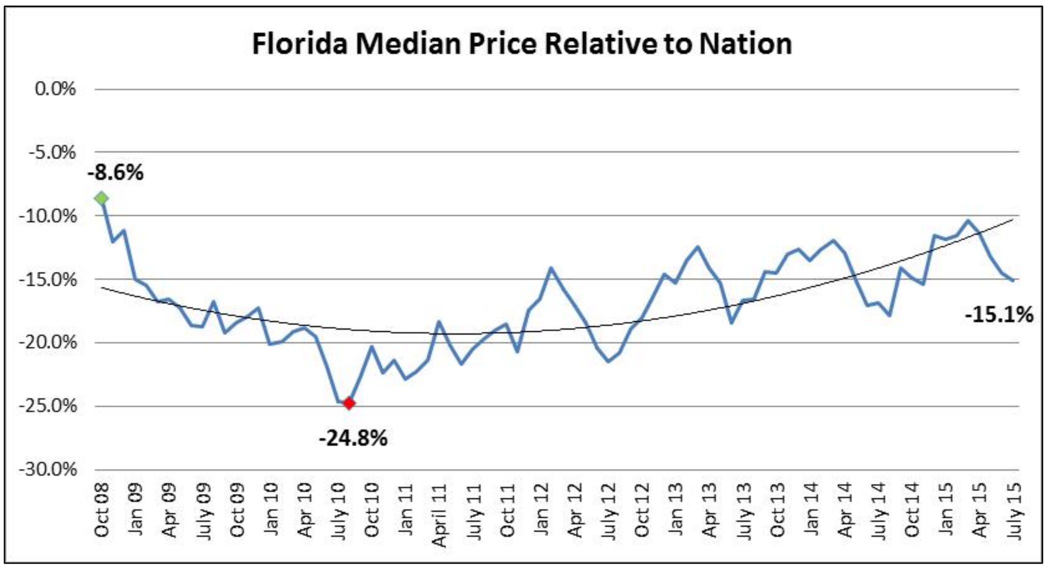
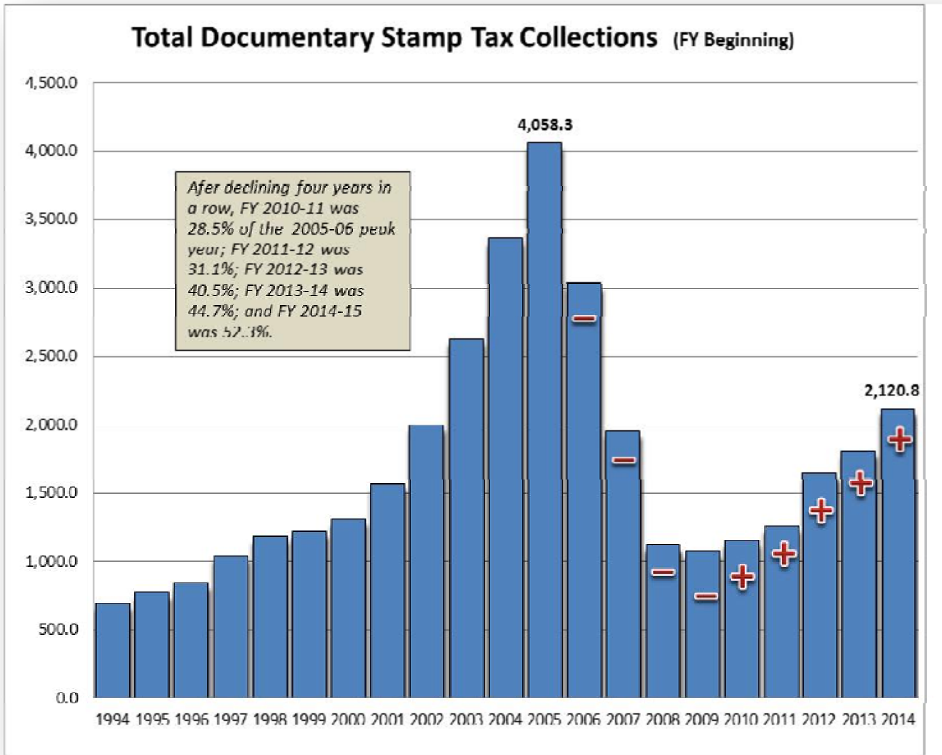
Documentary Stamp Tax
Executive Summary
Summer 2015

The pace of Florida's recovery in Documentary Stamp Tax collections will be driven in large measure by the time it takes the ***construction industry*** to revive fully. Due to the subdued activity in that area, recent attention has focused on the market for existing homes as an upstream indicator. In this regard, existing home sales made significant gains during the 2014 calendar year, beating their prior peak in 2005. Year-to-date activity since then indicates an even better year in 2015. Conversely, increases in sales price have generally lagged behind the gains in sales volume—recently falling behind US price gains as well.



Single-Family building permit activity, an indicator of new construction, is back in positive territory, showing strong growth in both the 2012 and 2013 calendar years (32.3 percent and 31.3 percent, respectively). Despite the strong percentage growth in both years, the level is still low by historic standards, and final data for the 2014 calendar year reveals significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year.

As a result of the still relatively low construction activity and modest prices, Documentary Stamp Tax collections were only 52.3 percent of their prior peak as the 2014-15 fiscal year ended. Even so, this was a significant improvement over the two previous years which saw collections at 40.5 percent and 44.7 percent of the 2005-06 peak year.



The expectation that Documentary Stamp Tax collections will continue to pick up is bolstered by continuing improvement in the demand for housing. Building permit activity for the calendar year-to-date (January through June 2015) is running well above last year for the same period (single family data is higher by +14.99 percent). Coupled with the strength in existing home sales and the still relatively low median sales price for existing homes, there are clear signals that heightened interest among buyers should continue to exist.

Sales price is strongly affected by the existing inventory of unsold homes: to the extent the inventory is large, downward pressure is placed on prices. While the national inventory has held steady—posting a fairly normal 5 months supply in June 2015—the situation is more complicated in Florida. Over the past few years, foreclosures have swelled the state's unsold inventory of homes and will continue to do so in the near-term. Private sector data for the first six months of 2015 shows that Florida was still the highest state in the country for its rate of foreclosures. Prior to the increase of foreclosures in 2007, the average foreclosure took 169 days or slightly less than six months to process. At the end of the 2014 calendar year, a foreclosure took 946 days to process (about 2.6 years), the third longest period in the nation. The abnormally long time to complete the foreclosure process slows the placement of these properties on the market—and in the interim, the potential bubble of viable homes that will ultimately hit the market continues to build. And once they hit the market, the subsequent sales are usually at a significant discount; the most recent data indicated a 43.0 percent distressed property discount.

However, there is promising news. The front end of the foreclosure stream—comprised of mortgages newly falling into delinquency—has steadily declined. After being ranked first for many months, Florida is now in ninth place among states for non-current mortgages (a measure of total delinquencies and foreclosures). There are several reasons for this, but one is the federal homeowner assistance program activity. Florida's "underwater" homes declined from a high of 50 percent of all residential mortgages to about 13 percent in the most recent data. Absent some intervention, these homeowners were the most likely to move into (or already be in) seriously delinquent status, so a decline in these numbers is a good sign. According to Black Knight's Mortgage Monitor for May 2015, "Florida leads the nation with a 22 percent reduction in non-current inventory over the past 6 months, followed by Idaho, Michigan, Minnesota, and Illinois at just under 20 percent."

Currently, the key housing market metrics do not show a return to their peak levels until 2021-22 (total construction expenditures) and 2022-23 (private residential construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment; single and multi-family starts) or very late in the period (median sales price for existing homes in 2023-24).

There is a potential upside risk for construction if rising mortgage rates and construction loan costs do not put the brakes on recent activity. The "shadow inventory" of homes that are in foreclosure or carry delinquent or defaulted mortgages may contain a significant number of "ghost" homes that are distressed beyond realistic use, in that they have not been physically maintained or are located in distressed pockets that will not come back in a reasonable timeframe. This means that the supply has essentially become two-tiered—viable homes and seriously distressed homes. To the extent that the number of viable homes is limited, new construction may come back quicker than expected.

The Conference increased the forecast for Fiscal Year 2015-16 by $76.8 million over the previous estimate to $2.3 billion. Positive growth is expected to continue throughout the three-year period used for the upcoming Long-Range Financial Outlook (2016-17 at 7.4 percent, 2017-18 at 6.7 percent, and 2018-19 at 4.9 percent). These combined growth rates produce anticipated collections of $2.8 billion in Fiscal Year 2018-19. The prior peak level of $4.1 billion is expected to be reached in Fiscal Year 2028-29.

The table below shows both the new forecast for total collections from the Documentary Stamp Tax and the constitutionally required distribution to the Land Acquisition Trust Fund (LATF).

Documentary Stamp Tax Total Collections
Long Term Forecast ($ Million)

Fiscal Year	Total Doc Stamps	Percent Change		Total to LATF	Debt Service	Remainder LATF
2009-10	1,078.6	-3.93%				
2010-11	1,156.5	7.22%				
2011-12	1,261.6	9.09%				
2012-13	1,643.4	30.26%				
2013-14	1,812.5	10.29%				
2014-15	2,120.8	17.01%				
2015-16	2,334.4	10.07%		767.1	*173.3*	*593.8*
2016-17	2,506.3	7.36%		823.8	*173.5*	*650.3*
2017-18	2,675.4	6.75%		879.6	*173.6*	*706.1*
2018-19	2,806.6	4.91%		922.9	*173.6*	*749.3*
2019-20	2,911.0	3.72%		957.4	*173.8*	*783.6*
2020-21	3,017.0	3.64%		992.4	*173.7*	*818.6*
2021-22	3,119.2	3.39%		1,026.1	*152.4*	*873.7*
2022-23	3,236.0	3.75%		1,064.7	*141.5*	*923.2*
2023-24	3,360.1	3.83%		1,105.6	*121.4*	*984.2*
2024-25	3,493.4	3.97%		1,149.6	*121.4*	*1,028.2*
2025-26	3,630.8	3.93%		1,194.9	*96.0*	*1,098.9*
2026-27	3,767.8	3.77%		1,240.2	*74.4*	*1,165.8*
2027-28	3,910.0	3.77%		1,287.1	*55.4*	*1,231.6*
2028-29	4,057.6	3.77%		1,335.8	*31.1*	*1,304.6*
2029-30	4,210.7	3.77%		1,386.3	*7.8*	*1,378.5*
2030-31	4,369.6	3.77%		1,438.7	*7.8*	*1,431.0*
2031-32	4,534.5	3.77%		1,493.2	*7.8*	*1,485.4*
2032-33	4,705.6	3.77%		1,549.6	*0.0*	*1,549.6*
2033-34	4,883.2	3.77%		1,608.2	*0.0*	*1,608.2*
2034-35	5,067.5	3.77%		1,669.0	*0.0*	*1,669.0*
2035-36	5,258.7	3.77%		1,732.1	*0.0*	*1,732.1*

Documentary Stamp Tax Collections and Distributions (Millions)
Summer2015 Adopted - 8/14/2015

Statutory %s	$ Cap	F.S Reference	Description	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
			Total Collection	2334.4	2506.3	2675.4	2806.6	2911.0	3017.0	3119.2	3236.0	3360.1	3493.4	3630.8
		201.15	DOR Admin Cost	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
			Remainder available for distribution	2324.6	2496.5	2665.6	2796.8	2901.2	3007.2	3109.4	3226.2	3350.3	3483.6	3621.0
		(1)	Debt Service (deposited to LATF)	173.3	173.5	173.6	173.6	173.8	173.7	152.4	141.5	121.4	121.4	96.0
			Land Acquisition Trust Fund	593.8	650.3	706.0	749.3	783.6	818.7	873.7	923.1	984.2	1028.2	1098.9
33.00%		(2)	Total to Land Acquisition Trust Fund	767.1	823.8	879.6	922.9	957.4	992.4	1026.1	1064.6	1105.6	1149.6	1194.9
			Remainder	1557.5	1672.7	1786.0	1873.9	1943.8	2014.8	2083.3	2161.6	2244.7	2334.0	2426.1
8.00%		215.20(1)	General Revenue Service Charge	125.4	134.6	143.7	150.7	156.3	162.0	167.4	173.7	180.4	187.5	194.9
		(4)	Net Available for Distribution	1432.1	1538.1	1642.3	1723.2	1787.5	1852.8	1915.9	1987.9	2064.3	2146.5	2231.2
	75.00	(a)	State Economic Enhancement and Development Trust Fund (DEO)	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
24.18%	541.75	(a)	State Transportation Trust Fund	271.3	297.0	322.2	341.7	357.3	373.1	388.3	405.8	424.2	444.1	464.6
0.15%	3.25	(b)	Grants and Donations Trust Fund (DEO)	2.1	2.2	2.4	2.5	2.6	2.7	2.8	2.9	3.0	3.1	3.2
	35.00	(c)	State Economic Enhancement and Development Trust Fund (DEO)	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
5.62%		(c)	State Housing Trust Fund	63.0	68.9	74.8	79.3	83.0	86.6	90.2	94.2	98.5	103.1	107.9
5.62%		(c)	Local Government Housing Trust Fund	63.0	68.9	74.8	79.3	83.0	86.6	90.2	94.2	98.5	103.1	107.9
	40.00	(d)	State Economic Enhancement and Development Trust Fund (DEO)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
1.62%		(d)	State Housing Trust Fund	18.1	19.9	21.5	22.9	23.9	24.9	26.0	27.1	28.4	29.7	31.1
11.31%		(d)	Local Government Housing Trust Fund	127.0	139.0	150.8	160.0	167.2	174.6	181.8	189.9	198.5	207.8	217.4
0.02%	0.30	(e)	General Inspection Trust Fund	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
			Total to Trust Funds (Except LATF)	694.7	746.2	796.8	836.0	867.3	898.8	929.6	964.4	1001.4	1041.2	1082.4
		(6)	Remainder To General Revenue Fund	755.2	791.9	845.5	887.2	920.2	954.0	986.3	1023.5	1062.9	1105.3	1148.8

Note: Total to General Revenue fund in 2015-16 includes $17.8 million trust fund transfers from terminated trust funds (SB 2516-A)

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Note: Estimates in bold were adopted at the General Revenue Estimating Conference (August 2015)