

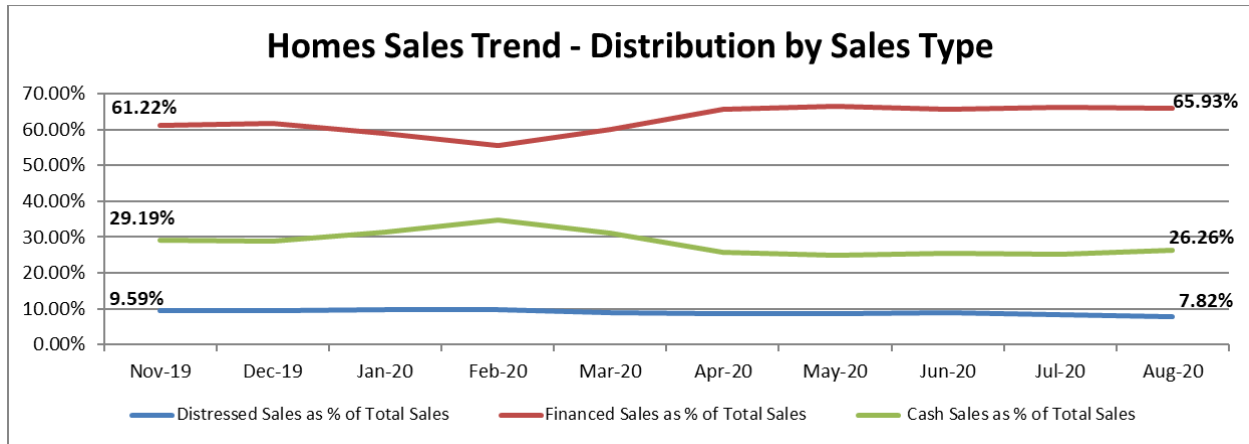
***Documentary Stamp Tax  
Executive Summary  
December 2020***

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. Because construction activity continues to be subpar, attention over the past few years has focused on the market for existing homes as an upstream indicator of future construction need.

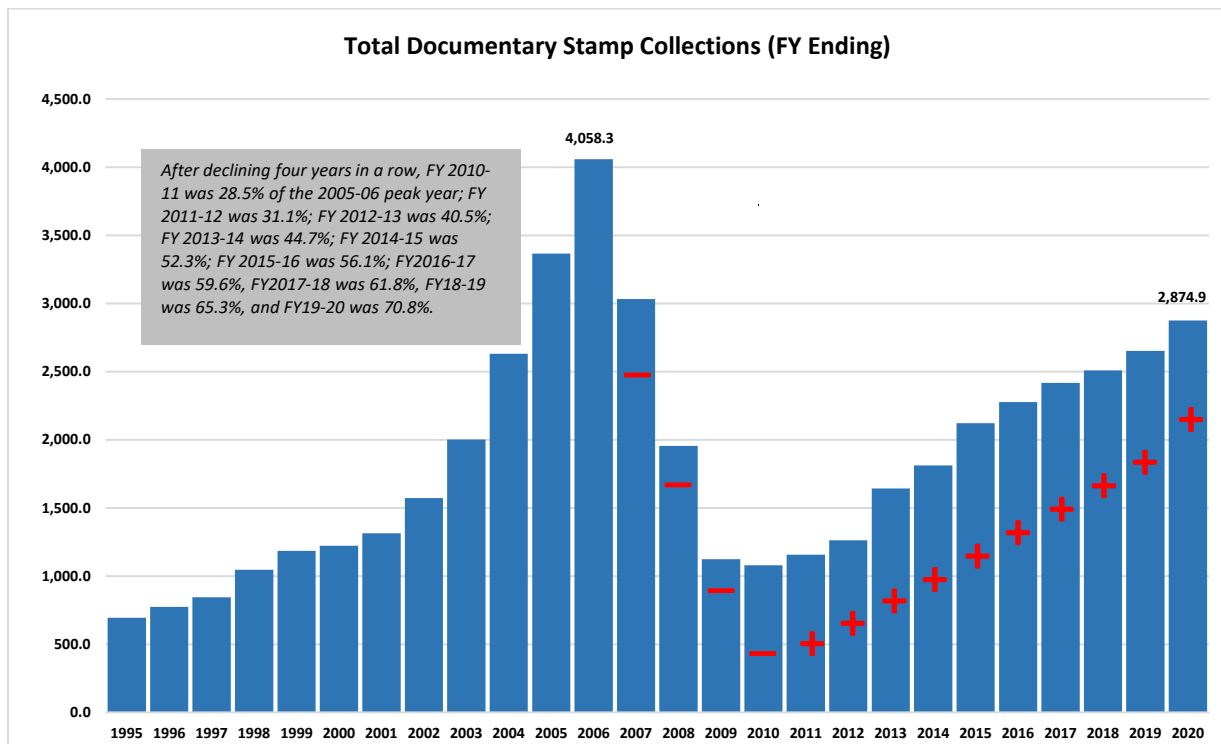
All of these metrics point to an existing home market that appears to be fully recovered. Existing home sales volume in each of the calendar years from 2014 to 2019 exceeded the 2005 peak year. The story is similar for sales price. Florida's existing home price gains have roughly tracked national gains over the last five years; however, growth in the state's median home price for single family homes has generally stayed upwardly steady as the national median peaks and dips. Even so, the national median price increases have outpaced Florida; the state's median price in October was 96 percent of the national median price after passing it briefly in February 2018. Florida's median price finally surpassed its own prior peak (\$256,200 in June 2006) in June 2018 and it reached a new high at \$305,000 in October 2020.

The upward pressure on prices has likely been caused—at least in part—by tightened supply as the excess number of homes coming into the market from the foreclosure process finally came to an end. Part of the past difference in strength between sales volume and price was attributable to the fact that the supply of existing homes for sale in Florida was inflated over the last nine years by the atypically large number of homes coming out of the lengthy foreclosure process and into the market. As these homes returned to the available sales inventory, they dampened some of the price changes suggested by the increased demand. This foreclosure effect has essentially unwound.

Even with a fully recovered existing home market, Documentary Stamp Tax collections were only 70.8 percent of their prior peak as the 2019-20 fiscal year ended. For the 2020-21 fiscal year, this percentage is expected to improve to 79.9 percent. This raises a question about the source of the continued drag. Part of the answer lies in the still subdued construction market; despite the strong double-digit growth in six of the last seven calendar years, the per capita level is still low by historic standards. However, another part of the answer lies in the distinction between deeds and notes in the tax base. While financed sales continue to gain as a percentage of all sales, ending August 2020 with a higher share than this segment had in November 2019 (65.93 percent versus 61.22 percent), the share for cash sales remains elevated (although it reduced to 26.26 percent in August from 34.62 percent in February, mainly due to the impact of pandemic crisis). A cash sale results in a deed; it does not result in a note. This means that the feed-through to Documentary Tax Stamp taxes is muted.



Overall, documentary stamp tax collections in Fiscal Year 2020-21 are expected to grow 12.8 percent to \$3.24 billion, easily surpassing the 8.4 percent growth reached in Fiscal Year 2019-20 and marking the first time since Fiscal Year 2014-15 that Florida has seen a double-digit increase. The projected growth arises from strong sales and elevated pricing in the housing market co-occurring with the substantial increase in refinancing activity. This market environment largely results from the record low interest rates produced by the Federal Reserve’s actions in the second quarter of 2020 to stem the severity of the pandemic’s economic disruption. In contrast, documentary stamp tax collections in Fiscal Year 2021-22 are expected to grow only 3.5 percent as the activity level in the housing market begins to stabilize from its outsized performance in the current year. Annual collections thereafter grow between 2.6 percent and 3.0 percent as some future activity was pulled forward into the current period. The prior peak level of nearly \$4.1 billion is not expected to be surpassed until 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). The new estimates for the LATF are higher than those adopted in August 2020 due to the higher forecast for total collections.

Documentary Stamp Tax Total Collections			Land Acquisition Trust Fund								
Fiscal Year	Total Doc Stamps	Percent Change	Total to LATF	Debt Service	Remainder LATF	Total to LATF	Debt Service	Remainder LATF	Total to LATF	Debt Service	Remainder LATF
			(New Estimates)			(Old Estimates)			(Difference)		
<b>2020-21</b>	<b>3,241.7</b>	<b>12.8%</b>	1,066.5	157.6	908.9	965.9	157.6	808.3	100.7	-	100.7
<b>2021-22</b>	<b>3,355.2</b>	<b>3.5%</b>	1,104.0	136.1	967.9	1,042.1	136.1	906.0	61.9	-	61.9
<b>2022-23</b>	<b>3,442.4</b>	<b>2.6%</b>	1,132.8	125.0	1,007.7	1,068.1	125.0	943.1	64.6	-	64.6
<b>2023-24</b>	<b>3,535.3</b>	<b>2.7%</b>	1,163.4	104.8	1,058.6	1,097.6	104.8	992.8	65.8	-	65.8
<b>2024-25</b>	<b>3,634.3</b>	<b>2.8%</b>	1,196.1	104.8	1,091.3	1,128.5	104.8	1,023.7	67.6	-	67.6
<b>2025-26</b>	<b>3,739.7</b>	<b>2.9%</b>	1,230.9	81.3	1,149.5	1,161.6	81.3	1,080.3	69.3	-	69.3
<b>2026-27</b>	<b>3,848.2</b>	<b>2.9%</b>	1,266.7	60.9	1,205.8	1,195.7	60.9	1,134.8	70.9	-	70.9
<b>2027-28</b>	<b>3,959.8</b>	<b>2.9%</b>	1,303.5	44.4	1,259.1	1,231.0	44.4	1,186.6	72.5	-	72.5
<b>2028-29</b>	<b>4,078.6</b>	<b>3.0%</b>	1,342.7	24.8	1,317.9	1,268.6	24.8	1,243.8	74.1	-	74.1
<b>2029-30</b>	<b>4,201.0</b>	<b>3.0%</b>	1,383.1	6.9	1,376.2	1,306.8	6.9	1,299.9	76.3	-	76.3
<b>2030-31</b>	<b>4,327.0</b>	<b>3.0%</b>	1,424.7	6.9	1,417.8	1,346.1	6.9	1,339.2	78.6	-	78.6
2031-32	4,456.8	3.0%	1,467.5	6.9	1,460.6	1,386.6	6.9	1,379.6	81.0	-	81.0
2032-33	4,590.5	3.0%	1,511.7	3.4	1,508.2	1,428.3	3.4	1,424.8	83.4	-	83.4
2033-34	4,728.3	3.0%	1,557.1	3.4	1,553.7	1,471.2	3.4	1,467.8	85.9	-	85.9
2034-35	4,870.1	3.0%	1,603.9	3.4	1,600.5	1,515.5	3.4	1,512.0	88.5	-	88.5
2035-36	5,016.2	3.0%	1,652.1	3.4	1,648.7	1,561.0	3.4	1,557.6	91.1	-	91.1
2036-37	5,166.7	3.0%	1,701.8	3.4	1,698.3	1,607.9	3.4	1,604.5	93.8	-	93.8
2037-38	5,321.7	3.0%	1,752.9	3.4	1,749.5	1,656.3	3.4	1,652.8	96.7	-	96.7
2038-39	5,481.4	3.0%	1,805.6	3.4	1,802.2	1,706.1	3.4	1,702.6	99.5	-	99.5
2039-40	5,645.8	3.0%	1,859.9	3.4	1,856.4	1,757.4	3.4	1,753.9	102.5	-	102.5

Note: Estimates in bold were adopted at the General Revenue Estimating Conference (December 2020). The constitutional provisions requiring the set-aside of funds into the Land Acquisition Trust Fund expire July 1, 2035. The long-run forecast assumes the Legislature continues this treatment beyond that date.