

REVENUE ESTIMATING CONFERENCE

TAX: AD VALOREM

ISSUE: Reduction of annual assessment limitation for non-homestead property from 10% to 3%

BILL NUMBER(S): HJR 381, SJR 658

SPONSOR(S): Rep. Dorworth, Sen. Fasano

MONTH/YEAR COLLECTION IMPACT BEGINS: Jan 1, 2012 or Jan 1, 2013

DATE OF ANALYSIS: 4/29/2011

SECTION 1: NARRATIVE

- a. **Current Law:** Non-homestead properties that do not receive other assessment benefits under the Florida Constitution are limited in annual assessment growth to 10% of the prior assessed value.

- b. **Proposed Change:**
Reduce the 10% limitation to 3% beginning either Jan 1, 2012 or Jan 1, 2013. the impact start date is dependent upon whether the Joint Resolution is put to voters on the January 2012 Presidential Preference ballot or at the November 2012 general election.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Data sources used were the current Ad valorem forecast for just value and overall growth rates of nonresidential property. The distribution of just value growth for 2000-2001 was used to determine the relative shares of just value that will grow at a given growth rate and the growth rates for each share. Data for the overall growth of non-homestead property and the share that grew greater than 10% for 1999-2010 were also used to determine the percent of prior year value that would grow greater than 10% for future years.

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Data for historic percentages of prior year growth were regressed against the overall growth rate from the period 1999 to 2010. The results were used to develop predicted values for the percent of prior year value that would grow greater than 10% for the forecast period.

Once the total growth over 10% was forecast, this amount was distributed over the 2000 to 2001 distribution of growth. This distribution determined both the share of the overall growth above ten percent that would occur at a given growth rate and the ultimate growth rate for that share for the first year. The prior year values were then grown at the assessment limit in the first year for each group of cohorts to determine assessed values. Subsequent growth for each group of cohorts was determined using the estimated growth rate for the property as a whole in the respective year. Turnover was layered in by assuming that ten percent of the prior period differential returned to just value due to turnover in each value range. Once established as a cohort of capped parcels, that group was followed forward for each subsequent year to determine the impact within the group.

Results of the simulation of the limitation and recapture effects at 10% were compared to simulation results for a 3% limitation beginning in 2012 and a 3% limitation beginning in 2013. Millage rates of 10.9 mills for non-school levies were applied to get the dollar impact.

SECTION 4: PROPOSED FISCAL IMPACT - IMPACT BEGINNING IN 2012

State Impact: All Funds	FY 2011-12 Cash	FY 2011-12 Annualized	FY 2012-13 Cash	FY 2013-14 Cash	FY 2014-15 Cash
High					
Middle			(\$99.8 M)	(\$268.2 M)	(\$510.7 M)
Low					

PROPOSED FISCAL IMPACT - IMPACT BEGINNING IN 2013

State Impact: All Funds	FY 2011-12 Cash	FY 2011-12 Annualized	FY 2012-13 Cash	FY 2013-14 Cash	FY 2014-15 Cash
High				(\$185.2 M)	(\$433.9 M)
Middle					
Low					

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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/29/11) Due to the need for approval of this measure by the electorate, the conference adopted an indeterminate negative estimate. Should the electorate approve the measure, the expected cash impacts on non-school taxes for the January 1, 2012 effective date are -99.8m in 2012-13, -\$268.2 in 2013-14, -\$510.7m in 2014-15, and \$818.5m in 2015-16, assuming current millage rates. The expected cash impacts on non-school taxes for the January 1, 2013 effective date are -\$185.2m in 2013-14, -\$433.9m in 2014-15, and -\$747.2m in 2015-16, assuming current millage rates.

January 1, 2012 effective date	FY 2011-12 Cash	FY 2011-12 Annualized	FY 2012-13 Cash	FY 2013-14 Cash	FY 2014-15 Cash
General Revenue	0	0	0	0	0
State Trust	0	0	0	0	0
Total State Impact	0	0	0	0	0
Total Local Impact	0	(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)
Total Impact	0	(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)

January 1, 2013 effective date	FY 2011-12 Cash	FY 2011-12 Annualized	FY 2012-13 Cash	FY 2013-14 Cash	FY 2014-15 Cash
General Revenue	0	0	0	0	0
State Trust	0	0	0	0	0
Total State Impact	0	0	0	0	0
Total Local Impact	0	(Indeterminate)	0	(Indeterminate)	(Indeterminate)
Total Impact	0	(Indeterminate)	0	(Indeterminate)	(Indeterminate)

Reduction in the annual assessment limitation for non-homestead properties from 10% to 3%

	A	B	C	D	E	F	G	H
19	Current Law - 10% assessment limitation							
20								
21	10% limitation	2009	2010	2011	2012	2013	2014	2015
22	Prior Year Residential	\$696,381	\$575,036	\$493,875	\$486,823	\$506,781	\$539,035	\$578,129
23	Prior Year Non-Residential	\$560,551	\$529,797	\$484,270	\$473,110	\$477,219	\$491,040	\$511,682
24	Prior year Non-Residential Exempt	\$192,844	\$185,581	\$175,965	\$172,782	\$173,495	\$177,556	\$183,978
25	Prior year value	\$1,064,088,000,000	\$919,252,000,000	\$802,180,000,000	\$787,151,000,000	\$810,505,000,000	\$852,519,000,000	\$905,833,000,000
26	% with growth > 10%	1.62%	1.23%	1.45%	10.47%	15.35%	17.49%	18.19%
27	Estimated New cohort(prior year value)	\$17,238,225,600	\$11,306,799,600	\$11,665,215,005	\$82,401,651,731	\$124,373,843,606	\$149,146,127,003	\$164,754,294,229
28	second year value for new cohort	\$23,361,117,463	\$15,974,838,729	\$14,597,602,443	\$103,115,677,860	\$155,638,787,840	\$186,638,297,449	\$206,170,026,606
29	AV 2009	\$18,962,048,160	\$12,437,479,560	\$12,831,736,505	\$90,641,816,904	\$136,811,227,966	\$164,060,739,703	\$181,229,723,652
30	differential09	\$4,399,069,303	\$3,537,359,169	\$1,765,865,938	\$12,473,860,956	\$18,827,559,874	\$22,577,557,746	\$24,940,302,954
31								
32	Remaining Differential - 10%	2009	2010	2011	2012	2013	2014	2015
33								
34	2010	\$1,379,160,387						
35	2011	\$826,515,204	\$2,029,820,132					
36	2012	\$559,353,098	\$1,429,353,742	\$835,776,786				
37	2013	\$381,147,146	\$1,085,068,487	\$497,203,906	\$6,815,339,851			
38	2014	\$220,529,318	\$834,719,578	\$322,699,889	\$4,219,195,292	\$10,993,168,301		
39	2015	\$62,209,692	\$619,392,393	\$218,414,363	\$2,712,664,205	\$6,875,380,381	\$13,466,144,563	
40								
41	10% recapture							
42	2010	\$716,438,979						
43	2011	\$367,440,295	\$958,803,549					
44	2012	\$264,459,143	\$593,980,383	\$916,951,309				
45	2013	\$178,205,952	\$344,285,255	\$338,572,880	\$7,741,457,797			
46	2014	\$160,617,828	\$250,348,908	\$174,504,017	\$2,596,144,559	\$12,425,735,814		
47	2015	\$158,319,626	\$215,327,186	\$104,285,526	\$1,506,531,087	\$4,117,787,920	\$15,177,157,850	

Reduction in the annual assessment limitation for non-homestead properties from 10% to 3%

	A	B	C	D	E	F	G	H
48	3% limitation beginning in 2012							
49	2012 starting date							
50	3% limitation							
51	Residential				2012	2013	2014	2015
52	Non-Residential				\$486,823	\$506,781	\$539,035	\$578,129
53	Prior year value				\$473,110	\$477,219	\$491,040	\$511,682
54	% with growth > 3%				\$787,151,000,000	\$984,000,000,000	\$1,030,075,000,000	\$1,089,811,000,000
55	Estimated New cohort(prior year value)				21.78%	26.30%	30.13%	31.46%
56	second year value for new cohort				\$171,477,155,574	\$258,820,939,646	\$310,371,856,463	\$342,852,323,341
57	AV 2009				\$197,452,957,333	\$298,027,803,071	\$357,387,785,716	\$394,788,477,482
58	differential09				\$176,621,470,241	\$266,585,567,835	\$319,683,012,157	\$353,137,893,041
59					\$20,831,487,091	\$31,442,235,236	\$37,704,773,559	\$41,650,584,441
60								
61								
62	Remaining Differential - 3%	2009	2010	2011	2012	2013	2014	2015
63		2010						
64		2011						
65		2012	\$679,783,992	\$1,680,111,317	\$1,262,033,357			
66		2013	\$605,210,156	\$1,502,006,356	\$1,076,331,455	\$17,585,170,929		
67		2014	\$561,462,860	\$1,393,786,579	\$996,458,564	\$16,268,017,744	\$29,092,360,843	
68		2015	\$571,703,518	\$1,336,457,406	\$1,000,036,367	\$15,647,716,581	\$27,822,944,642	\$35,958,908,874
69								
70	3% recapture							
71		2010						
72		2011						
73		2012	\$144,028,249	\$343,222,807	\$490,694,738			
74		2013	\$74,573,836	\$178,104,961	\$185,701,903	\$3,246,316,162		
75		2014	\$43,747,296	\$108,219,777	\$79,872,891	\$1,317,153,185	\$2,349,874,393	
76		2015	\$32,644,664	\$83,022,969	\$50,034,328	\$766,635,519	\$1,417,553,429	\$1,901,672,232
77								
78								

Reduction in the annual assessment limitation for non-homestead properties from 10% to 3%

	A	B	C	D	E	F	G	H
79	3% limitation beginning in 2013							
80	2013 starting date							
81	3% limitation							
82	Residential					2013	2014	2015
83	Non-Residential					\$506,781	\$539,035	\$578,129
84	Prior year value					\$477,219	\$491,040	\$511,682
85	% with growth > 3%					\$984,000,000,000	\$1,030,075,000,000	\$1,089,811,000,000
86	Estimated New cohort(prior year value)					26.30%	30.13%	31.46%
87	second year value for new cohort					\$258,820,939,646	\$310,371,856,463	\$342,852,323,341
88	AV 2009					\$298,027,803,071	\$357,387,785,716	\$394,788,477,482
89	differential09					\$266,585,567,835	\$319,683,012,157	\$353,137,893,041
90						\$31,442,235,236	\$37,704,773,559	\$41,650,584,441
91								
92								
93	Remaining Differential - 3%	2009	2010	2011	2012	2013	2014	2015
94	2010							
95	2011							
96	2012							
97	2013	\$498,313,440	\$1,282,314,788	\$723,997,681	\$10,648,909,285			
98	2014	\$462,292,365	\$1,190,157,543	\$670,613,577	\$9,858,351,329	\$29,092,360,843		
99	2015	\$479,474,958	\$1,147,082,403	\$697,000,530	\$9,686,726,815	\$27,822,944,642	\$35,958,908,874	
100								
101	3% recapture							
102	2010							
103	2011							
104	2012							
105	2013	\$61,039,658	\$147,038,954	\$111,779,106	\$1,824,951,670			
106	2014	\$36,021,074	\$92,157,245	\$53,384,104	\$790,557,956	\$2,349,874,393		
107	2015	\$26,496,776	\$71,821,463	35323511.5	\$494,924,816	\$1,417,553,429	\$1,901,672,232	
108								
109								
110								
111								

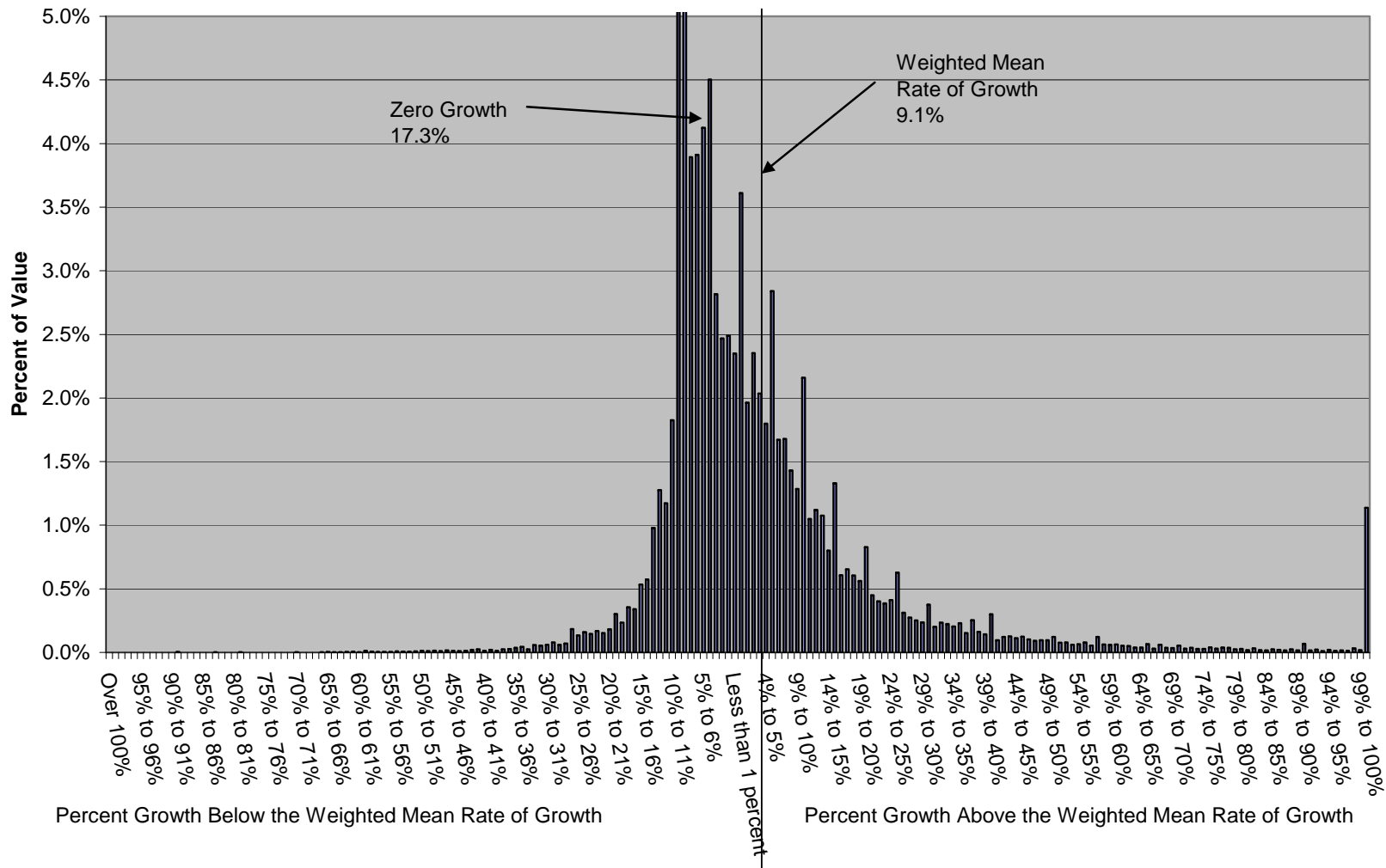
Reduction in the annual assessment limitation for non-homestead properties from 10% to 3%

	A	B	C	D	E	F	G	H
112	Impacts							
113	total Impact - 3% starting in 2012							
114		Value	at 10.9 mills					
115	2012	\$9,155,071,176	\$99,790,276					
116	2013	\$24,604,634,868	\$268,190,520					
117	2014	\$46,848,990,024	\$510,653,991					
118	2015	\$75,093,843,279	\$818,522,892					
119								
120								
121								
122	total Impact - 3% starting in 2013							
123		Value	at 10.9 mills					
124	2013	\$16,989,451,165	\$185,185,018					
125	2014	\$39,810,679,091	\$433,936,402					
126	2015	\$68,548,214,112	\$747,175,534					
127								
128								
129								
130	Differential	10% limitation	3% limit starting in 2012	3% limit starting in 2013	Impact - limit starts 2012	Impact - limit starts 2013		
131	2009	\$4,399,069,303	\$4,399,069,303	\$4,399,069,303	\$0	\$0		
132	2010	\$4,916,519,556	\$4,916,519,556	\$4,916,519,556	\$0	\$0		
133	2011	\$4,622,201,273	\$4,622,201,273	\$4,622,201,273	\$0	\$0		
134	2012	\$15,298,344,582	\$24,453,415,758	\$15,298,344,582	\$9,155,071,176	\$0		
135	2013	\$27,606,319,265	\$52,210,954,133	\$44,595,770,430	\$24,604,634,868	\$16,989,451,165		
136	2014	\$39,167,870,125	\$86,016,860,149	\$78,978,549,217	\$46,848,990,024	\$39,810,679,091		
137	2015	\$48,894,508,551	\$123,988,351,830	\$117,442,722,663	\$75,093,843,279	\$68,548,214,112		

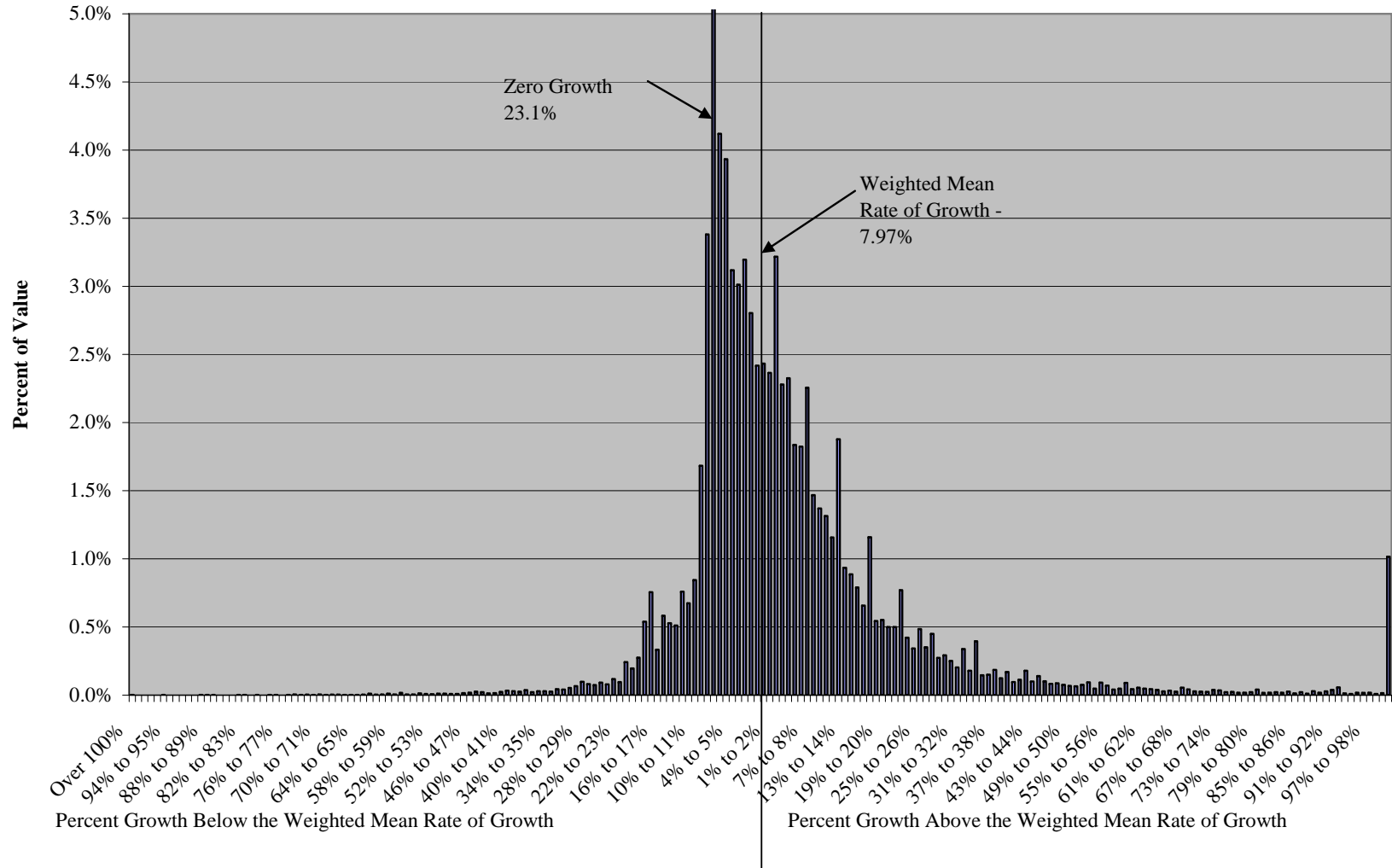
	A	B	C	D	E	F
1		Weighted Average Growth - forecast	Percent of Prior year value that had zero growth	Percent of Prior year that grew greater than 100%	Aggregate Growth rate of those that grew > 100%	Percent of Prior year that grew more than 10%
2	1999-2000	4.50%	40.00%	0.30%	253%	13.80%
3	2000-01	6.60%	30.40%	0.30%	244%	21.80%
4	2001-02	7.97%	23.10%	0.30%	233.20%	31.90%
5	2002-03	9.10%	17.30%	0.40%	205%	32.80%
6	2003-04	10.80%	15.60%	0.60%	192%	39.40%
7	2004-05	18.30%	9.00%	1.50%	221%	52.60%
8	2005-06	25.80%	6.10%	2%	207%	69%
9	2006-07	5.10%	13.80%	0.50%	200.00%	27.90%
10	2008-09	-16.40%	10.80%	0.08%	223%	1.62%
11	2009-10	-15.80%	6.70%	0.10%	223%	1.23%
12	2010-11	-3.99%				1.45%
13	2011-12	-0.09%				10.47%
14	2012-13	2.02%				15.35%
15	2013-14	2.95%				17.49%
16	2014-15	3.25%				18.19%

	A	G	H	I	J	K	L	M
1		Aggregate Growth rate of those that grew > 10%	Percent of those with value change that grew more than 10%	Percent of prior year that grew more than 7% over the weighted average growth rate	Percent of prior year with growth other than zero that grew more than 7% over the weighted average growth rate	Percent of Prior Year that grew more than the weighted average growth rate	Weighted Aggregate Growth rate of those that grew > Weighted average growth rate	Percent of Prior Year value that grew more than weighted average growth rate and below 7% above weighted average growth rate
2	1999-2000	27.16%	23.00%	12.30%	20.50%	29.90%	16.38%	17.60%
3	2000-01	26.43%	31.32%	16.50%	23.71%	33.40%	20.20%	16.90%
4	2001-02	27.39%	41.48%	20.80%	27.05%	36.70%	22.60%	15.90%
5	2002-03	29.23%	39.66%	20.50%	24.79%	36.30%	24.30%	15.80%
6	2003-04	32.44%	46.68%	20.50%	24.29%	35.80%	27.50%	15.30%
7	2004-05	51.65%	57.80%	21.60%	23.74%	34.20%	44.40%	12.60%
8	2005-06	61%	73.48%	25.20%	26.84%	35.40%	55.60%	10.20%
9	2006-07	24.93%	32.37%	23.60%	27.38%	41.90%	20.30%	18.30%
10	2008-09	35.52%	1.82%	33.34%	37.38%	54%	-5.25%	20.86%
11	2009-10	41.29%	1.32%	31.57%	33.84%	58.00%	-6.62%	26.43%
12	2010-11							
13	2011-12							
14	2012-13							
15	2013-14							
16	2014-15							

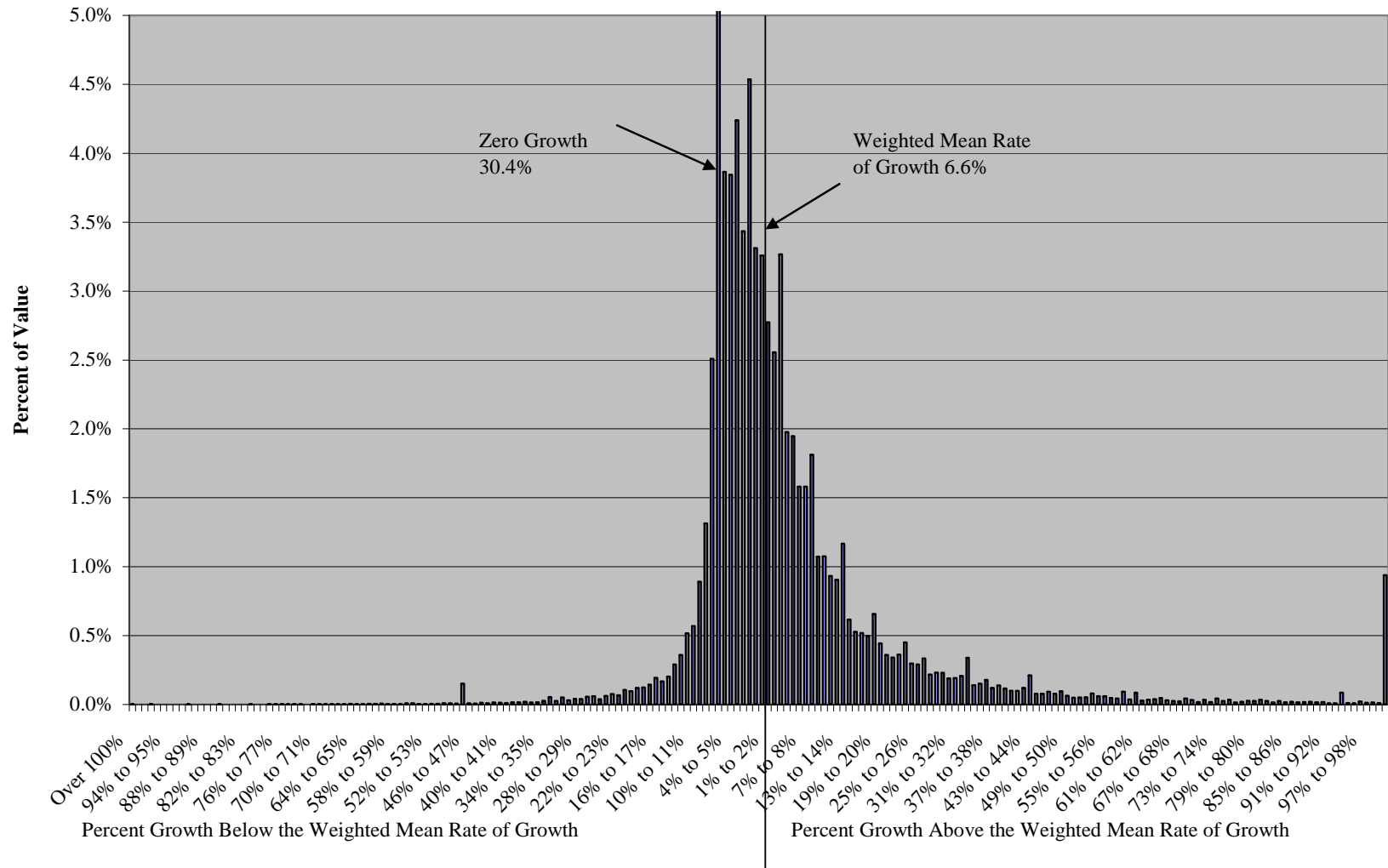
2002-03 Distribution of Value by Rate of Growth above and below the Weighted Mean Rate of Growth



2001-02 Distribution of Value by Rate of Growth above and below the Weighted Mean Rate of Growth



2000-2001 Distribution of Value by Rate of Growth above and below the Weighted Mean Rate of Growth



1999-2000 Distribution of Value by Rate of Growth above and below the Weighted Mean Rate of Growth

