

DRAFT

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.