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INITIATIVE FINANCIAL INFORMATION STATEMENT

ADDITIONAL HOMESTEAD TAX EXEMPTION, #04-01

FINANCIAL INFORMATION STATEMENT SUMMARY

Section 6 of Article VII of the Florida Constitution provides an exemption from ad valorem taxation for property used as the owner's permanent residence or the permanent residence of another legally or naturally dependent on the owner. The amount of the homestead exemption is currently \$25,000 of the assessed value of the property. This amendment increases the homestead exemption by an additional \$25,000 for property used as the owner's principal residence.

If the increased homestead exemption had been in effect in 2003 and based on the property tax rates and valuations for 2003, the Financial Impact Estimating Conference expects that the proposed amendment would have had the following financial effects:

- The taxable value of homestead property in Florida would have been reduced by \$95.8 billion, which is 9.7% of the 2003 statewide property tax base;
- The increased exemption would have caused a reduction in property tax revenues of approximately \$2 billion for all local governments combined;
- County revenues would have been reduced by approximately \$765 million, school district revenues by \$830 million, municipal revenues by \$240 million, and other taxing district revenues by \$165 million;
- Most local governments could have offset these revenue reductions by raising property tax rates, by increasing other revenue sources, by reducing expenditures, or by some combination of these three options;
- Some counties, municipalities, and special districts would not have been able to replace all of the reduced revenues by increasing property tax rates because of existing limitations on property tax rates; and
- For public school districts, local property tax rates could have been increased in order to maintain the local share of public school funding. Alternatively, the Legislature could have increased state expenditures to offset any reductions in school district revenues derived from property taxes.

FINANCIAL IMPACT STATEMENT *Adopted June 25, 2004*

Beginning in 2005, the increased exemption reduces the property tax base statewide by approximately 10 percent. This would reduce property tax revenues for cities, counties, schools, and special districts by approximately \$2 billion, based on 2003 tax rates. Local governments could offset the reductions by increasing property tax rates or other taxes and fees, but some will be unable to replace the entire amount. Some governments may choose to operate on less revenue than otherwise.

INITIATIVE FINANCIAL INFORMATION STATEMENT ADDITIONAL HOMESTEAD TAX EXEMPTION, #04-01

A. Amendment as Proposed by Families for Lower Property Taxes (PC)

Ballot Title: Additional Homestead Tax Exemption

Ballot Summary: This amendment provides property tax relief to Florida home owners by increasing the homestead exemption on property assessments by an additional \$25,000.

FULL TEXT OF PROPOSED AMENDMENT:
BE IT ENACTED BY THE PEOPLE OF FLORIDA THAT:

ARTICLE VII Section 6 of the Florida Constitution is hereby amended to add the following paragraph (g).

(g) By general law and subject to conditions specified therein, effective for assessments for 2005 and each year thereafter, an additional homestead exemption of twenty-five thousand dollars shall be granted to any person who has the legal or equitable title to real estate and maintains thereon the permanent residence of the owner.

B. Background

Section 100.371, Florida Statutes, requires that the Financial Impact Estimating Conference (FIEC) "...complete an analysis and financial impact statement to be placed on the ballot of the estimated increase or decrease in any revenue or costs to state or local governments resulting from the proposed initiative."

As part of determining the fiscal impact of this proposed constitutional amendment, the FIEC held a public workshop on June 3, 2004. The FIEC heard testimony on the fiscal effects of this amendment from representatives of Families for Lower Property Taxes, the Florida Association of Counties, the Florida League of Cities, the Florida School Board Association, and the Florida Association of Independent Businesses. The Conference estimated the impacts of the amendment on local property tax revenues **using property assessments and tax rates as they existed in 2003**. The estimates were based on Florida property tax data published in *2003 Florida Property Valuations & Tax Data Book, Florida Department of Revenue* and on data obtained from the U.S. Census Bureau, U.S. Department of Commerce.

C. Current Situation

Section 6 of Article VII of the Florida Constitution provides an exemption from ad valorem taxation for property used as the owner's permanent residence or the permanent residence of another legally or naturally dependent on the owner. The amount of the homestead exemption is currently \$25,000 of the assessed value of the property.

D. Effect of Proposed Changes

The proposed amendment increases the homestead exemption by an additional \$25,000 for property used as the owner's principal residence.

E. Fiscal Impacts of Proposed Constitutional Amendment

- If the increased homestead exemption had been in effect in 2003, the taxable value of homestead property in Florida would have been reduced by \$95.8 billion, which is 9.7% of the 2003 statewide property tax base.
 - The statewide property value removed from the tax base due to the additional exemption will increase over time because the number of homestead properties will increase with population growth and because properties currently assessed at between \$25,000 and \$50,000 will be entitled to a higher exemption as their value increases.
- Based on the 2003 property tax rates, the increased exemption would have caused a reduction in property tax revenues of approximately \$2 billion for all local governments. County revenues would have been reduced by approximately \$765 million, school district revenues by \$830 million, municipal revenues by \$240 million, and other taxing district revenues by \$165 million.
 - This calculation is done to illustrate the magnitude of the impact on tax revenues as if the amendment were in effect in 2003 and is based on the property tax rates actually adopted for that year.
 - Local property tax rates are generally adopted annually and future rates cannot be determined in advance. However, statewide average property tax rates are very stable in the short-run, unless significant changes in the tax base occur.
- Most local governments could have offset the 2003 estimated revenue reductions by raising property tax rates, by increasing other revenue sources, by reducing expenditures, or by some combination of these three options.
 - Local property tax rates are set in order to raise the property tax revenues contemplated by local governing bodies in their budgets. In reaction to a significant reduction in the property tax base (as would have occurred with the amendment), rates could have been increased in order to offset the negative impact on the tax base.
 - Future local property tax revenues may not be significantly less than they would have been in the absence of the amendment, because local governments may choose to adjust millage rates upward in an attempt to regain the level of property taxes they would have levied in the absence of the increased homestead exemption.

- In the future, some local governments will be unwilling to increase property tax rates, and these governments could turn to other revenue sources or could adopt smaller budgets because of the constitutional amendment.
- If the amendment had been in effect in 2003, some counties, municipalities, and special districts would not have been able to replace all of the reduced revenues by increasing property tax rates because of existing limitations on property tax rates.
 - The Florida Constitution limits property tax rates for municipal purposes, for county purposes and for school purposes to 10 mills each.
 - In 2003, because of the 10-mill constitutional limitation, 28 of Florida's 67 counties would have been unable to recoup all of the estimated revenue reductions that would have occurred under the amendment. Generally, these counties are sparsely populated and rural. Collectively, the unrecoverable amount would have totaled approximately \$30 million. Statewide, this amount is minimal, less than one-half of one percent of total county operating property taxes in 2003. Nonetheless, the impact may be of significance in some jurisdictions, which have no alternative revenue sources available.
 - Municipalities generally have lower property tax rates than county governments. The 10-mill limitation would have affected very few municipalities in 2003.
 - The impact of the 10-mill limitation on specific local governments in 2005 and beyond cannot be reasonably estimated, although it is likely to be a material problem for some small counties, particularly those that are currently levying 10 mills as these counties have few viable alternative revenue sources.
- With regard to public school districts, the Legislature has the option of increasing state expenditures to replace the reduced school district revenues. In the alternative, the Legislature could increase state-required and discretionary local property tax rates to maintain local revenue raising capacity.
 - Although the 2003 impact on school district revenues can be estimated based on actual taxes levied and the actual tax base, future impacts cannot be estimated because they are dependent on future actions by the Legislature.
 - The primary public school operating property tax levy is set indirectly by the Legislature, which specifies the amount of local funds to be raised as part of the statewide funding program. The remaining funds are appropriated by the Legislature. With relatively less local property tax revenues, the Legislature could choose to spend more state funds. Alternatively, the amount of local revenue could be set at an amount whereby the resulting property tax rate would completely

offset the tax base reduction due to the increased homestead exemption.

- Other school local property tax levies are set at the option of local school boards, but the maximum levies are set by the Legislature. In practice, most school boards impose the maximum discretionary tax rates for operations and for capital outlay. If the tax rates are left unchanged, local revenues will be less than without the increased homestead exemption. As before, the Legislature could increase the allowable local option school property tax rates, and total local public school property tax revenues would not be reduced.
- Regardless of how the Legislature reacts to the increased homestead exemption, the impact on local school districts will be uneven. In school districts where the increased exemption has a large relative impact on the property tax base, local option tax capacity may be permanently less than it would have been, even if the Legislature increases allowable local option property tax rates. On the other hand, these same school districts will receive more state funds as a result of the change than districts which experience a smaller relative reduction in the tax base.

E. Attachments

- TABLE 1 depicts the estimated reduction in taxable value by county, the old and new property tax bases, and the percentage reductions in the property tax bases that would have occurred if the amendment had been in effect in 2003.
- TABLE 2 presents the reduction in local property taxes that would have occurred in each county by type of local government in 2003 based on data reported by the Department of Revenue in the *2003 Florida Property Valuations & Tax Data Book*.

FINANCIAL IMPACT ESTIMATING CONFERENCE INFORMATION STATEMENT
Additional \$25,000 Homestead Exemption

Table 1. INCREASED EXEMPT AMOUNTS - TAXABLE VALUE IMPACT

COUNTY	2003 TAXABLE VALUE	ESTIMATED 2003 TAXABLE VALUE AFTER INCREASED HOMESTEAD EXEMPTION	ESTIMATED REDUCTION IN TAXABLE VALUE	REDUCTION AS A PERCENT OF 2003 TAXABLE VALUE
ALACHUA	7,878,456,743	6,818,517,852	(1,059,938,891)	-13.5%
BAKER	465,278,804	368,281,696	(96,997,108)	-20.8%
BAY	8,243,648,780	7,439,838,243	(803,810,537)	-9.8%
BRADFORD	570,981,737	463,885,225	(107,096,512)	-18.8%
BREVARD	22,061,374,161	18,604,453,676	(3,456,920,485)	-15.7%
BROWARD	104,243,010,868	94,488,528,465	(9,754,482,403)	-9.4%
CALHOUN	251,561,995	210,137,875	(41,424,120)	-16.5%
CHARLOTTE	11,025,783,488	9,854,276,977	(1,171,506,511)	-10.6%
CITRUS	6,486,030,723	5,549,620,700	(936,410,023)	-14.4%
CLAY	5,718,929,199	4,739,473,562	(979,455,637)	-17.1%
COLLIER	46,008,242,547	44,307,986,544	(1,700,256,003)	-3.7%
COLUMBIA	1,557,697,786	1,296,807,309	(260,890,477)	-16.7%
DADE	130,688,115,385	120,613,155,207	(10,074,960,178)	-7.7%
DESOTO	1,011,648,434	896,978,632	(114,669,802)	-11.3%
DIXIE	354,979,033	312,921,573	(42,057,460)	-11.8%
DUVAL	37,643,488,665	33,438,448,524	(4,205,040,141)	-11.2%
ESCAMBIA	9,775,652,130	8,318,742,398	(1,456,909,732)	-14.9%
FLAGLER	4,553,698,418	4,076,350,505	(477,347,913)	-10.5%
FRANKLIN	1,621,134,095	1,562,488,328	(58,645,767)	-3.6%
GADSDEN	947,731,402	771,592,279	(176,139,123)	-18.6%
GILCHRIST	365,594,838	290,940,984	(74,653,854)	-20.4%
GLADES	436,491,770	390,738,034	(45,753,736)	-10.5%
GULF	1,315,927,446	1,251,382,852	(64,544,594)	-4.9%
HAMILTON	529,745,749	494,492,408	(35,253,341)	-6.7%
HARDEE	1,378,858,843	1,298,829,596	(80,029,247)	-5.8%
HENDRY	1,547,797,304	1,425,967,200	(121,830,104)	-7.9%
HERNANDO	5,649,033,706	4,587,194,942	(1,061,838,764)	-18.8%
HIGHLANDS	3,209,958,956	2,714,625,789	(495,333,167)	-15.4%
HILLSBOROUGH	50,374,394,070	44,497,464,897	(5,876,929,173)	-11.7%
HOLMES	309,747,780	241,714,285	(68,033,495)	-22.0%
INDIAN RIVER	10,717,793,063	9,932,567,457	(785,225,606)	-7.3%
JACKSON	1,006,635,812	836,064,736	(170,571,076)	-16.9%
JEFFERSON	350,366,516	289,439,945	(60,926,571)	-17.4%
LAFAYETTE	149,430,462	125,826,078	(23,604,384)	-15.8%
LAKE	10,468,581,323	8,900,469,946	(1,568,111,377)	-15.0%
LEE	43,145,711,788	40,054,526,922	(3,091,184,866)	-7.2%
LEON	10,004,375,278	8,780,114,775	(1,224,260,503)	-12.2%
LEVY	1,156,201,565	956,632,198	(199,569,367)	-17.3%
LIBERTY	137,542,275	120,930,484	(16,611,791)	-12.1%
MADISON	394,416,481	331,295,094	(63,121,387)	-16.0%
MANATEE	18,583,896,787	16,846,893,408	(1,737,003,379)	-9.3%
MARION	9,747,661,596	7,984,692,629	(1,762,968,967)	-18.1%
MARTIN	13,282,546,506	12,296,101,963	(986,444,543)	-7.4%
MONROE	14,671,221,038	14,236,166,444	(435,054,594)	-3.0%
NASSAU	4,479,619,542	4,086,738,267	(392,881,275)	-8.8%
OKALOOSA	9,644,104,851	8,642,404,218	(1,001,700,633)	-10.4%
OKEECHOBEE	1,234,069,268	1,067,293,537	(166,775,731)	-13.5%
ORANGE	62,476,680,684	57,748,913,449	(4,727,767,235)	-7.6%
OSCEOLA	12,082,466,619	11,123,680,704	(958,785,915)	-7.9%
PALM BEACH	98,490,625,441	90,650,238,024	(7,840,387,417)	-8.0%
PASCO	13,991,326,126	11,449,568,931	(2,541,757,195)	-18.2%
PINELLAS	49,637,728,690	43,566,922,797	(6,070,805,893)	-12.2%
POLK	19,068,708,548	16,517,182,571	(2,551,525,977)	-13.4%
PUTNAM	2,658,738,639	2,319,819,424	(338,919,215)	-12.7%
ST. JOHNS	12,530,837,873	11,599,999,655	(930,838,218)	-7.4%
ST. LUCIE	10,829,175,097	9,495,713,641	(1,333,461,456)	-12.3%
SANTA ROSA	5,501,087,775	4,677,004,901	(824,082,874)	-15.0%
SARASOTA	34,122,184,955	31,485,367,938	(2,636,817,017)	-7.7%
SEMINOLE	19,809,388,353	17,458,683,920	(2,350,704,433)	-11.9%
SUMTER	1,989,344,545	1,626,414,666	(362,929,879)	-18.2%
SUWANNEE	854,561,030	688,413,884	(166,147,146)	-19.4%
TAYLOR	865,655,479	788,366,141	(77,289,338)	-8.9%
UNION	166,951,094	131,880,477	(35,070,617)	-21.0%
VOLUSIA	21,766,443,774	18,735,196,059	(3,031,247,715)	-13.9%
WAKULLA	669,780,580	542,278,376	(127,502,204)	-19.0%
WALTON	6,428,812,437	6,205,330,008	(223,482,429)	-3.5%
WASHINGTON	529,872,030	434,448,231	(95,423,799)	-18.0%
STATEWIDE	989,869,538,775	894,059,418,454	(95,810,120,321)	-9.7%

Primary Information Source: 2003 Florida Property Valuations & Tax Data Book, Florida Department of Revenue
 Available Online at: <http://sun6.dms.state.fl.us/dor/property/03FLpropdata.pdf>

FINANCIAL IMPACT ESTIMATING CONFERENCE INFORMATION STATEMENT
Additional \$25,000 Homestead Exemption

Table 2. REDUCTION IN PROPERTY TAX REVENUES BASED ON 2003 PROPERTY TAX RATES

COUNTY	COUNTY REVENUES	SCHOOL BOARD REVENUES	MUNICIPAL REVENUES	OTHER SPECIAL DISTRICTS	TOTAL REVENUE REDUCTIONS
ALACHUA	(11,430,389)	(10,428,522)	(2,935,131)	(2,253,454)	(27,047,496)
BAKER	(862,744)	(812,076)	(92,198)	(238,840)	(2,005,858)
BAY	(4,797,939)	(6,887,853)	(997,569)	(158,735)	(12,842,095)
BRADFORD	(1,012,448)	(931,097)	(108,828)	(52,411)	(2,104,783)
BREVARD	(27,988,797)	(29,090,283)	(12,603,205)	(3,571,856)	(73,254,141)
BROWARD	(70,910,594)	(82,109,062)	(50,006,907)	(34,304,495)	(237,331,057)
CALHOUN	(407,413)	(273,847)	(11,811)	(2,071)	(695,142)
CHARLOTTE	(7,846,120)	(9,860,826)	(547,606)	(851,173)	(19,105,725)
CITRUS	(7,974,604)	(7,768,858)	(501,094)	(1,280,099)	(17,524,655)
CLAY	(8,635,469)	(8,453,489)	(452,457)	(452,500)	(17,993,915)
COLLIER	(7,737,748)	(11,099,053)	(879,301)	(5,402,510)	(25,118,612)
COLUMBIA	(2,286,793)	(2,188,607)	(25,821)	(574,306)	(5,075,527)
DADE	(93,072,380)	(90,610,744)	(40,673,655)	(11,312,966)	(235,669,738)
DESOTO	(973,330)	(945,446)	(151,663)	(70,776)	(2,141,215)
DIXIE	(553,511)	(254,310)	(24,446)	(20,922)	(853,189)
DUVAL	(40,103,682)	(38,059,818)	(1,225,069)	(2,104,622)	(81,493,192)
ESCAMBIA	(13,335,045)	(12,919,638)	(1,791,060)	(72,688)	(28,118,430)
FLAGLER	(2,550,326)	(4,208,786)	(1,064,827)	(351,038)	(8,174,977)
FRANKLIN	(304,958)	(360,847)	(42,615)	(20,106)	(728,526)
GADSDEN	(1,761,399)	(1,523,434)	(139,264)	(8,808)	(3,432,906)
GILCHRIST	(808,818)	(635,307)	(3,096)	(36,724)	(1,483,945)
GLADES	(456,580)	(375,043)	(11,842)	(46,944)	(890,409)
GULF	(430,297)	(460,387)	(65,957)	(3,227)	(959,868)
HAMILTON	(350,971)	(298,455)	(14,120)	(17,324)	(680,869)
HARDEE	(652,914)	(686,491)	(40,033)	(81,230)	(1,460,667)
HENDRY	(1,064,297)	(1,038,845)	(107,332)	(401,223)	(2,611,696)
HERNANDO	(10,615,683)	(9,955,800)	(421,122)	(702,214)	(21,694,819)
HIGHLANDS	(4,451,978)	(4,327,736)	(284,065)	(311,850)	(9,375,629)
HILLSBOROUGH	(64,422,863)	(49,021,219)	(15,208,411)	(11,787,515)	(140,440,009)
HOLMES	(671,592)	(567,264)	(954)	(3,402)	(1,243,212)
INDIAN RIVER	(5,297,432)	(6,839,317)	(533,215)	(1,488,810)	(14,158,774)
JACKSON	(1,478,072)	(1,107,006)	(105,266)	(25,961)	(2,716,306)
JEFFERSON	(609,266)	(530,304)	(71,037)	(11,163)	(1,221,770)
LAFAYETTE	(236,044)	(194,854)	(4,851)	(11,599)	(447,349)
LAKE	(10,475,585)	(13,234,860)	(3,078,086)	(2,932,126)	(29,720,657)
LEE	(22,099,202)	(25,829,563)	(5,919,115)	(8,511,451)	(62,359,332)
LEON	(11,175,132)	(11,295,021)	(3,049,444)	(77,284)	(25,596,881)
LEVY	(1,761,604)	(1,694,344)	(243,380)	(133,942)	(3,833,269)
LIBERTY	(165,174)	(112,229)	(4,760)	(831)	(282,993)
MADISON	(629,661)	(544,043)	(86,764)	(31,018)	(1,291,485)
MANATEE	(14,557,697)	(12,692,604)	(1,689,336)	(1,754,712)	(30,694,349)
MARION	(11,063,234)	(16,002,652)	(2,808,713)	(4,736,264)	(34,610,864)
MARTIN	(8,283,950)	(8,151,428)	(798,509)	(1,036,815)	(18,270,701)
MONROE	(1,910,642)	(1,930,371)	(641,365)	(594,172)	(5,076,551)
NASSAU	(3,104,489)	(3,354,421)	(576,618)	(229,715)	(7,265,243)
OKALOOSA	(4,367,718)	(8,308,108)	(1,675,198)	(953,743)	(15,304,767)
OKEECHOBEE	(1,414,395)	(1,402,922)	(212,857)	(167,670)	(3,197,844)
ORANGE	(36,810,562)	(37,291,973)	(9,079,516)	(4,707,625)	(87,889,676)
OSCEOLA	(6,759,430)	(8,435,398)	(882,636)	(666,654)	(16,744,120)
PALM BEACH	(51,426,229)	(67,208,711)	(27,945,261)	(21,527,496)	(168,107,697)
PASCO	(24,922,651)	(22,385,268)	(1,790,111)	(2,403,827)	(51,501,856)
PINELLAS	(49,024,923)	(50,041,653)	(21,991,110)	(14,483,969)	(135,541,655)
POLK	(19,640,160)	(38,191,382)	(4,606,955)	(2,391,447)	(64,829,943)
PUTNAM	(3,333,638)	(3,140,425)	(447,214)	(156,608)	(7,077,885)
ST. JOHNS	(6,584,044)	(8,023,900)	(560,150)	(1,078,162)	(16,246,255)
ST. LUCIE	(12,108,468)	(11,445,099)	(3,757,756)	(5,210,632)	(32,521,955)
SANTA ROSA	(5,404,159)	(6,542,713)	(246,829)	(2,134,827)	(14,328,528)
SARASOTA	(13,584,113)	(23,184,927)	(2,923,716)	(3,101,634)	(42,794,390)
SEMINOLE	(16,093,576)	(21,361,842)	(5,226,607)	(1,087,033)	(43,769,058)
SUMTER	(3,339,555)	(2,070,878)	(160,692)	(249,333)	(5,820,457)
SUWANNEE	(1,659,110)	(1,423,185)	(194,833)	(81,529)	(3,358,657)
TAYLOR	(702,931)	(621,252)	(72,716)	(37,980)	(1,434,879)
UNION	(368,162)	(294,495)	(14,859)	(17,230)	(694,746)
VOLUSIA	(22,528,848)	(26,424,714)	(6,626,565)	(8,380,024)	(63,960,151)
WAKULLA	(1,271,505)	(1,194,189)	(17,207)	(6,378)	(2,489,279)
WALTON	(1,207,317)	(1,405,481)	(27,746)	(206,973)	(2,847,517)
WASHINGTON	(938,282)	(845,840)	(133,328)	(4,776)	(1,922,227)
STATEWIDE	(764,808,639)	(830,910,514)	(238,635,779)	(167,127,439)	(2,001,482,371)

Primary Information Source: 2003 Florida Property Valuations & Tax Data Book, Florida Department of Revenue
 Available Online at: <http://sun6.dms.state.fl.us/dor/property/O3FLprodata.pdf>