to be reduced by the revenue resulting from the higher rate. The rate, as in the prior year, allows for growth in terms of new construction and the growth in Florida per capital personal income. The conditions for exceeding the RBR are the same as in fiscal year 2008-09.

Other Statutory Changes

The legislature also created Florida Statute 193.803, “Assessment of eligible rental property used for workforce and affordable housing.” Changes include identifying property that can be classified as workforce and affordable housing and developing a method for assessing this property for tax purpose.

Properties identified as meeting the criteria include:

- U.S. Department of Housing and Urban Development Section 8 affordable housing.
- Rental property for multi-family housing, commercial fishing workers and farm workers, homeless people, and the elderly funded and rent restricted by the Florida Housing Finance Corporation.

- Properties meeting the criteria for the State Housing Initiatives Partnership.
- Multi-family residential rental property of 10 or more units certified to have 100 percent of its units used to provide affordable housing under Florida Statute 420.0004 and is subject to an agreement recorded in the official records of the county that restricts the use of the property for at least 20 years.

Property classified as workforce or affordable housing will be assessed under an income approach rather than a fair market value approach. Workforce and affordable rental housing receiving tax credits from the Florida Housing Authority have additional criteria identified related to application of the tax credits. If property owners receive this classification and assessment for workforce or affordable housing, and use of or status of the property changes, and they fail to notify the property appraiser, the owners are subject to taxes due, plus 15 percent annual interest and a penalty of 50 percent of additional taxes owed.

All changes except the implementation language for the proposed constitutional amendments took effect upon the bill being signed into law.

Impact of Statutory Changes

The estimated statewide impacts of the statutory changes and resulting tax cuts and tax caps has been estimated by the Florida House of Representatives as follows:

- Fiscal Year 2007-08 .... ($2.2 billion)
- Fiscal Year 2008-09 .... ($2.6 billion)
- Fiscal Year 2009-10 .... ($3.1 billion)
- Fiscal Year 2010-11 .... ($3.6 billion)
- Fiscal Year 2011-12 .... ($4.2 billion)
- 5 Year Total .... ($15.7 billion)

The legislative analysis indicated that if these changes had not been made, Florida property owners would have paid over $15 billion more in taxes over the next five years. To put this decrease in perspective, total ad valorem tax collections for all units of government, including schools, were approximately $30.4 billion in fiscal year 2006. Over the five-year period, ad valorem taxes will be 8 to 10 percent lower than without the statutory changes that were made by the legislature.

The potential savings for any individual property owner however, may be relatively small. Average individual savings for the first year (2007-08) have been estimated at $174 for homesteaded property, $199 for non-homesteaded property, and $941 for commercial property (Florida Tax Watch), but averages can be very misleading. Some taxpayers may see much bigger reductions and some taxpayers may see much smaller reductions. For example, the Alachua County property appraiser recently reported that based on the statutory reduction approved by the special June 2007 legislative session, the average reduction in taxes was $167. The property appraiser also reported that of over 96,000 parcels of property taxed in Alachua County, about 42,800 parcels, or about 44.5 percent, received some proposed reduction in taxes while over 53,200 parcels, or 55.4 percent, had no reduction or an increase in proposed taxes (Gainesville Sun, August 22, 2007). Taxes are expected to increase from the prior year for over half of Alachua County's properties since school property taxes were not part of the legislated reduction, individuals buying new or existing houses are ineligible for the Save Our Homes (SOH) exemption, and non-homesteaded properties (commercial, industrial, and rental) are ineligible for the SOH exemption.

Summary

Immediate changes in the amount of taxes collected by units of local government were adopted by the Florida Legislature through statutory changes beginning in fiscal year 2007-08 (October 1, 2007 through September 30, 2008). Estimates by state legislative staff indicate these changes will result in over $15 billion in property tax reductions for Florida residents over the next five years. That is a substantial amount of money. Some taxpayers may see little to no decrease in their tax bill since school property taxes were not part of the legislated reduction, individuals buying new or existing houses are ineligible for the

Save Our Homes (SOH) exemption, and non-homesteaded properties (commercial, industrial, and rental) are ineligible for the SOH exemption. It also must be remembered that the statutory changes are only one component of two changes approved by the legislature. The second is a proposed constitutional amendment that will be voted on by Florida residents in January 2008.

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Table 1. Reduction levels for fiscal years 2008 and 2009.

Reduction Levels	**County** Annual Compound Growth Rates	**Municipal** Annual Compound Growth Rates
0% *	Less than 5%	Less than 6%
3%	LEss than 7%	Greater than 6% but no greater than 7.5%
5%	Greater than 7% but no greater than 9%	Greater than 7.5% and no greater than 10.5%
7%	Greater than 9% but no greater than 11%	Greater than 10.5% ad no greater than 12.4%
9%	Greater than 11%	Greater than 12.4%

* Counties and cities of specal fiscal concern.

Table 2. County government tax rollback calculations.

County	Per Capita Levies 2001	Per Capita Levies 2006	Annual % Change	Above / Below State Average	Fiscally Limited County	% Cut from RBR
Statewide	$382	$619	10.1%			
Union	179	205	2.7%	–7.42%	Y	0.0%
Jackson	198	231	3.1%	–7.00%	Y	0.0%
Calhoun	202	251	4.4%	–5.76%	Y	0.0%
Hendry	379	479	4.8%	–5.32%	Y	0.0%
Gadsden	210	271	5.3%	–4.84%	Y	–3.0%
Okeechobee	272	361	5.8%	–4.32%	Y	–3.0%
Hamilton	443	588	5.8%	–4.31%	Y	–3.0%
Lafayette	248	335	6.2%	–3.97%	Y	–3.0%
Holmes	160	219	6.5%	–3.61%	Y	–3.0%
LIberty	238	334	7.0%	–3.13%	Y	–3.0%
Bradford	224	315	7.1%	–3.08%	Y	–3.0%
Sumter	281	398	7.2%	–2.90%	Y	–3.0%

Table 2. County government tax rollback calculations.

County	Per Capita Levies 2001	Per Capita Levies 2006	Annual % Change	Above / Below State Average	Fiscally Limited County	% Cut from RBR
Jefferson	268	383	7.4%	–2.71%	Y	–3.0%
Columbia	235	342	7.8%	–2.31%	Y	–3.0%
Taylor	395	590	8.4%	–1.78%	Y	–3.0%
Madison	207	324	9.4%	–0.77%	Y	–3.0%
Washington	241	393	10.2%	0.08%	Y	–3.0%
Putnam	319	525	10.4%	0.30%	Y	–3.0%
Baker	156	260	10.7%	0.59%	Y	–3.0%
Gilchrist	244	410	10.9%	0.80%	Y	–3.0%
Hardee	292	514	12.0%	1.84%	Y	–3.0%
Highlands	285	518	12.6%	2.51%	Y	–3.0%
Wakulla	238	434	12.8%	2.67%	Y	–3.0%
Dixie	287	532	13.2%	3.02%	Y	–3.0%
DeSoto	237	440	13.2%	3.09%	Y	–3.0%
Levy	252	470	13.3%	3.16%	Y	–3.0%
Suwannee	190	357	13.4%	3.25%	Y	–3.0%
Glades	427	802	13.5%	3.31%	Y	–3.0%
Monroe	808	1,027	4.9%	–5.23%	N	–3.0%
Pasco	321	428	5.9%	–4.23%	N	–3.0%
Orange	497	671	6.2%	–3.95%	N	–3.0%
Duval	412	557	6.2%	–3.91%	N	–3.0%
Leon	326	462	7.2%	–2.93%	N	–5.0%
Indian River	498	710	7.3%	–2.82%	N	–5.0%
Citrus	421	605	7.5%	–2.64%	N	–5.0%

Table 2. County government tax rollback calculations.

County	Per Capita Levies 2001	Per Capita Levies 2006	Annual % Change	Above / Below State Average	Fiscally Limited County	% Cut from RBR
Broward	347	515	8.2%	–1.92%	N	–5.0%
Hillsborough	462	693	8.4%	–1.71%	N	–5.0%
Alachua	322	485	8.5%	–1.63%	N	–5.0%
Clay	299	456	8.8%	–1.35%	N	–5.0%
Brevard	296	460	9.2%	–0.93%	N	–7.0%
Seminole	310	482	9.2%	–0.92%	N	–7.0%
Pinellas	362	564	9.3%	–0.85%	N	–7.0%
Santa Rosa	266	420	9.6%	–0.53%	N	–7.0%
Osceola	366	580	9.7%	–0.49%	N	–7.0%
Marion	262	418	9.8%	–0.37%	N	–7.0%
Volusia	293	474	10.1%	–0.08%	N	–7.0%
Okaloosa	211	342	10.2%	0.04%	N	–7.0%
Martin	689	1,120	10.2%	0.06%	N	–7.0%
Escambia	269	445	10.6%	0.43%	N	–7.0%
Lee	494	830	11.0%	0.82%	N	–7.0%
Palm Beach	436	753	11.5%	1.41%	N	–9.0%
Hernando	342	591	11.6%	1.43%	N	–9.0%
Nassau	456	801	11.9%	1.78%	N	–9.0%
Dade-Miami	408	725	12.2%	2.03%	N	–9.0%
Bay	274	491	12.3%	2.18%	N	–9.0%
Polk	264	475	12.4%	2.31%	N	–9.0%
Sarasota	357	651	128.%	2.63%	N	–9.0%
Manatee	423	787	13.2%	3.06%	N	–9.0%

Table 2. County government tax rollback calculations.

County	Per Capita Levies 2001	Per Capita Levies 2006	Annual % Change	Above / Below State Average	Fiscally Limited County	% Cut from RBR
Saint Johns	500	936	13.4%	3.22%	N	–9.0%
Collier	578	1,095	13.6%	3.50%	N	–9.0%
Walton	607	1,156	13.8%	3.61%	N	–9.0%
Flagler	297	571	14.0%	3.84%	N	–9.0%
Saint Lucie	388	747	14.0%	3.87%	N	–9.0%
Lake	225	454	15.1%	4.92%	N	–9.0%
Gulf	530	1,204	17.8%	7.67%	N	–9.0%
Charlotte	381	978	20.8%	10.64%	N	–9.0%
Franklin	541	1,461	22.0%	11.83%	N	–9.0%