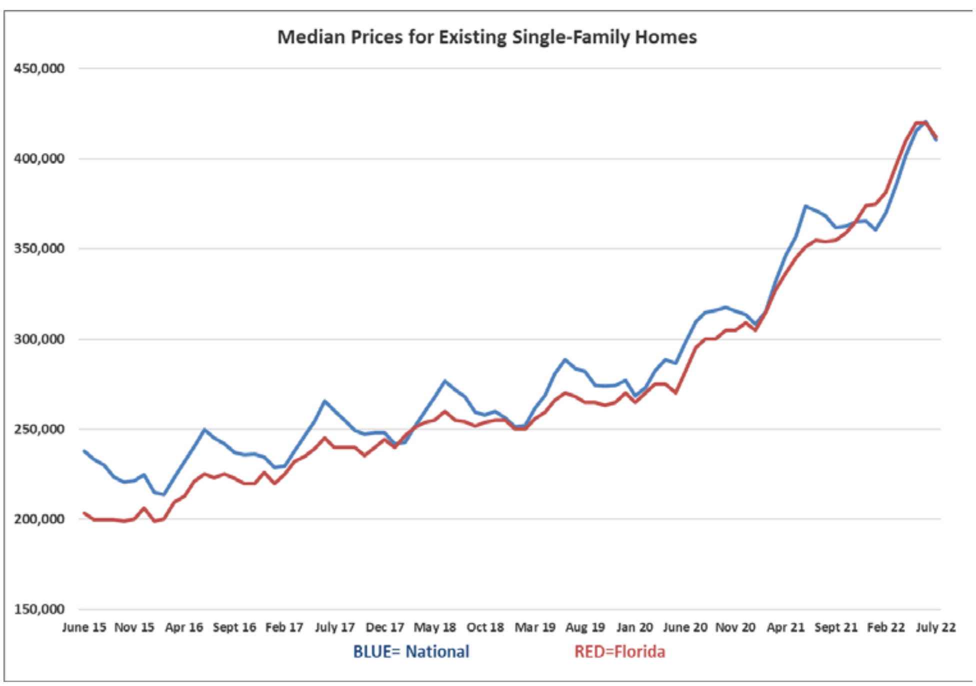
Documentary Stamp Tax
Executive Summary
August 2022

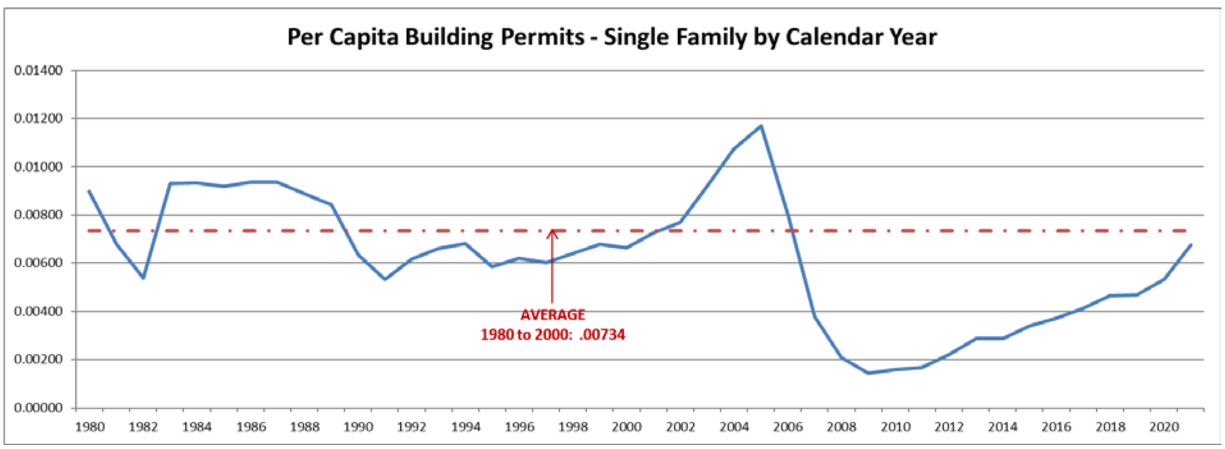
Documentary Stamp Tax collections in FY 2021-22 topped the FY 2020-21 peak established just one year ago. The collection growth in the past two fiscal years was particularly remarkable considering that FY 2019-20 registered only 70.8 percent of the prior peak level reached in FY 2005-06, after steadily increasing for ten years from a low of 26.6 percent of that level.

Because construction activity continues to be subpar relative to the state's long-term average, attention over the past few years has focused on the market for existing homes as an upstream indicator of future construction need. All market metrics point to an existing home market that was overheated and is now cooling off. Existing home sales volume in each of the calendar years from 2014 to 2021 exceeded the 2005 peak year, but the first seven months of 2022 are slowing, with six of the seven months posting lower sales than the prior year. The story is different for sales price. Through October 2021, Florida's existing home price gains roughly tracked national gains, but generally stayed below the national median price. From November 2021 through July 2022, Florida's median price was at or above the national median, peaking in January at 104.0%. Florida's median price first surpassed its own prior peak ($256,200 from June 2006) in June 2018—and at $420,000 in May and June 2022, set a new record high. Notably, Florida's price dropped to $412,303 in July, but was still above the national median.



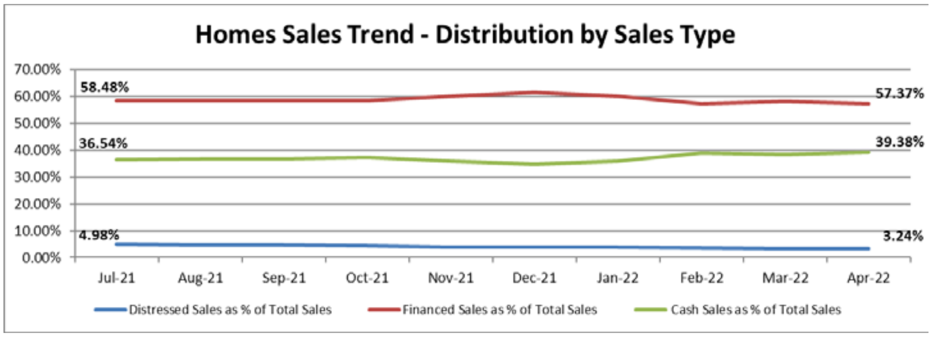
The upward pressure on Florida prices has likely been caused by the tightening supply produced by the convergence of two different forces. Breaking a trend seen since the end of the state's housing boom, the excess number of homes that moved into the market from the foreclosure process came to an end prior to the pandemic. 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 had been inflated 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 steadily increasing demand. This supply-boosting result of foreclosures has unwound. What is more, the newly tightened supply met increased demand over the last 25 months as a consequence of the record low interest rates induced by the Federal Reserve's actions to institute rate cuts to near-zero percent as a firewall between the pandemic-related turmoil in the economy at-large and the financial system. These low interest rate levels likely induced potential homebuyers to act earlier than they otherwise would have.

The Federal Reserve's actions also helped boost the construction market. Despite the strong double-digit growth in six of the preceding eight calendar years, the per capita level was still well below historic standards for single family building permits in 2019—just 63.9 percent of the long-run per capita level. With the robust growth seen in 2021, this percentage has reached 92.2 percent.



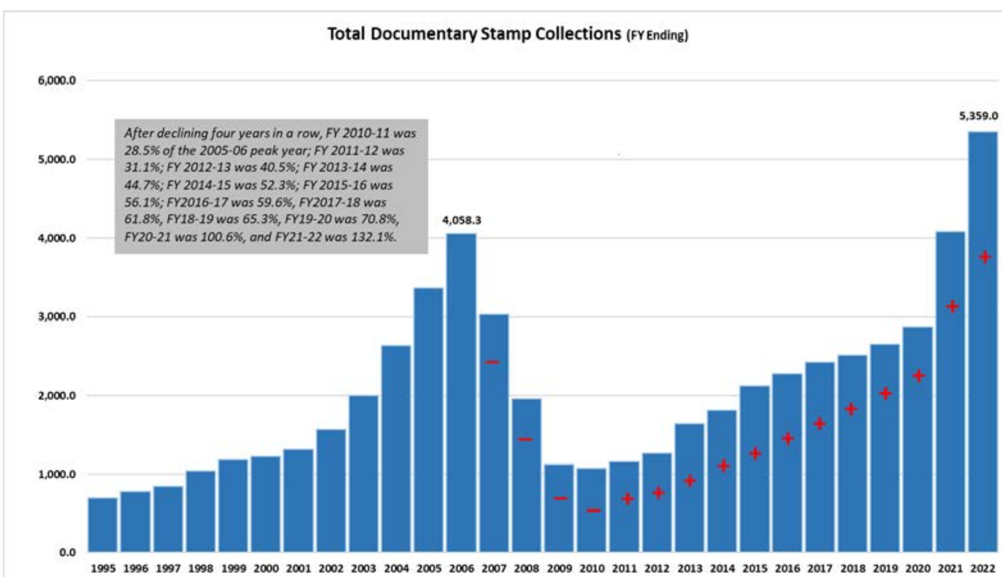
With a fully recovered existing home market and elevated home prices due to the interaction of strong demand and short supply, Documentary Stamp Tax collections were 132.1 percent of the 2005-2006 fiscal year peak as the 2021-22 fiscal year ended. In the 2022-23 fiscal year, Documentary Stamp Tax collections are expected to be 111.5 percent of the 2005-2006 fiscal year peak; however, the volume of existing home sales at the currently high sales prices is not expected to be sustainable. For the 2023-24 fiscal year, Documentary Stamp Tax collections are expected to drop to 99.5 percent of the 2005-2006 fiscal year peak as affordability increasingly becomes an issue.

The distinction between deeds and notes within the tax base is also a factor behind the expected decline. While financed sales continue to be the biggest percentage of all sales (ending April 2022 with a share of 57.4 percent), the share for cash sales remains elevated—even increasing to 39.4 percent in April 2022 from 36.5 percent in July 2021. 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.



A final factor is the future increase in interest rates from the recent historic lows. In December 2021, the 30 year mortgage fixed rate was 3.10, slightly down from the 3.20 recorded in July 2021. The Mortgage Bankers Association now expects the 30-year fixed rate to reach 5.2 percent by the fourth quarter of the 2022 calendar year, and remain as high as 4.8 percent for the 2023 calendar year. These changes will likely be sufficient to leave dampened sales activity in its wake.

With affordability challenges, a high volume of cash sales, the surge of buying activity earlier than expected in the pre-pandemic forecast, and the projected end of record low interest rates, documentary stamp tax collections in FY 2022-23 are expected to decrease 15.6 percent to $4.52 billion. The negative growth trend is expected continue through FY 2023-24, with an additional loss over the already dampened prior year of -10.7 percent. In the long term, the annual growth is anticipated to return to 3.0 percent.



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 expected to be higher from FY 2022-23 to FY 2024-25 and stay at the same level in the remaining forecast years, relative to those adopted in August 2021. The constitutional provisions requiring the set-aside of funds into the Land Acquisition Trust Fund expire July 1, 2035. The new long-run forecast does not assume the Legislature continues this treatment beyond that date.

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 Esimates)			(Old Estimates)			(Difference)		
2022-23	**4,523.7**	**-15.6%**	1,489.6	*124.2*	*1,365.4*	1,158.2	*125.0*	*1,033.2*	331.4	*(0.9)*	*332.2*
2023-24	**4,037.6**	**-10.7%**	1,329.2	*104.8*	*1,224.3*	1,138.1	*104.8*	*1,033.2*	191.1	-	*191.1*
2024-25	**4,073.9**	**0.9%**	1,341.2	*104.8*	*1,236.3*	1,132.4	*104.8*	*1,027.6*	208.8	-	*208.8*
2025-26	**3,475.6**	**-14.7%**	1,143.7	*81.3*	*1,062.4*	1,143.7	*81.3*	*1,062.4*	-	-	-
2026-27	**3,527.8**	**1.5%**	1,160.9	*60.9*	*1,100.0*	1,160.9	*60.9*	*1,100.0*	-	-	-
2027-28	**3,615.9**	**2.5%**	1,190.0	*44.4*	*1,145.6*	1,190.0	*44.4*	*1,145.6*	-	-	-
2028-29	**3,724.5**	**3.0%**	1,225.9	*24.8*	*1,201.0*	1,225.9	*24.8*	*1,201.0*	-	-	-
2029-30	**3,836.1**	**3.0%**	1,262.7	*6.9*	*1,255.8*	1,262.7	*6.9*	*1,255.8*	-	-	-
2030-31	**3,951.2**	**3.0%**	1,300.7	*6.9*	*1,293.7*	1,300.7	*6.9*	*1,293.7*	-	-	-
2031-32	**4,069.8**	**3.0%**	1,339.8	*6.9*	*1,332.9*	1,339.8	*6.9*	*1,332.9*	-	-	-
2032-33	**4,191.9**	**3.0%**	1,380.1	*3.4*	*1,376.7*	1,380.1	*3.4*	*1,376.7*	-	-	-
2033-34	4,317.7	3.0%	1,421.6	*3.4*	*1,418.2*	1,421.6	*3.4*	*1,418.2*	-	-	-
2034-35	4,447.2	3.0%	1,464.3	*3.4*	*1,460.9*	1,464.3	*3.4*	*1,460.9*	-	-	-
2035-36	4,580.6	3.0%	n/a	*n/a*	*n/a*	1,508.4	*3.4*	*1,504.9*	n/a	*n/a*	*n/a*
2036-37	4,718.0	3.0%	n/a	*n/a*	*n/a*	1,553.7	*3.4*	*1,550.3*	n/a	*n/a*	*n/a*
2037-38	4,859.6	3.0%	n/a	*n/a*	*n/a*	1,600.4	*3.4*	*1,597.0*	n/a	*n/a*	*n/a*
2038-39	5,005.3	3.0%	n/a	*n/a*	*n/a*	1,648.5	*3.4*	*1,645.1*	n/a	*n/a*	*n/a*
2039-40	5,155.5	3.0%	n/a	*n/a*	*n/a*	1,698.1	*3.4*	*1,694.7*	n/a	*n/a*	*n/a*

Note: Estimates in bold were adopted at the General Revenue Estimating Conference (August 2022). The constitutional provisions requiring the set-aside of funds into the Land Acquisition Trust Fund expire July 1, 2035. The new long-run forecast does not assume the Legislature continues this treatment beyond that date.