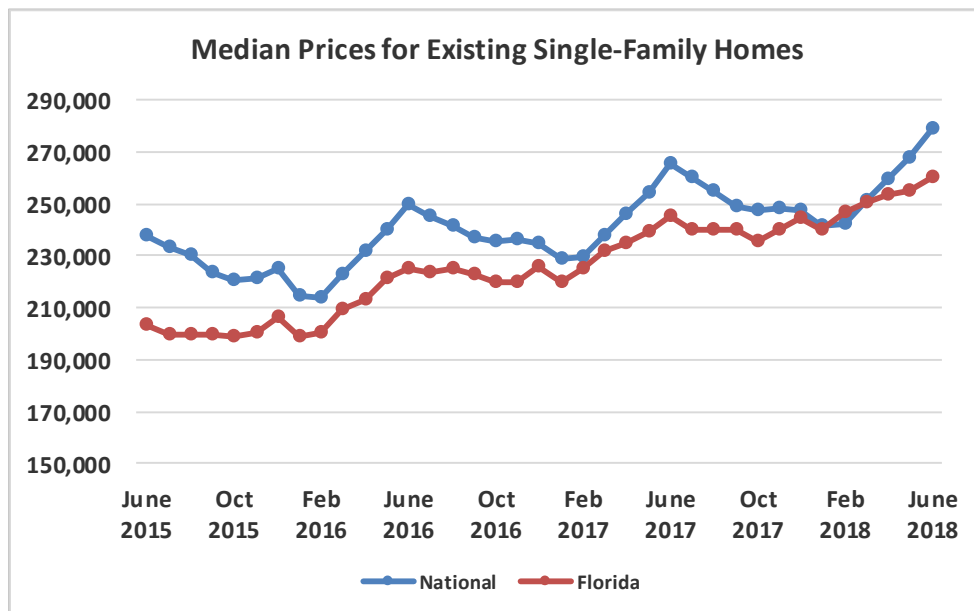


**Documentary Stamp Tax
Executive Summary
August 2018**

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 the 2014, 2015, 2016 and 2017 calendar years all exceeded the 2005 peak year. The first six months of this calendar year (2018) looks on course to do the same. The story is similar for sales price. Florida’s existing home price gains have roughly tracked national gains over the last three 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. The state’s median price in June was 93.1 percent of the national median price, but exceeded the state’s prior peak (\$257,800 in June 2006) for the first time since then.

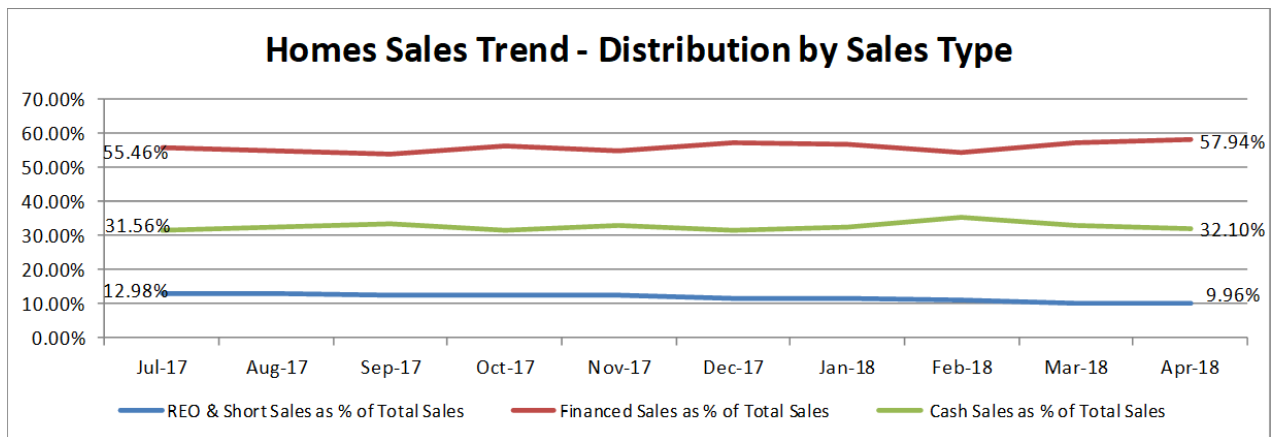


The recent upward pressure on prices has likely been caused—at least in part—by tightened supply as the excess number of homes coming into the market from the foreclosure process finally comes to an end. Part of the past difference in strength between sales volume and price was attributable to the fact that the supply of existing homes for sale in Florida was inflated over the last eight 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

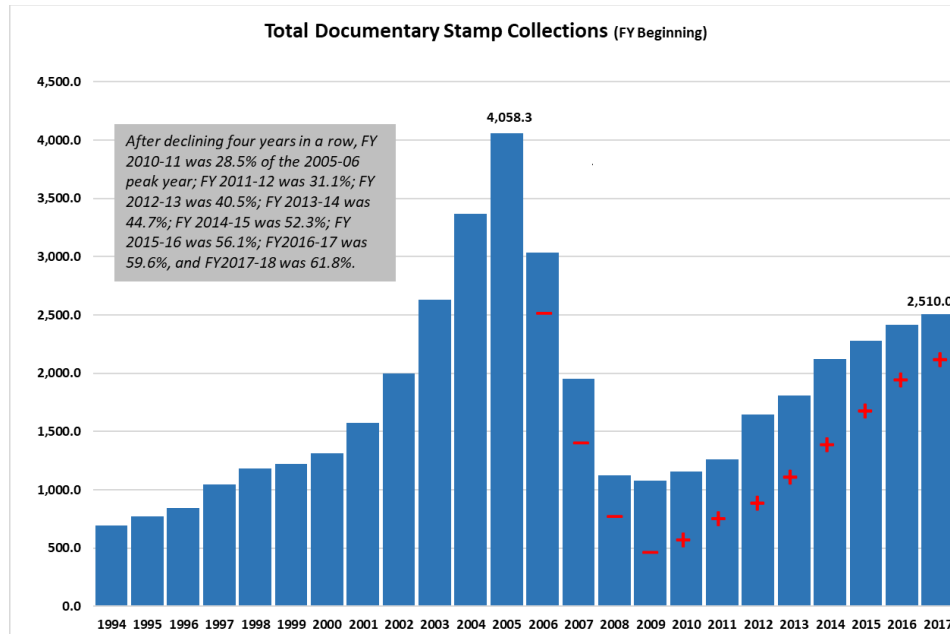
inventory, they dampened some of the price changes suggested by the increased demand. This foreclosure effect is unwinding and expected to finish in Fiscal Year 2018-19.

In regard to the construction industry, single-family building permit activity, an indicator of new construction, remains in positive territory, beginning with strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year activity for the past three years ran solidly above their individual periods a year prior; single-family data was higher than the prior year by 20.3 percent in 2015, by 11.1 percent in 2016, and by 13.5 percent in 2017. Despite the strong percentage growth rates in five of the last six calendar years, the level is still low by historic standards—about half of the long-run per capita level. The slow but steady improvement continues today; recent data for the first six months of the 2018 calendar year indicates that single-family building permit activity increased by 11.4 percent over the prior year during this period.

Even with a fully recovered existing home market, Documentary Stamp Tax collections were only 61.8 percent of their prior peak as the 2017-18 fiscal year ended. For the 2018-19 fiscal year, this percentage is expected to improve only modestly to 64.4 percent. This raises a question about the source of the continued drag. Part of the answer lies in the still subdued construction market described above, but another part 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 April 2018 with a higher share than this segment had in April 2017 (57.94% versus 51.13%), the share for cash sales remains elevated. 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 2018-19 are expected to be \$2.62 billion, with a slightly stronger growth rate than Fiscal Year 2017-18. Growth rates are expected to be between 3.9 percent and 3.5 percent in the earlier years of the forecast, before settling in at 3.0 percent annual growth at the end of the 10-year forecast period. The prior peak level of nearly \$4.1 billion is not expected to be reached until Fiscal Year 2032-33 in the long-term outlook.



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

Documentary Stamp Tax Total Collections (\$ million)

Fiscal Year	Total Doc Stamps	Percent Change	Total to LATF	Debt Service	Remainder LATF
2018-19	2,615.44	4.20%	859.9	163.5	696.4
2019-20	2,717.44	3.90%	893.5	163.6	729.9
2020-21	2,815.27	3.60%	925.8	163.5	762.4
2021-22	2,916.62	3.60%	959.3	142.1	817.2
2022-23	3,015.79	3.40%	992.0	131.1	860.9
2023-24	3,115.31	3.30%	1,024.8	111.0	913.8
2024-25	3,215.00	3.20%	1,057.7	111.0	946.7
2025-26	3,314.66	3.10%	1,090.6	87.7	1,002.9
2026-27	3,417.42	3.10%	1,124.5	67.3	1,057.2
2027-28	3,519.94	3.00%	1,158.4	49.8	1,108.5
2028-29	3,625.54	3.00%	1,193.2	30.3	1,162.9
2029-30	3,734.30	3.00%	1,229.1	6.9	1,222.2
2030-31	3,846.33	3.00%	1,266.1	6.9	1,259.1
2031-32	3,961.72	3.00%	1,304.1	6.9	1,297.2
2032-33	4,080.57	3.00%	1,343.4	3.4	1,339.9
2033-34	4,202.99	3.00%	1,383.8	3.4	1,380.3
2034-35	4,329.08	3.00%	1,425.4	3.4	1,421.9
2035-36	4,458.95	3.00%	1,468.2	3.4	1,464.8
2036-37	4,592.72	3.00%	1,512.4	3.4	1,508.9

Note: Estimates in bold were adopted at the General Revenue Estimating Conference (August 2018). 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.