

**Property Tax Reform  
Committee  
Preliminary Report and  
Recommendations**

**State of Florida  
December 2006**

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## Executive Summary

The property tax in Florida is the single largest tax source currently used to fund government. The Florida Constitution has reserved the property tax for local governments to use in funding a wide array of public goods and services. Yet, as the year 2006 comes to a close, even though tax preferences for many permanent residents are higher than ever before, many taxpayers are very unhappy with Florida's property tax system. Several years of extraordinary appreciation in real property values, while bestowing greater wealth to property owners, has also brought into clear relief the shortcomings of the current tax structure.

**Affordability is a problem.** Taxes on many properties have far outstripped the ability of their owners to pay. Several years of double-digit increases in property values have not been offset by reductions in tax millage rates levied annually by local governments. New residents to the state wishing to purchase their own home are finding the taxes on many properties to be unaffordable. Citizens' interest in restraining local government tax increases has been undermined by the Save Our Homes preference, which has insulated most voters from rapid tax increases even though property values have risen dramatically and tax rates have fallen only modestly.

**There is a "lock in" effect.** Many Floridians that own their own homes and have lived here for several years are finding themselves unable to relocate within the state because a change in homeownership will result in loss of substantial tax benefits.

**Systematic inequities have emerged.** Neighbors with the same property values are often being taxed at drastically different levels. The constitutional protections granted to homesteaded properties have shifted the overall burden of taxes to other property types, such as those used by businesses, renters, and part-time residents.

The variety of issues defies a simple solution. The Florida Legislature, unable to find a solution in its 2006 legislative session, authorized an in-depth study of property taxes in

Florida to help form the factual basis for future decisions on the issue. The results of this study will serve both the Legislature and the constitutionally established Taxation and Budget Reform Commission to be formed in 2007. This commission will have the power to consider a wide range of budget and taxation issues and place constitutional amendments on the statewide ballot in the 2008 general election.

In June 2006, Governor Jeb Bush issued Executive Order Number 06-141 establishing the Property Tax Reform Committee. Governor Bush saw a need to inform the debate on property tax reform with input from the “real world”—from private citizens, business associations, professional associations, and state and local governments. Additionally, the Committee’s efforts were seen as a bridge between the legislative study and the Taxation and Budget Reform Commission.

The Committee is charged with making recommendations on how to improve property taxation in Florida. The recommendations to the Governor, the Legislature, and the Taxation and Budget Reform Commission are to be guided by policy criteria emphasizing a tax system that promotes equity, ease of compliance, economic competitiveness and neutrality, and an appropriate balance between public funding needs and taxpayers’ ability to pay. Governor Bush directed the Committee to consider, at a minimum, the following:

- The consequences of current property **tax exemptions and assessment differentials**;
- The appropriateness, affordability and economic consequences of property **taxation levels** in Florida;
- **Alternative means of taxation** including, but not limited to, split-rate and land value taxation;
- **Replacement alternatives** to property taxation; and
- **Limitations upon local government** revenue and expenditures.

An initial report is due by December 15, 2006, followed by a mid-term report no later than March 1, 2007, then a final report no later than December 1, 2007.

Thus far, the Committee has held six meetings, during which the primary problems with the property tax structure were identified and many possible solutions were suggested. This four month period of information gathering has enabled the Property Tax Reform Committee to establish for itself a base of knowledge from which to move forward. The next phase of the committee's work will entail a more in-depth exploration of the consequences of specific ideas for solutions. The committee's recommendations listed below largely reflect the need for further study and deliberation and are consistent with the timeline set in the Governor's executive order establishing the committee.

**Recommendations:**

- 1. Any recommendations to improve property taxation in Florida should be founded on a comprehensive approach, with an emphasis on simplifying the system for all taxpayers.**
- 2. The Property Tax Reform Committee should continue to meet and formulate recommendations as contemplated in Executive Order Number 06 – 141.**
- 3. The Property Tax Reform Committee concurs with the suggestions offered by the Auditor General in his performance audit of the Value Adjustment Board process (Report # 2006-007), except for the possible creation of an appeals process at the regional or state level.**

**Further Study:**

**Several potential property tax system changes should be explored in more detail.**  
The Committee will further study the following ideas:

- a.** Assess business property based on current use only, instead of "highest and best use" value.
- b.** Cap tax revenue growth for individual local governments.
- c.** Cap tax growth for individual properties.
- d.** Full or partial replacement of the property tax with other forms of taxation.
- e.** Assess properties using a moving average value of several years' assessments instead of using just the current year's value.
- f.** Simplify the "Truth in Millage" notice to be more easily understood by taxpayers.
- g.** Increase the homestead exemption.
- h.** Save Our Homes Portability.
- i.** Phase-out of the Save Our Homes tax preference.
- j.** Partial-year assessment of improvements to real property.
- k.** Agricultural use classification improvements.
- l.** Protecting homestead-related tax benefits when property is taken through the use of governmental powers of eminent domain.
- m.** Protecting homestead-related tax benefits during frequent relocations required by military service.

## Background/History

Property taxes are the leading single source of tax revenue for government in Florida, with \$25.7 billion levied in Fiscal Year 2005-06. This compares to the \$23.6 billion in state and local sales taxes collected--the second largest single tax source. The property tax base, or taxable value increased by 25 percent in one year, growing from \$1.31 trillion in Fiscal Year 2004-05 to \$1.64 trillion in Fiscal Year 2005-06. Property taxes in Florida are used to fund the activities of counties, school districts, cities, and a variety of special districts such as water management districts, fire control districts, port authorities, and community redevelopment areas.

The importance of property taxes as a source of revenue for local governments is shown in Table 1. Property taxes as a proportion of local government revenues range from a low of 18 percent for cities to a high of 38 percent for school districts. As a proportion of tax revenues, property taxes are even more significant.

**Table 1**

	<b>Property Tax as a percent of Local Government Revenues (FY 2003-04):</b>	
	<b><u>Total Revenue</u></b>	<b><u>Tax Revenue</u></b>
<b>Counties</b>	<b>31%</b>	<b>74%</b>
<b>Cities</b>	<b>18%</b>	<b>56%</b>
<b>School Districts*</b>	<b>38%</b>	<b>95%</b>
<b>Special Districts</b>	<b>20%</b>	<b>99%</b>
(*) School data from FY 2004-05		

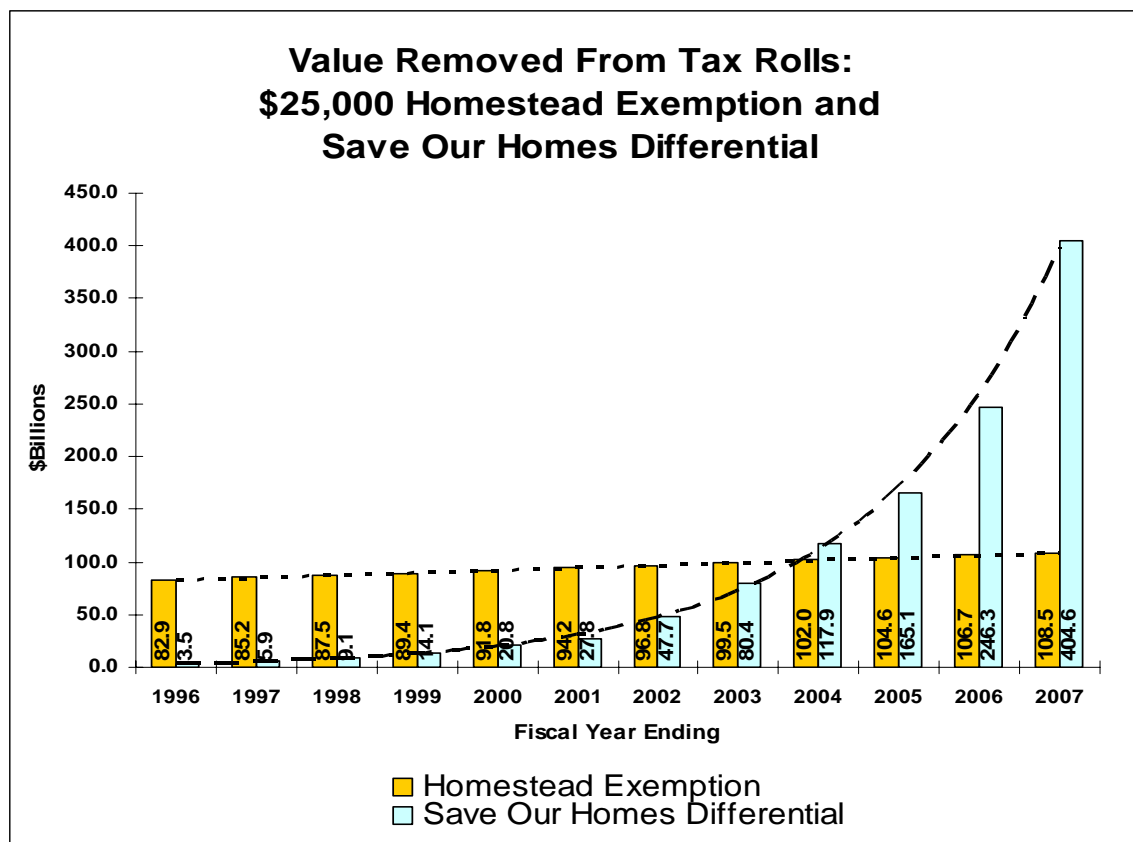
The prominence of property taxes in local government finances is founded in the Florida Constitution. The constitution reserves property taxes on real and tangible personal property exclusively for local governments. Furthermore, important structural aspects of local government property taxes are also set forth. Tax rates for county, city, and school district purposes are capped at 10 mills. Requirements are established for valuation of

property at market value. Exemptions are set forth and allowances are made for special classifications (and assessments) of property.

In the current property tax debate the most prominent of the special tax preferences allowed by the Florida Constitution are the homestead exemption and the Save Our Homes assessment limitation. The homestead exemption was amended into the Florida Constitution in 1934. It is available to persons that own the property in which they maintain a permanent residence in Florida. Until 1980, the homestead exemption amount was the first \$5,000 of property value. In that year, voters approved an increase in the exemption to \$25,000 for school purposes. A three-year phased increase to \$25,000 for all other property tax levies was also approved then.

Approved by the voters in 1992, the Save Our Homes assessment limit constrains growth in the assessed value of homestead parcels to the lesser of 3 percent or the

**Chart 1**



percentage change in the Consumer Price Index, with assessed value never being allowed to exceed market value. The limit applies to individual homesteaded parcels until ownership changes, at which point the assessed value is reset to market value and the limit process begins again. Chart 1 shows how important the Save Our Homes preference has become.

In the first eight years since Save Our Homes took effect the homestead exemption continued to be the most important tax preference for homestead properties, removing \$99.5 billion in value from the tax rolls in Fiscal Year 2002-03, compared to \$80.4 billion for Save Our Homes. However, in the past four years, driven by rapid market value appreciation, the value of the Save Our Homes preference has increased dramatically. By Fiscal Year 2006-07, Save Our Homes protected \$404.6 billion in property value from taxation, compared to only \$108.5 billion attributable to the homestead exemption.

As the year 2006 comes to a close, even though tax preferences for homestead properties are higher than ever before, many taxpayers are very unhappy with Florida's property tax system. Several years of extraordinary appreciation in real property values, while bestowing greater wealth to property owners, has also brought into clear relief the shortcomings of the current tax structure.

- **Affordability is a problem.** Taxes on many properties not benefiting from accumulated Save Our Homes protections have far outstripped the ability of their owners to pay. Several years of double-digit increases in property values have not been offset by reductions in tax millage rates levied annually by local governments. New residents to the state wishing to purchase their own home are finding the taxes on many properties to be unaffordable.
- **There is a "lock in" effect.** Floridians that own their own homes and have lived here for several years are finding themselves unable to relocate within the state because a change in homeownership will result in loss of substantial tax benefits.
- **Systematic inequities have emerged.** Neighbors with the same property values are often being taxed at drastically different levels. The constitutional protections granted to homesteaded properties (i.e., the Homestead Exemption and the "Save

Our Homes” assessment growth limitation) have shifted the overall burden of taxes to other property types, such as those used by businesses, renters, and part-time residents.

This variety of issues defies a simple solution, as was apparent in the 2006 regular session of the Florida Legislature. Numerous proposals were made to address particular problems, but no comprehensive answer emerged. In recognition of the complexity of the situation, the Legislature authorized an in-depth study of property taxes in Florida, with special emphasis on the effects of Save Our Homes currently and under proposed changes. The study is also to analyze the millage rates levied by local governments and the effectiveness of the annual tax rate/budget noticing process. Though some findings and recommendations are expected to be made prior to the 2007 legislative session, the final report of the legislative study is due in September 2007. The timing of the results is meant to serve both the Legislature and the constitutionally established Taxation and Budget Reform Commission, to be formed in 2007.

The Taxation and Budget Reform Commission, pursuant to the Florida Constitution, is formed once every 20 years for the purpose of proposing legislative and constitutional changes to Florida’s state government budget laws and state and local government tax systems. The 25 member commission consists of 11 appointees by the Governor, seven by the Speaker of the House of Representatives, and seven by the President of the Senate. It can place measures directly on the ballot to be considered by voters, bypassing the normal legislative approval or citizens’ initiative processes. Though the constitutional language is unclear as to the timing of submission of constitutional amendments by the upcoming commission, it is likely that they will be considering amendments for the 2008 general election ballot. The commission can be expected to consider property tax reform ideas and use the results of the legislatively approved property tax study.

In June 2006, Governor Jeb Bush issued Executive Order Number 06-141 establishing the Property Tax Reform Committee (see Appendices A and B). Governor Bush saw a need to inform the debate on property tax reform with input from the “real world”—from

private citizens, business associations, professional associations, and state and local governments. Additionally, the Committee's efforts were seen as a bridge between the legislative study and the Taxation and Budget Reform Commission.

The 15 member Committee is charged with making recommendations on how to improve property taxation in Florida. To assist with its deliberations, the Committee is required to consider public comment from a broad variety of business associations, professional associations, governmental associations, agencies, businesses, and citizens. The recommendations to the Governor, the Legislature, and the Taxation and Budget Reform Commission are to be guided by the following policy criteria:

- **Equity**--The Florida tax system should treat similarly-situated taxpayers similarly;
- **Compliance**--The Florida tax system should be simple and easy to understand, as well as fair, consistent and predictable in enforcement and collection;
- **Competitiveness**--The Florida tax system should be responsive to interstate and international economic competition;
- **Economic Neutrality**--The Florida tax system should minimize distortions in economic decision-making affecting investment, consumption, geographic location, and similar decisions; and
- **Fiscal Balance**--The Florida tax system should maintain an appropriate balance between public funding needs and taxpayers' ability to pay.

Governor Bush directed the Committee to consider, at a minimum, the following:

- The consequences of current property **tax exemptions and assessment differentials**;
- The appropriateness, affordability and economic consequences of property **taxation levels** in Florida;
- **Alternative means of taxation** including, but not limited to, split-rate and land value taxation;
- **Replacement alternatives** to property taxation; and
- **Limitations upon local government** revenue and expenditures.

An initial report is due by December 15, 2006, followed by a mid-term report no later than March 1, 2007, then a final report no later than December 1, 2007.

## **Committee Activities To-Date**

The Property Tax Reform Committee has held six meetings to receive public input and expert testimony. As implied by the meeting minutes found in Appendix C, the information provided has encompassed a wide range of concerns from both taxpayers and local governments. Many issues, and possible solutions, have been identified for the Committee's consideration.

Additionally, a large volume of public input has been received through the Committee's website at { HYPERLINK "http://www.propertytaxreform.state.fl.us" }. The website allows interested parties to easily submit suggested solutions or other information to the committee. The submitted solutions can be viewed by the general public and are categorized for easier examination. To date, a total of more than 1,000 suggestions have been submitted in the following categories:

- Unequal Taxes on Seasonal Residents (260)
- Alternative Ways of Taxing Property (179)
- Unequal Taxes on Similar Properties (137)
- Large Tax Increases When There is a Change in Residence (129)
- Homestead Exemption (127)
- Other (129)
- Replacement Alternatives to Property Tax (60)
- Budget Process Improvements (20)
- Value Adjustment Board Improvements (12)
- Tax Notice Improvements (9)
- Agriculture Classification (7)

Nearly 300 non-suggestion contacts have been made through the website as well.

## Property Tax Issues and Options

This section of the report will describe the issues, the evidence and some of the possible solutions identified by the Committee. From the many hours of public testimony and the hundreds of suggestions submitted via the Committee's website, it became apparent that **a comprehensive approach will be needed to address the main issues raised by taxpayers.** The complex array of problems facing taxpayers defies simple, one-dimensional solutions. Furthermore, solutions to some problems can make other problems worse. While the many concerns expressed by taxpayers are as unique as the circumstances of each individual, the common themes of *affordability and economic competitiveness, equity, and the "lock-in" effect* quickly emerged as the most prominent in taxpayers' minds. In addition to these broad issues, other, more narrowly focused matters were raised, such as concerns with the valuation appeals process, use or misuse of preferential treatment granted agricultural property and certain situations in which homestead exempt status can be lost.

### **Issue: AFFORDABILITY--Property taxes are no longer affordable for many taxpayers.**

A common complaint to the Committee has been that recent increases in property taxes are not affordable. Property taxes in Florida have grown rapidly in recent years following several years of much slower increase. Chart 2 shows total property tax levies in Florida growing from \$11.2 billion in Fiscal Year 1994-95 to \$25.7 billion in Fiscal Year 2005-06. The shape of the line indicates that levies have accelerated in recent years.

Chart 2

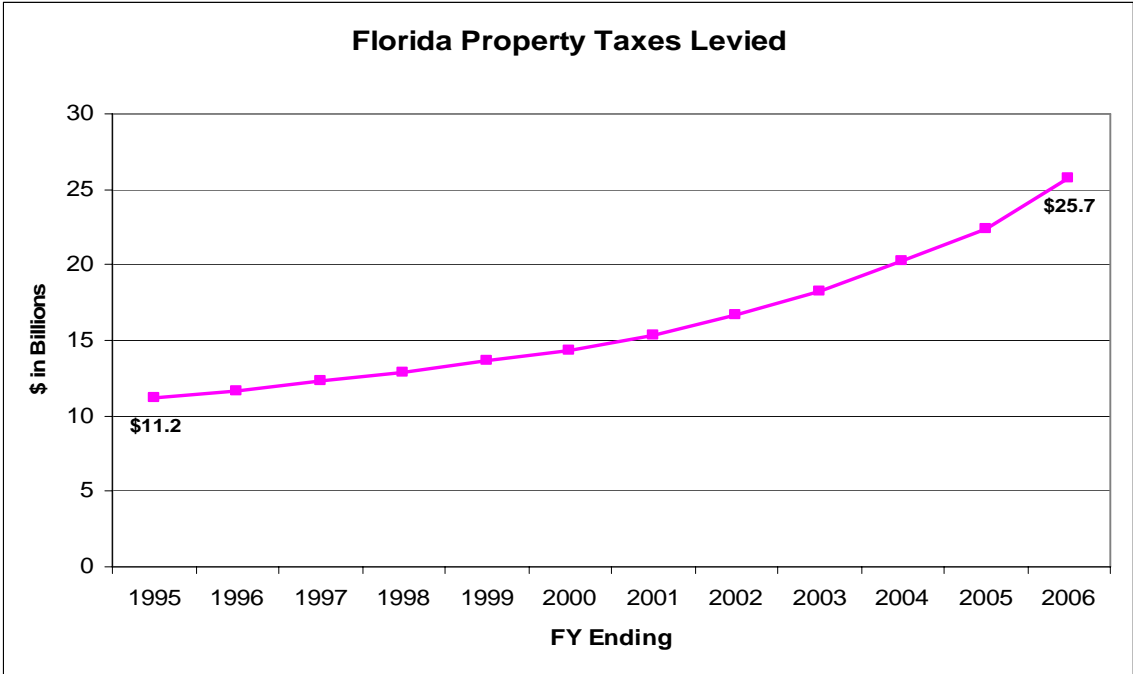
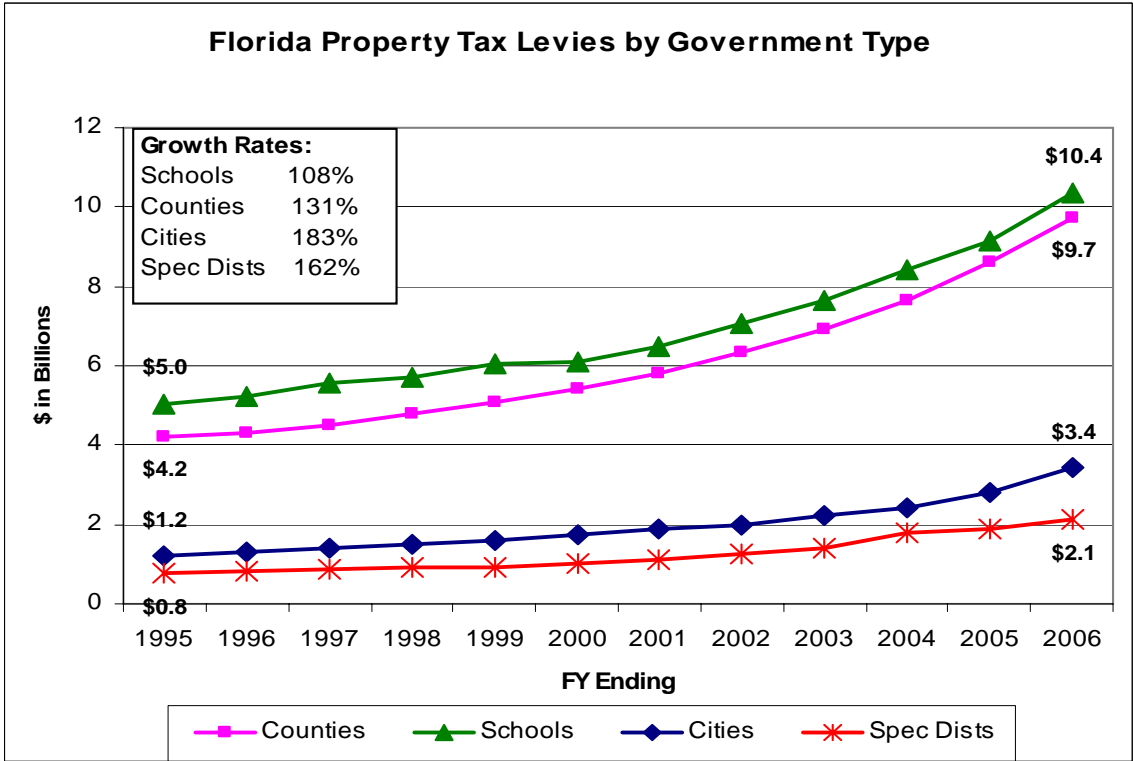


Chart 3 demonstrates that all local government types have shared in this growth.

Chart 3



Charts 4 and 5 support the assertion that taxes are unaffordable. Chart 4 demonstrates that beginning in Fiscal Year 2001-02 growth in property taxes outstripped personal income growth. Chart 5 summarizes recent history indicating that since Fiscal Year 1999-2000, property tax levies have increased by 80 percent, compared to total personal income growth of 39 percent and inflation plus population growth of 32 percent over the same period.

Chart 4

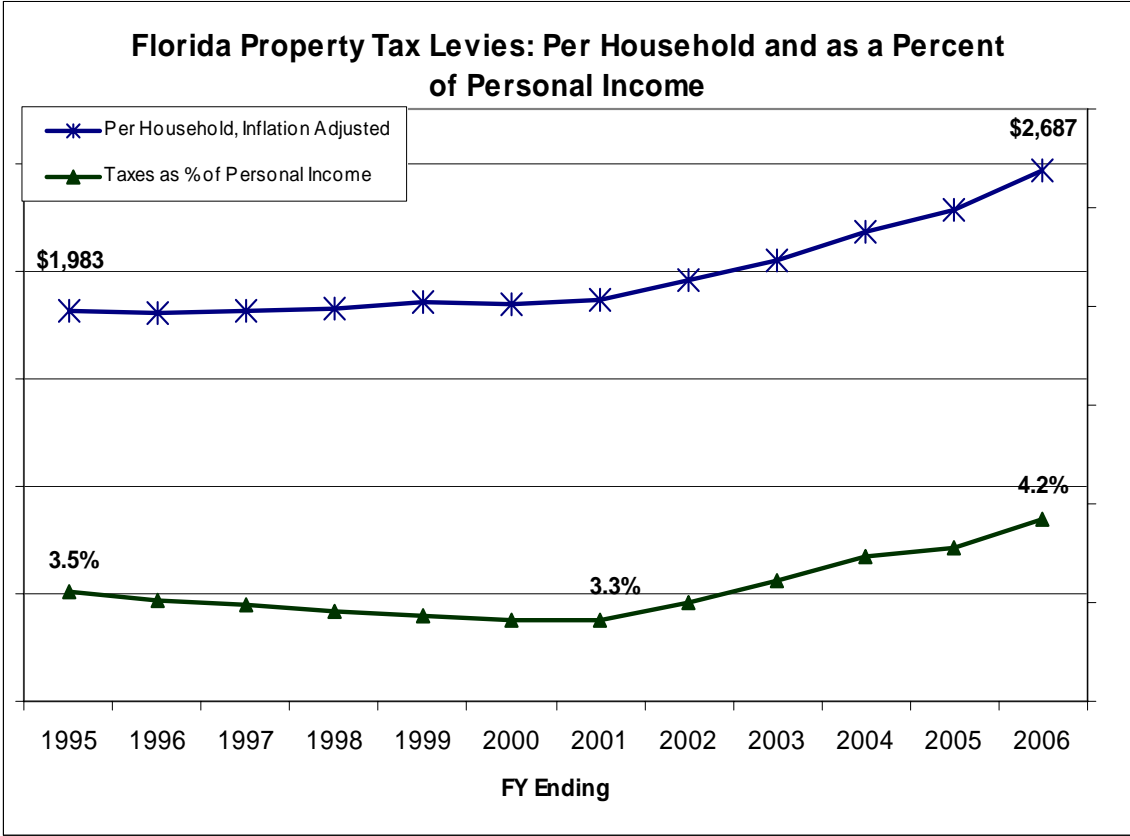
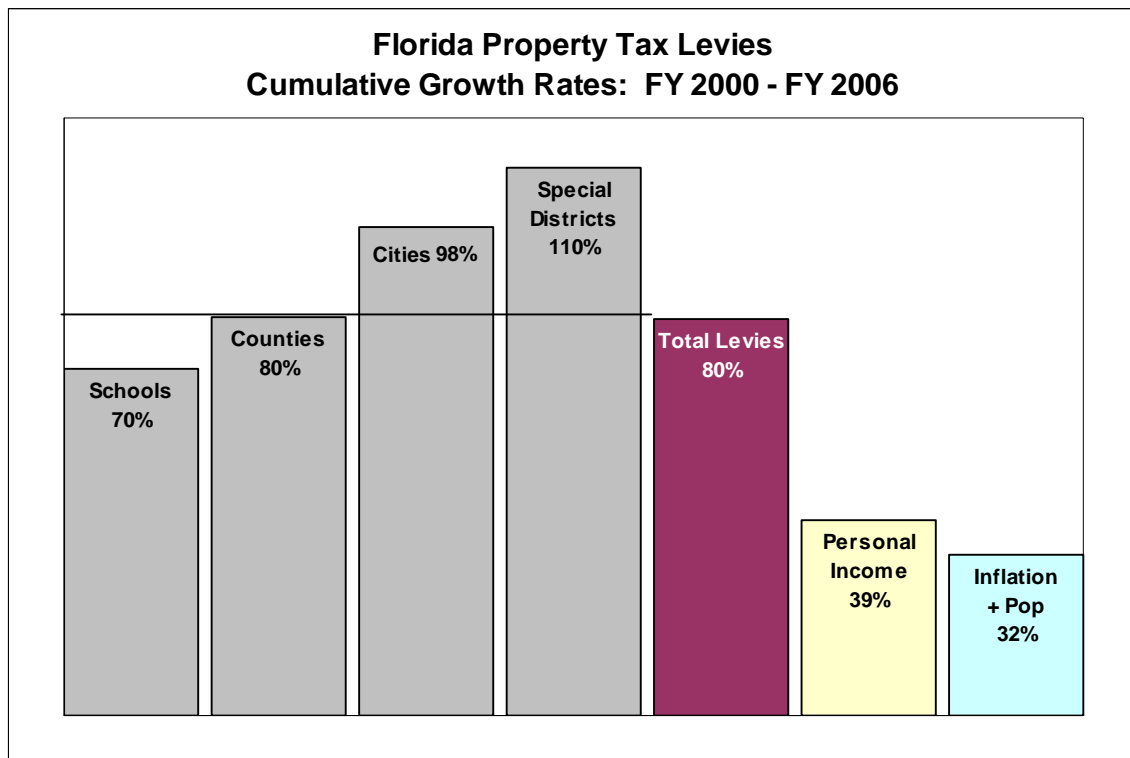


Chart 5



The effect on individual taxpayers has been dramatic. Public input to the Committee has revealed that part-time residents, often on limited or fixed retirement incomes, must consider selling their Florida retirement property because the taxes are no longer affordable (a situation made worse by recent increases in property insurance rates). Owners of residential and commercial rental properties are faced with the choice of either selling their properties or passing on large tax increases to their tenants, who often are unable to accommodate the increases. In either case the availability of affordable housing and affordable commercial space for small businesses in some areas of Florida is being hampered. Concerns have been raised about Florida's economic competitiveness and ability to continue to attract and retain businesses and jobs. For many businesses, large and small, competitive pressures prevent passing the tax increases on to customers. Businesses that can leave Florida are more likely to do so. Businesses that can not leave the state could see lower profits and curtailed operations.

The affordability issue reflects a couple of different aspects. First, assessed values based on the fair market value of real property have outstripped taxpayers' income growth. Second, tax rates determined by local government governing boards have declined modestly and not nearly enough to offset the increases in assessed values.

***Assessed values have outstripped taxpayers' income growth.*** This is a problem for owners and users of non-homesteaded property (e.g., businesses, renters, and part-time residents) and recent new homestead owners. The extraordinary strength in real estate markets in recent years combined with the constitutional requirement that county property appraisers value properties at market value has resulted in a very rapid rise in taxable values for non-homesteaded properties. The taxable values of properties that were recently established as new homesteads also reflect this rapid acceleration. Unprotected by the Save Our Homes assessment growth cap, the average taxable value of non-homestead residential parcels increased by 99 percent (a 12.1 percent annual compound growth rate) between Fiscal Year 1999-2000 and 2005-06. The increase in the average commercial/industrial parcel taxable value was 53 percent (a 7.3 percent annual compound growth rate). These growth rates are well in excess of the 21 percent increase in Florida income per household over the same period (3.2 percent compound annually). However, it should be noted that continued rapid increases in property valuations seen in recent years are not likely to continue because real estate markets in many Florida cities and counties have cooled dramatically during 2006.

***Tax rates have fallen, but not by enough to offset the increases in taxable values.*** Each year when local governments determine their budgets, they also set their property tax rates. Prior to finalizing their budgets and tax rates, local governments are required by state law to notify each property owner of his or her property valuation, previous year's taxes, current year proposed taxes, and taxes if the taxing authority did not increase its budget from the previous year. Additionally, each taxpayer is informed of the time and place of budget hearings, should the taxpayer want to provide input to the various governing boards prior to final budget and tax rate decisions.

In spite of current laws that afford opportunities for input from taxpayers and for annual adjustment of tax rates, recent years have seen only modest property tax rate reductions in the face of extraordinary taxable value growth. Consequently, tax levies have increased dramatically. Chart 6 shows that the statewide aggregate millage rate for all government types has decreased from 21.85 mills in Fiscal Year 1994-95 to 19.46 mills in Fiscal Year 2005-06, a 10.9 percent reduction (a 9.8 percent reduction since Fiscal Year 1999-2000). Chart 7 shows that different government types have shared in these tax rate declines to differing degrees. School district tax rates, in particular, fell noticeably more than for cities and counties. The modest tax rate declines explain why taxable value (i.e. the tax base) increased by 95 percent between Fiscal Years 1999-2000 and 2005-06, while tax levies increased by 80 percent (see Chart 8). Tax rate decreases in recent years have only slightly offset the effects of higher tax bases.

**Chart 6**

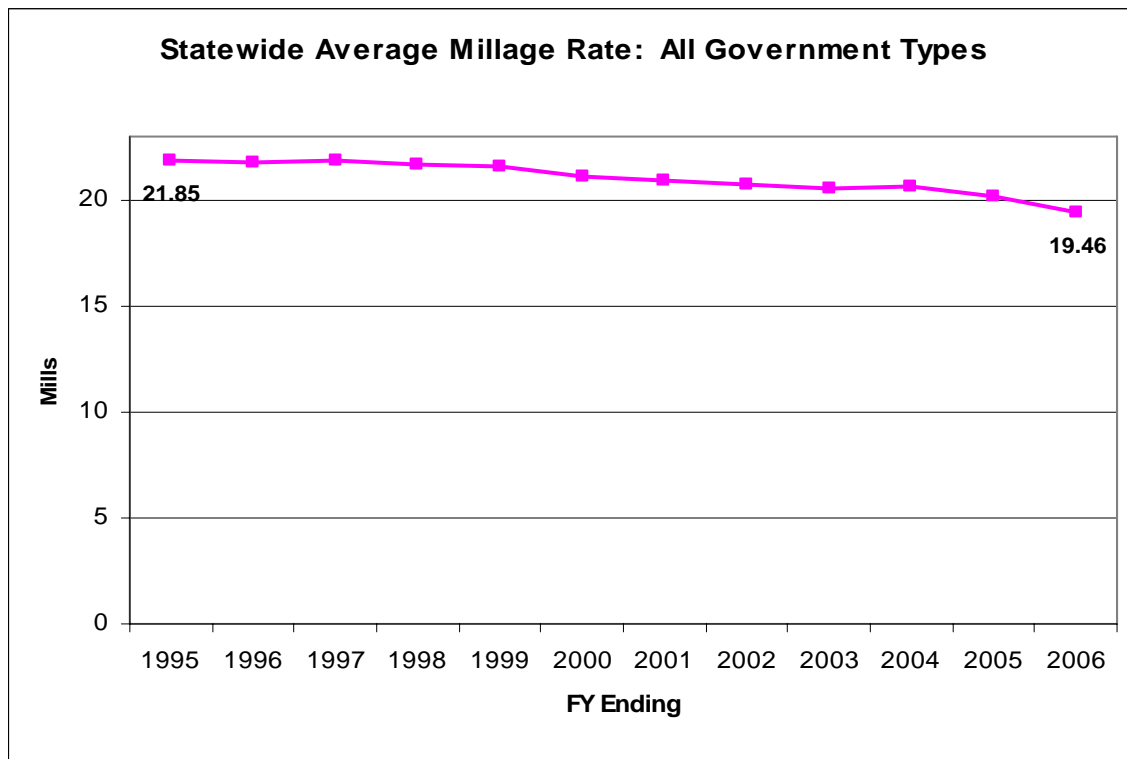


Chart 7

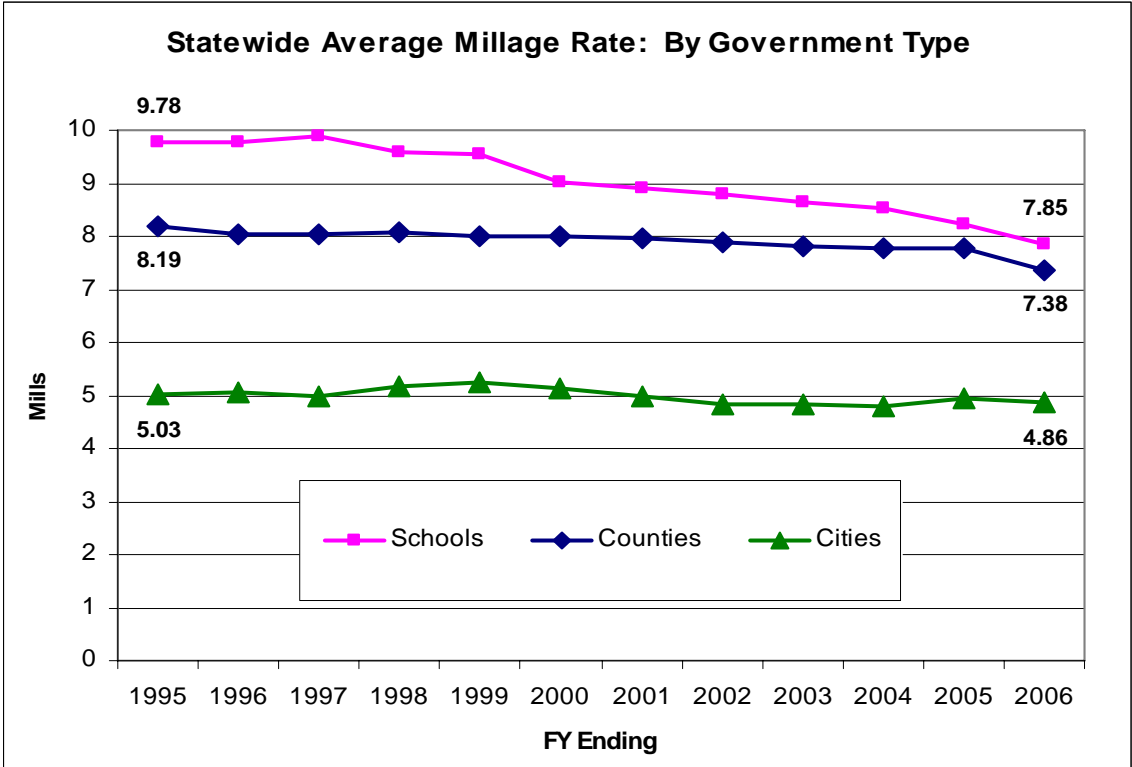
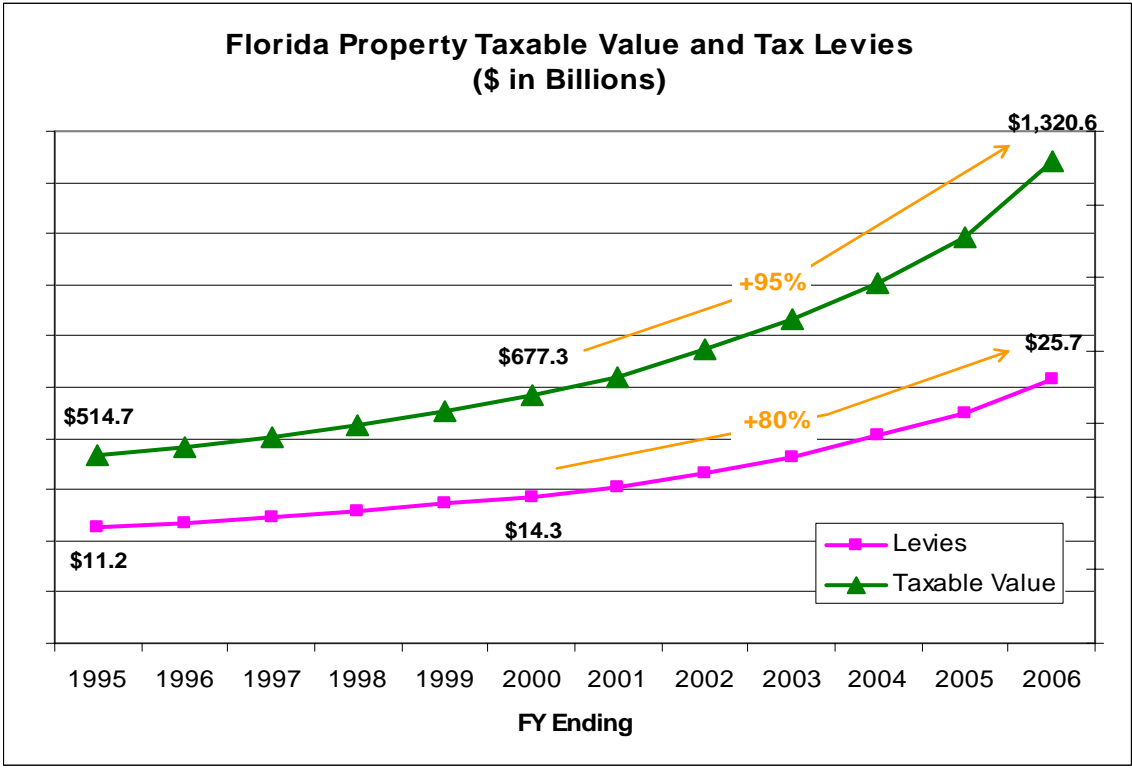


Chart 8



*Options to improve affordability* of property taxes include:

1. Assess non-homestead property based on current use only instead of true market value. Limit property appraisers to valuing business or residential rental property only on the basis of current use, instead of the “highest and best use” reflected in market prices. This would create a closer connection between property taxes and “ability to pay” (i.e., business income) than presently exists. Though property markets may establish higher values based on alternative uses, current businesses would not be forced out of their property by unaffordable taxes. Such a solution could be limited to certain types of property, such as affordable housing. While improving affordability, this option might also hinder the highest and best usage of real property, and place extraordinary discretion in the hands of the property appraisers. Furthermore, modification of an appraisal industry standard process is more likely to cause inequities in the valuation of many properties. Such a system might also create opportunities for abuse, against which great care should be taken.
2. Cap growth rates for individual properties. Similar to the Save Our Homes provisions for homestead properties, the annual increases in assessed value for all non-homestead properties could be limited to a certain percentage. As long as ownership does not change, affordability should be protected for most property owners. However, as is the case with Save Our Homes, inequities between similarly situated non-homesteaded taxpayers will develop over time. Additionally, new distortions in location decisions, such as the “lock-in” effect would be created and could discourage business formation. Also, assessment caps are subject to potential problems when properties that decline in market value are subject to tax increases at the same rate as properties that increase in market value.
3. Cap spending or revenue for individual local governments. Political feedback from taxpayers is not constraining local government governing boards from

allowing taxes to increase rapidly. One reason for this is that the Save Our Homes preference has insulated most voters from rapid tax increases even though property values have risen dramatically. An alternate mechanism may be needed to assure constraint of taxing authorities. A cap on revenue or spending would have forced tax rates down further in recent years and improved affordability. Even so, it would not necessarily have prevented individual taxpayers from experiencing very large tax increases due to increases in property valuations. Caps can vary in many ways, depending on:

- What is capped? Spending or revenues and types of spending or revenues,
- What is the allowable growth in the cap? Personal income, inflation, some other percentage,
- How can the cap be overridden?
- How is excess revenue disposed of?
- How is it to be enacted?

It should be noted that the committee heard testimony from representatives of local governments suggesting that the recent increases in taxes are at least partially explained by the need to offset higher costs that governments have to pay for things such as construction materials and insurance. The need to build reserves for emergencies, such as hurricanes, was also cited.

4. Assess property using a five-year moving average. Establish assessed value at the average of market value for the current year and the previous four. This will smooth out the effects of market changes on assessed values for tax purposes, giving property owners more time to adjust to changes. The likelihood that property taxes will outstrip owners' ability to pay will be reduced, though not eliminated. There will be a lag between market value changes and recognition of those changes for property tax purposes. This will increase the possibility that changes in assessed value in any given year will not reflect what is happening in property markets in that particular year. For example, if such a system was

- currently in place, assessed value of a property could increase next year (mainly reflecting what has happened to market value the past four years) even though market value is stagnant or declines next year. Additionally, changing the appraisal process might only result in taxing authorities raising millage rates and using the appraisal process modification as an excuse for their reaction.
5. Improve Budgetary Discipline from Taxpayers. The “Truth in Millage” or other processes can be enhanced to improve information to and participation of taxpayers in local government budget-making processes. Political feedback from taxpayers is not constraining local government governing boards from allowing taxes to increase rapidly. One reason for this is that the Save Our Homes preference has insulated most voters from rapid tax increases even though property values have risen dramatically. Additionally, the timing or method of presentation or notification to taxpayers of proposed tax changes may also reduce taxpayer participation in the decision-making process. One possibility is to require earlier TRIM-type notices to taxpayers.
  
  6. Increase the homestead exemption. This will provide immediate relief to all homesteaders (including new ones) from high levels of taxation. Inequities between homestead and non-homestead properties will increase, however. There are a number of variations of this option, including: doubling the value from \$25,000 to \$50,000; increasing the value of the exemption to reflect inflation since the exemption was set at \$25,000, then indexing to inflation into the future; and setting the exemption as a percent of property value. The homestead exemption is essentially portable but can only provide limited protection from rapidly increasing taxes that might result from either valuation or tax rate increases. Further, local governments will see immediate and substantial reductions in their homestead tax bases, likely resulting in a further shift of taxes to businesses and rental properties.

7. Replace the property tax with an alternative revenue source. Complete replacement of the property tax will eliminate all the affordability, equity, and economic distortion problems with the current structure. The implications for taxpayers and governments will depend on the replacement tax source. The replacement revenue source will have different: patterns of incidence among taxpayers, growth characteristics, administrative issues, and levels of control by local government. Replacement sources that have been suggested include an increase in the state sales tax and a “commerce tax” on all commercial transactions in the state. There will be no more property tax problems, but other issues will almost certainly arise with a replacement source. A variation of this option is to reduce, but not eliminate, property taxes with a corresponding increase in an alternative revenue source, such as sales tax.

**Issue: THE “LOCK-IN” EFFECT-- Long-time permanent resident homeowners are finding it difficult or cost prohibitive to move to another home within Florida.**

The current Save Our Homes assessment limitation protects permanent resident homeowners who have established a homestead and experienced an increase in their market value from large annual tax increases as long as they remain in the same home. When a homestead is sold, though, the Save Our Homes benefit is lost. If the homesteader wants to relocate within Florida there is often a significant increase in tax liability, even if the newly acquired homestead property is less valuable.

In Fiscal Year 2005-06 the average (per parcel) Save Our Homes taxable value protection was \$58,061. At the statewide average tax rate of 19.5 mills, this would amount to an annual tax savings of \$1,130 for a homestead owner, a benefit that would be lost should the homestead be relocated in Florida. In fact, there is great variation around the average. The size of the tax savings as a proportion of a property’s value tends to increase as the tenure of the homeowner increases. Long-term residents, then, tend to have larger tax benefits and will have larger potential tax increases should they relocate within Florida. The lock-in effect will also be unevenly distributed geographically around the state

because it will tend to be more pronounced in areas that have had more rapid property value appreciation.

The lock-in effect discourages Florida households from using property in the manner most appropriate to individual preferences and circumstances. Examples of adjustments in property usage that are being hindered include: residence downsizing by retirees or “empty-nesters”; relocation to seek employment; upsizing to accommodate a growing family or larger income. Consequently, the number of home sales is also being suppressed, though no Florida-specific measurement of this effect is available at present.

*Options to alleviate the lock-in effect* include:

1. Portability—Allow homeowners to take their Save Our Homes benefits to relocated homesteads. By allowing homestead property owners to retain some or all of their Save Our Homes benefit upon change of homestead location, the lock-in effect can be reduced or eliminated. Decisions about whether or not to relocate within the state will be much less affected by tax considerations. Also, affordability for homestead property owners will be improved. However, inequities between long-time residents, on the one hand, and non-homestead properties, first-time homeowners and new residents, on the other, will grow. Many variations of “portability” are possible, including: limits on the amount that can be transferred; age, income, or geographic limitations on when benefits can transfer; the number of times a transfer can happen; applying only when “downsizing”; and allowing the benefit to be transferred from parent to non-dependent child if the child is living in the home.

Implementation of a portability plan will reduce property tax rolls below levels they would otherwise have attained. This does not mean that tax rolls will decline. A more likely outcome is that rolls will grow more slowly than would otherwise be the case. Official estimates from the Florida Revenue Estimating Conference of the effects of Save Our Homes portability are not yet available. The Florida Department of Revenue, though, has developed some preliminary

- estimates in cooperation with the estimating conference. For an unlimited portability plan, the preliminary estimates suggest that the statewide property tax base would be reduced by -0.7 percent in Fiscal Year 2008-09 (first year of implementation) growing to a -2.4% reduction by the fifth year. To maintain the same level of revenues the statewide average tax rate would have to increase by 0.7 percent in the first year and by 2.5 percent in the fifth year. Note that wide variations can be expected among counties.
2. Eliminate Save Our Homes. Elimination of the Save Our Homes preference would eliminate the lock-in effect. Many homestead property owners would also likely see substantial (double or triple digit) tax increases absent any other changes to rates or structure. Currently, more than 4.3 million households, representing at least that many voters, enjoy Save Our Homes protections and would likely not approve this option. One variation of this option is that elimination could be phased in. Benefits currently enjoyed could be grandfathered in, but not allowed to grow over time. Based on information from Fiscal Year 2006-07, elimination of the Save Our Homes preference would result in a 24.5 percent increase in the statewide property tax base. The statewide average tax rate would have to fall by 19.6 percent to maintain the same level of revenues.
  3. Replace the property tax with an alternative revenue source. As discussed earlier, complete replacement of the property tax will eliminate all the affordability, equity, and economic distortion problems with the current structure, but would likely raise similar issues with any replacement revenue source.

**Issue: EQUITY--Florida's property tax system creates and sustains significant inequities among taxpayers.**

In tax systems, equity is the fundamental element of fairness. It means that taxpayers with similar circumstances are treated the same. It is commonly expressed by taxpayers

as “everyone should pay their fair share.” Yet, most property tax systems, including Florida’s allow for exemptions or special preferences that will naturally create inequities among taxpayers. The inequities in Florida’s property tax system have been one of the most common complaints submitted to the Property Tax Reform Committee by the public. Broadly speaking, equity concerns pertain to unequal treatment *among* homestead property owners and tax shifting from homestead properties to non-homestead properties, such as those owned or used by businesses, renters, and part-time residents.

***Wide differences in the tax treatment among homestead property owners have resulted from the combined effects of rapid property value appreciation and the Save Our Homes tax preference.***

The two primary tax preferences enjoyed by homestead property owners are the homestead exemption and the Save Our Homes assessment limitation. Generally, the value of the homestead exemption is the same for all homestead properties—the first \$25,000 of property value is exempt—though very low-valued homesteads can not take full advantage of that amount. The value of the Save Our Homes preference, however, varies and changes among homestead properties as the tenure of the owner changes. If annual property value increases are more than 3 percent, then as the length of time a homeowner remains in his or her home increases, so too does the value of property protected from taxation by the assessment limit. This has been the common experience of Florida homesteaders since Save Our Homes became effective in 1994 and has been exaggerated by very rapid property value appreciation in recent years.

Not surprisingly, among homesteads the value of property protected from taxation varies widely. Chart 9 shows how the Save Our Homes benefit varied across all homesteads in Fiscal Year 2005-06. The chart shows equally sized groups of taxpayers, ordered on the basis of their Save Our Homes differential (i.e. the amount of property value protected from taxation). The natural result of differences in owner tenure and property appreciation rates is that, at the extremes, more than 500,000 homesteaders had no benefit while nearly 430,000 had an average benefit of \$244,000 in property protected from taxation. More to the point raised by many taxpayers, Chart 10 shows how the tax treatment among similarly situated homestead taxpayers can vary. This chart shows

Chart 9

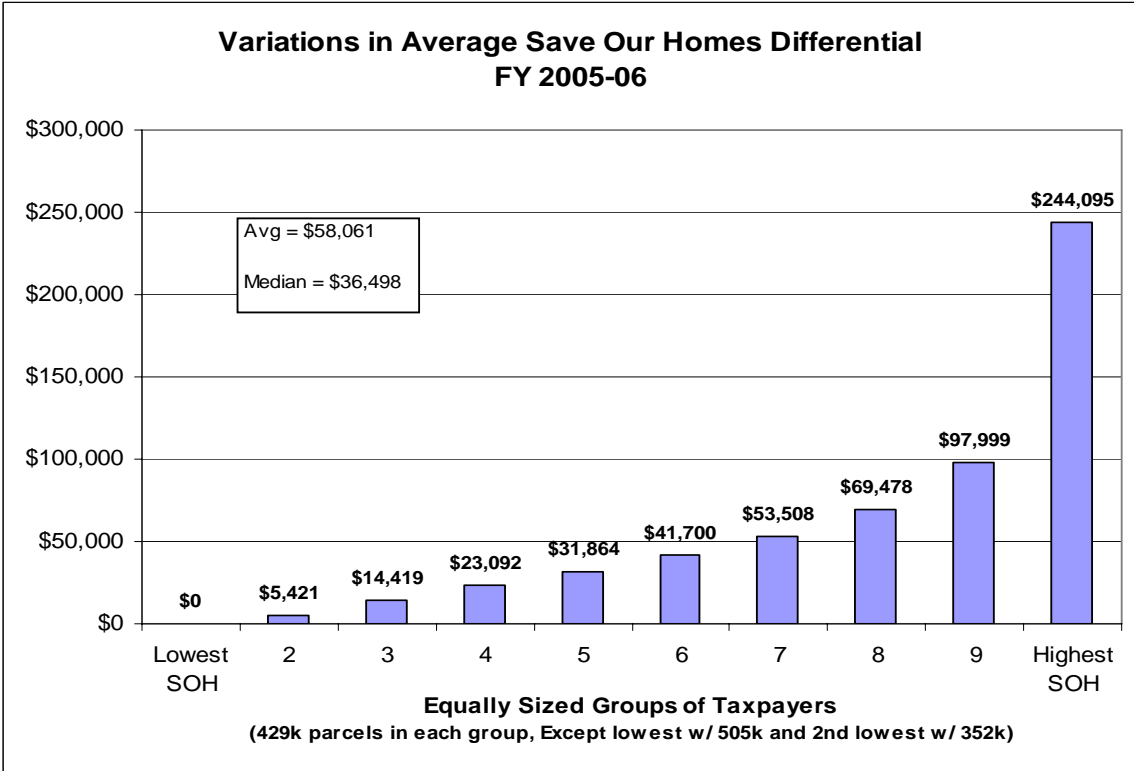
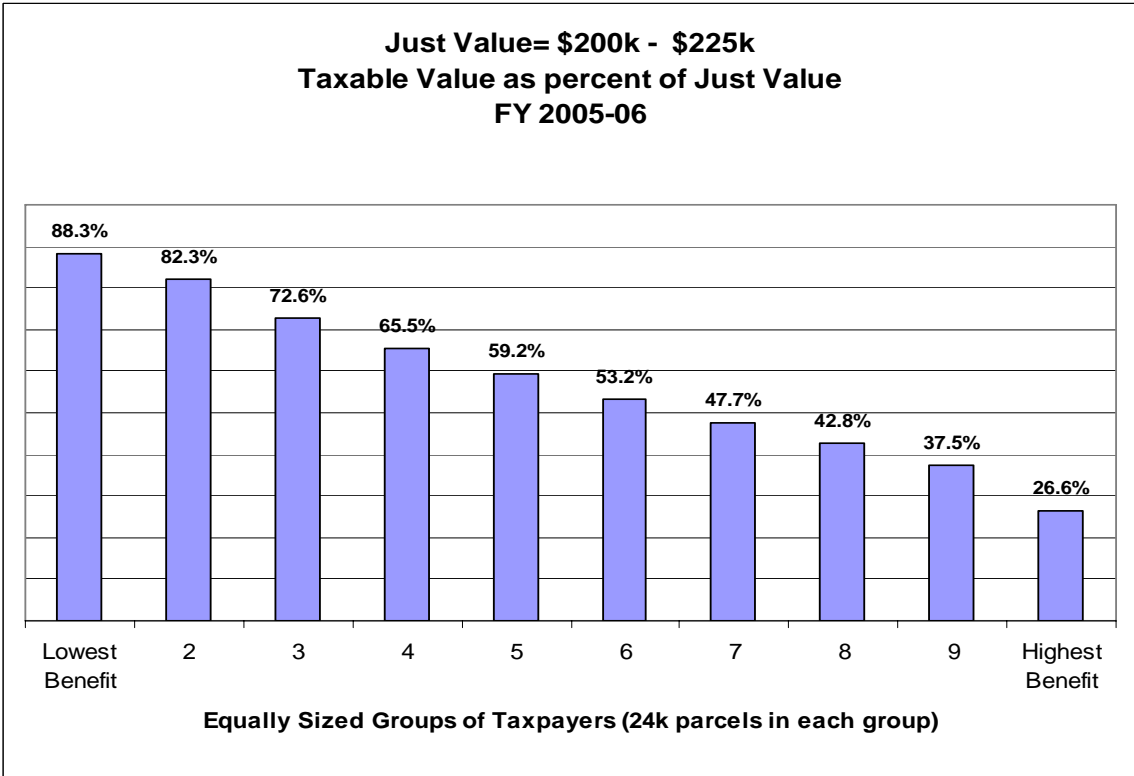


Chart 10



one group of similar homestead parcels, those with a market value of between \$200,000 and \$225,000, and puts all such parcels into equally sized groups. The chart shows that, at one extreme ten percent of taxpayers pay taxes on an average of 88 percent of their market value, while at the other extreme, ten percent of taxpayers pay taxes on an average of 27 percent of their market value. This represents a difference of 67 percent from highest to lowest taxable property value for properties with essentially the same market value. A similar pattern exists for other value groupings.

*The growth of tax preferences for homesteaded property has contributed to a shift in tax burden from homesteaded taxpayers to non-homestead property owners (e.g., businesses, renters, part-time residents, second home owners).* As the value of the Save Our Homes preference has increased over time, more and more homestead property value has been protected from taxation. This has been of great benefit to many permanent resident homeowners, but has meant that the burden of taxes that are levied will be born more heavily by non-homesteaded properties. Recent tabulations by the Florida Department of Revenue from the tax rolls for Fiscal Year 2006-07 indicate that the proportion of the tax base attributable to non-homestead residential and non-residential properties are both substantially higher as a result of Save Our Homes. With Save Our Homes the respective tax roll proportions of non-homestead residential and non-residential properties are 35.4 percent and 32.5 percent. Without Save Our Homes those percentages would be almost one-fifth lower at 28.5 percent and 26.2 percent, respectively. Conversely, without the Save Our Homes benefit the homestead tax base would be 74 percent higher. The larger resulting tax base would allow the same revenues currently being generated to be produced from lower tax rates so that taxes paid by non-homestead properties would be approximately 20 percent lower, but taxes on homesteaded property would be about 40 percent higher.

An additional source of inequity between taxpayers arises from current law that prevents taxation of substantially completed property improvements until the year following the completion of the improvements. For example, an improvement completed and occupied

as of February, can enjoy 11 months of reduced taxes, until the following year when the full value is reflected on the tax rolls.

*Options to alleviate property tax inequities and tax shifting* include:

1. Eliminate homestead-related tax preferences such as the homestead exemption and the Save Our Homes assessment limitation. Elimination of the source of the inequities described above would solve that problem, but would also adversely affect the affordability of taxes since most homestead properties would see substantial tax increases. Note that Florida's voters would have to approve such a change via an amendment to the Florida Constitution.
2. Increase Save Our Homes Growth Caps. Instead of capping growth in homestead assessed value at the lesser of 3% or inflation, the cap could be higher. Over time, a higher cap would lessen, though not eliminate, unequal tax treatment among homestead properties and between homestead and non-homestead properties. However, affordability would be adversely affected for homestead properties.
3. Replace the property tax with an alternative revenue source. As discussed earlier, complete replacement of the property tax will eliminate all the affordability, equity, and economic distortion problems with the current structure, but would likely raise similar issues with any replacement revenue source.
4. Partial-Year property assessments. Assessing improvements for the portion of the year during which they are first substantially completed could introduce greater equity. There would, however, be additional administrative costs associated with such a system.

**Issue: AGRICULTURAL CLASSIFICATION--The agricultural use classification is, in some cases, being misused in order to avoid higher taxes on soon-to-be-developed land.**

Florida law allows land that is being used for agricultural purposes to be valued solely on the basis of that use, instead of an often much higher “highest and best use” value. The tax savings associated with having an agricultural classification can be very large. Only lands that are used for good faith commercial agricultural purposes are to be classified agricultural.

Evidence was presented to the Property Tax Reform Committee suggesting that in some cases the current law is “gamed” in order to attain the classification and associated tax benefits. A couple of specific issues were identified as ways the current law is misused. First, owners/developers of land that has never been classified agricultural may claim that, by planting pine trees on the property, a bona fide agricultural use is established. Second, the land must only be in agricultural use on the January 1<sup>st</sup> date of assessment. If the use is discontinued a week after the assessment date, the property can still benefit from lower taxes for the year.

*Options to address agricultural classification issues* include:

1. Require minimum time periods during which property must be used as agricultural in order to qualify for the classification. This will prevent land owners from taking advantage of the January 1<sup>st</sup> assessment date.
2. Impose tax “recapture” provisions under certain circumstances. For example, land previously not classified as agricultural that is seeking the classification would be subject to repayment of the avoided taxes should the agricultural use be ended prior to a certain time.

**Issue: VALUE ADJUSTMENT BOARDS—Several areas of improvement have been identified by the Florida Auditor General.**

Value adjustment boards (VABs) exist in each county to hear appeals from taxpayers regarding their property valuations and their classifications and exemptions. VABs

consist of three members of the board of county commissioners and two school board members. Taxpayers may also appeal VAB decisions in circuit court, or go directly to circuit court, bypassing the VAB entirely. These boards are very important in the property tax appeals processes established under current law. Their proper conduct is of obvious vital importance to taxpayers.

In 2005, the Florida Auditor General conducted a performance audit (Report No. 2006-007) of county value adjustment boards in order to review the administration of the value adjustment board process by the Department of Revenue, the boards themselves, and the clerks of the court (who maintain the records for the VABs). The audit revealed numerous areas for improvement. Included among the Auditor General's suggestions were:

- The Legislature should consider creation of an appeals process at the regional or state level in conjunction with other recommendations in the report,
- The Department of Revenue should consider creation of a procedures manual to be used statewide so that procedures would be consistent and uniform for hearings before the VABs,
- Consideration should be given to requiring all counties to use special masters to promote consistency in the conduct of petitioner hearings,
- Value adjustment boards should review their procedures to ensure that there is no one in a position to influence the decision-making process of the Board regarding the selection of or disqualification of special masters who have ruled against the property appraiser in past petitioner hearings,
- Florida law should be amended to prohibit the county attorney from representing the VAB and to require the VAB to appoint private counsel, with the cost of such counsel being borne by the county and district school boards,
- Consideration should be given to providing petitioners in all counties the opportunity to have good cause hearings when warranted,
- VABs should ensure that their decisions are appropriately and adequately documented pursuant to law,

- The Department of Revenue should consider conducting training programs for special masters with specific emphasis on tangible personal property assessment,
- The law should be amended to require that the experience information contained in the applications submitted by the special masters to the clerks of the VABs be verified by either the clerks or the Department of Revenue,
- Clerks of VABs should assure that documentation that should be included as part of the record is retained,
- The Legislature should consider amending law to require VAB public notices to include the number of petitions heard by the boards and upon which a decision was rendered in the required public notice, and
- The VABs should consider the adoption of policies and procedures that would provide petitioners the opportunity to attend special master training meetings.

**Issue: HOMESTEAD EXEMPTION—Loss of homestead exemption under select circumstances may not be desirable public policy.**

Some taxpayers identified specific situations in which they had lost homestead exemption benefits (which include Save Our Homes benefits) under current law, arguing that such situations were not desirable public policy and should be changed.

*When a homestead property is taken by use of a government's power of eminent domain, the homestead location will have to change and, consequently, Save Our Homes benefits will be lost.* Though not a common occurrence, there is a fundamental question of fairness, namely, should a homeowner be penalized, possibly with much higher taxes, if the state or local government forces him or her to sell their property?

*The frequent relocations required by military service, especially requiring relocation overseas, makes it difficult to retain homestead exemption and Save Our Homes protections.* Current Florida law allows members of the U.S. Armed Forces to retain their homestead exemption while stationed elsewhere if they rent out their homestead

property while absent. This arrangement may not suit all situations. Some taxpayers have suggested broadening these provisions.

*The homestead exemption can not currently be transferred from one generation to another within a family or to a related family member.* Some taxpayers have argued that the homestead exemption should pass on to a non-dependent child when that child has been a long-time live-in caretaker of their elderly parent in the parent's home.

## Recommendations

After four months of gathering and absorbing a variety of information about Florida's property tax system, ranging from technical operational details of the system to real life experiences of taxpayers, the Property Tax Reform Committee has established for itself a base of knowledge from which to move forward. The next phase of the committee's work will entail a more in-depth exploration of the consequences of specific ideas for solutions. The committee's recommendations discussed below largely reflect the need for further study and deliberation and are consistent with the timeline set in the Governor's executive order establishing the committee.

**Recommendation: Any recommendations to improve property taxation in Florida should be founded on a comprehensive approach, with an emphasis on simplifying the system for all taxpayers.**

The issues and options discussed earlier in this report amply demonstrate the complexity of the problems plaguing Florida's property tax system. Solutions to the problems some taxpayers face will exacerbate the problems other taxpayers face. Consequently, the optimal solution for all involved should emerge from a careful, comprehensive consideration of *all* components of the tax system, not a piecemeal or "band-aid" approach. The result should be a simple, more taxpayer-friendly system.

**Recommendation: The Property Tax Reform Committee should continue to meet and formulate recommendations as contemplated in Executive Order Number 06 – 141.**

The executive order establishing the committee is created and sustained solely under the authority of the Governor. The committee recommends to Governor-elect Crist that he sustain Executive Order Number 06 – 141 and allow the Property Tax Reform Committee to continue its work. The complexity of the issues, the depth of knowledge required for good decisions, and the comprehensive approach needed to arrive at the best solution require more time than the committee has had thus far.

**Recommendation: The Property Tax Reform Committee concurs with the suggestions offered by the Auditor General in his performance audit of the Value Adjustment Board process (Report # 2006-007), except for the possible creation of an appeals process at the regional or state level.**

The committee felt that the creation of another level of property tax appeals process would add complexity and cost to the system and is not necessary to pursue.

## **Further Study**

In its first four months of meetings the Property Tax Reform Committee discovered the scope of problems with Florida’s property tax system and identified an array of possible responses, some of which might be components of a comprehensive solution. The committee will explore in more depth a number of solution options in order to more fully understand the benefits, costs, interactions with other potential changes, and implications for the tax policy criteria that the committee is charged with following. Table 2 at the end of the “Further Study” section provides a quick reference to how the various possible solutions will improve the tax system.

The committee will further study the ideas listed below. (*Note: Further study does not constitute endorsement of the idea being studied.*)

1. Assess business property based on current use only, instead of "highest and best use" value.
2. Cap tax revenue growth for individual local governments. Specific mechanisms, such as tax rate caps, should be further examined in terms of their effectiveness, simplicity, and impacts on local government flexibility. There are likely to be interactive effects between government-level tax limitation mechanisms and other measures that limit growth of taxes on individual properties, such as caps on assessment increases.
3. Cap tax growth for individual properties. Current law caps growth in the valuation of homestead properties under certain circumstances, resulting in limited growth in taxes paid on individual homestead properties. Similar protections for non-homestead property should be explored. One example discussed by the committee is a permanent cap on annual valuations increases that stays with the property and is not affected by changes in ownership.
4. Full or partial replacement of the property tax with other forms of taxation. The committee recommends further study of this idea with particular attention given to business climate and economic development impacts, determination of appropriate levels of revenue replacement, administrative cost savings, incidence of tax changes relative to household income and geographic distributional consequences. Such a fundamental change in the Florida's tax structure should not proceed without full input from the business community and other affected parties.
5. Assess properties using a moving average value of several years' assessments instead of using just the current year's value.

6. Simplify the “Truth in Millage” notice to be more easily understood by taxpayers.
  
7. Increase the homestead exemption. As is true of caps on assessment growth, increases in the homestead exemption will result in individual taxpayer savings and a reduction in the overall tax base. The committee recommends further review of the variations of increasing the homestead exemption as a component or element of revenue control, both at the jurisdictional and individual taxpayer level.
  
8. Save Our Homes Portability. The committee recommends examination of Save Our Homes portability in all of its permutations, including but not limited to caps on transfer amounts, limits on the number of times a transfer can be made, and allowing portability only within one’s home county, etc. Absent a broader solution to affordability and equity issues associated with the current tax structure, Save Our Homes portability options and implications will need to be better understood. Also, given the numerous administrative issues associated with portability, opinions of county property appraisers from around the state should be solicited.
  
9. Phase-out of the Save Our Homes tax preference. One idea for eventual elimination of the Save Our Homes tax preference is to grandfather in current beneficiaries but prevent future growth of the value of protected property. Over time, the effects of Save Our Homes preferences on equity and the tax base would disappear. This might be a component of a comprehensive solution needing further review.
  
10. Partial-Year assessment of improvements to real property.
  
11. Agricultural use classification improvements. The committee recommendation is to work with the agricultural industry, property appraisers, and other interested parties to look at ways to improve the current system.

- 12. Protecting homestead-related tax benefits when property is taken through the use of governmental powers of eminent domain.
  
- 13. Protecting homestead-related tax benefits during frequent relocations required by military service.

**Table 2**  
**Improvements to Property Tax Characteristics**

Solution Idea	Equity		Affordability	Economic Competitiveness	Simplicity	Neutrality
	Homestead v. Homestead	Homestead v. Non-homestead				
Current Use Assessment		X	X	X		
Cap Tax Growth - Gov Unit			X	X		
Cap Tax Growth - Taxpayer		X	X	X		
Property Tax Replacement	X	X	X	X	X	X
Moving Avg Assessment			X	X		
TRIM Improvements			X	X		
Homestead Exempt Increase	X		X			
Save Our Homes Portability			X			X
Save Our Homes Phase-out	X	X			X	X

# Appendices

## Appendix A: Executive Orders

# STATE OF FLORIDA

## OFFICE OF THE GOVERNOR

### EXECUTIVE ORDER NUMBER 06-141

**WHEREAS**, homeowners in the State of Florida are struggling under the dual burden of increased insurance costs and an escalating property tax burden related to increased housing prices and damage caused by hurricanes and tropical storms; and

**WHEREAS**, a differential tax burden has developed between first-time homestead property owners and long-term homestead property owners and between homestead property owners and non-homestead property owners related to the effect of *Save Our Homes* provisions of s. 4(c), Art. VII of the State Constitution; and

**WHEREAS**, the State of Florida's population is currently estimated at more than 18 million and is projected to increase to nearly 25 million by 2025, one of the most rapid growth rates in the nation, potentially exacerbating the stratification of the tax burden; and

**WHEREAS**, *Save Our Homes* has not prevented large increases in property tax assessments when existing homeowners relocate within Florida, potentially affecting homeowners' willingness to purchase a new home; and

**WHEREAS**, statewide total property tax collections have far exceeded growth in total personal income; and

**WHEREAS**, HB 7109 amended Sections 193.155 and 196.031, Florida Statutes, and required the Department of Revenue and Office of Economic and Demographic Research to conduct a study of the state's property tax structure to analyze the impact of the current homestead exemptions and homestead assessment limitations on different types of property; and

**WHEREAS**, a committee is needed to provide input to the Department of Revenue and Office of Economic and Demographic Research from business associations, professional associations, governmental associations, citizens, and local, regional and state agencies to supplement their research and help formulate strategies for improving the property tax system in Florida; and

**WHEREAS**, beginning in 2007, the Taxation and Budget Reform Commission will be established, among other things, to review policy as it relates to the ability of state

and local government to tax and fund governmental operations; to determine methods favored by the citizens of the state to fund the needs of the state, including alternative methods for raising sufficient revenues for the needs of the state; and to examine constitutional limitations on taxation and expenditures at the state and local level; and

**WHEREAS**, a committee is needed to bridge the efforts of the Department of Revenue and Office of Economic and Demographic Research to study property taxation and the inaugural efforts of the Taxation and Budget Reform Commission to study taxation and spending in the State of Florida;

**NOW, THEREFORE, I, JEB BUSH**, Governor of the State of Florida, by the powers vested in me by the Constitution and laws of the State of Florida, do hereby promulgate the following Executive Order, effective immediately:

1. I hereby create the “Property Tax Reform Committee,” hereinafter referred to as the “Committee.”
2. Members of the Committee and its Chairperson shall be appointed by and serve at the pleasure of the Governor. The Committee shall consist of 15 members, including two members of the Florida Senate recommended by the President of the Senate and two members of the Florida House of Representatives recommended by the Speaker of the House. Business of the Committee shall be conducted with a quorum consisting of a simple majority of the voting members. Votes of the Committee shall be passed upon a simple majority of those voting members present. The Chairperson of the Committee may appoint technical advisory subcommittees as needed to assist in the completion of the work of the Committee, and such subcommittees may include persons not on the Committee with special expertise or experience.
3. The Committee shall be a forum to discuss, at a minimum, the following:
  - a. The consequences of current property tax exemptions and assessment differentials;
  - b. The appropriateness, affordability and economic consequences of property taxation levels in Florida;
  - c. Alternative means of taxation including, but not limited to, split-rate and land value taxation;
  - d. Replacement alternatives to property taxation; and
  - e. Limitations upon local government revenue and expenditures.
4. The Committee shall make recommendations to the Governor, President of the Senate, Speaker of the House, and Chairman of the Taxation and Budget

Reform Commission on how to improve property taxation and, in particular, shall recommend proposed legislation or constitutional amendments.

Recommendations should be guided by, at a minimum, the following criteria:

- a. Equity. The Florida tax system should treat similarly-situated taxpayers similarly;
- b. Compliance. The Florida tax system should be simple and easy to understand, as well as fair, consistent and predictable in enforcement and collection;
- c. Competitiveness. The Florida tax system should be responsive to interstate and international economic competition;
- d. Economic Neutrality. The Florida tax system should minimize distortions in economic decision-making affecting investment, consumption, geographic location, and similar decisions; and
- e. Fiscal Balance. The Florida tax system should maintain an appropriate balance between public funding needs and taxpayers' ability to pay.

5. To assist with its deliberations, the Committee shall solicit and consider public comment from as broad a variety of business associations, professional associations, governmental associations, agencies, businesses, and citizens as is reasonable.

6. Members of the Committee shall not receive compensation for fulfilling their duties as Committee members. Those members of the Committee who are employees of the State, if any, may receive reimbursement from their respective agencies to the extent allowed by Section 112.061, Florida Statutes.

7. The Executive Office of the Governor and Department of Revenue shall, with the assistance of other agencies, as appropriate, arrange for technical assistance and administrative support to the Committee and be responsible for payment for any operational, administrative, or organizational expenses incurred by the Committee.

8. All agencies under the control of the Governor are directed, and all other agencies and local governments are requested, to render assistance to, and cooperate with, the Committee.

9. The Committee shall meet at times and places designated by the Chairperson, with the first meeting to occur no later than August 15, 2006. Any vacancy occurring in the Committee shall be filled in the manner of the original appointment.

10. The Committee shall present an Initial Report no later than December 15, 2006, a Mid-term Report no later than March 1, 2007, and Final Report of its findings and recommendations no later than December 1, 2007, to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Chairman of the Taxation and Budget Reform Commission.

11. The Committee shall cease to exist upon submission of its Final Report.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and have caused the Great Seal of the State of Florida to be affixed at Tallahassee, The Capitol, this \_\_\_\_\_ the day of June, 2006.

\_\_\_\_\_  
GOVERNOR

ATTEST:

\_\_\_\_\_  
SECRETARY OF STATE

# STATE OF FLORIDA

## OFFICE OF THE GOVERNOR

### EXECUTIVE ORDER NUMBER 06-147

(Amends Executive Order No. 06-141)

**WHEREAS**, Executive Order Number 06-141 created the Governor's Property Tax Reform Committee and ordered the Committee to submit various reports of recommendations and/or proposed legislation or constitutional amendments to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Chairman of the Taxation and Budget Reform Commission; and

**WHEREAS**, the Committee can best serve its purpose by modifying the composition of its board;

**NOW, THEREFORE, I, JEB BUSH**, Governor of the State of Florida, do hereby promulgate the following amendment to Executive Order No. 06-141, effective immediately:

The Committee shall consist of 15 members, including two individuals recommended by the President of the Senate and two individuals recommended by the Speaker of the House.

Except as amended herein, Executive Order No. 06-141 is attached, incorporated, ratified and reaffirmed.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and have caused the Great Seal of the State of Florida to be affixed at Tallahassee, The Capitol, this 26<sup>th</sup> day of June, 2006.

\_\_\_\_\_  
GOVERNOR

ATTEST:

\_\_\_\_\_  
SECRETARY OF STATE

# STATE OF FLORIDA

## OFFICE OF THE GOVERNOR EXECUTIVE ORDER NUMBER 06-203 (Amending Executive Order 06-141)

**WHEREAS**, on June 21, 2006, I issued Executive Order 06-141 creating the Property Tax Reform Committee; and

**WHEREAS**, this amendment is necessary to improve the functioning of the committee;

**NOW, THEREFORE, I, JEB BUSH**, Governor of the State of Florida, by the powers vested in me by the Constitution and laws of the State of Florida, do hereby promulgate the following Executive Order, effective immediately:

Section 1. Number 6 of Executive Order 06-141 is amended to read as follows:

6. Members of the Committee shall not receive compensation for fulfilling their duties as Committee members. However, when requested, actual expenses necessarily incurred in the performance of the Committee's business including transportation, meals, lodging and incidental expenses allowable under section 112.061, Florida Statutes, will be reimbursed. Those members of the Committee who are employees of the State, if any, may receive reimbursement from their respective agencies to the extent allowed by Section 112.061, Florida Statutes.

Section 2. Except as amended herein, Executive Order 06-141 is ratified and reaffirmed.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and have caused the Great Seal of the State of Florida to be affixed at Tallahassee, The Capitol, this 29th day of August, 2006.

\_\_\_\_\_  
GOVERNOR

ATTEST:

\_\_\_\_\_  
SECRETARY OF STATE

## Appendix B: Committee Member List

- Donna Arduin of Fort Lauderdale, Partner and President, Arduin, Laffer & Moore Econometrics, LLC.
- Stephen Auger of Tallahassee, Executive Director, Florida Housing Finance Corporation.
- Barney Barnett of Lakeland, Vice Chairman, Publix Super Markets, Inc.
- Don DeFosset of Tampa, retired, appointed as Chairman.
- Bill Donegan of Maitland, Orange County Property Appraiser.
- Representative Carlos Lopez-Cantera of Miami.
- Charles Milsted of Tallahassee, Associate State Director, AARP.
- Representative Dave Murzin of Pensacola.
- Dennis Nelson of Wellington, Realtor, Keyes Company.
- Senator Burt Saunders of Naples.
- Cynthia Shelton of Lake Mary, Director of Investment Sales, Colliers Arnold.
- Richard Spears of Orlando, retired.
- Robert Turner of Tampa, Hillsborough County Property Appraiser.
- Tony Villamil of Coral Gables, Chief Executive Officer, The Washington Economics Group.
- William Walker of Coral Gables, Partner, White & Case, LLP.

## Appendix C: Meeting Minutes

### PROPERTY TAX REFORM COMMITTEE MEETING

August 15, 2006

Room 37, Senate Office Building

Tallahassee, Florida

#### Minutes

**Members Present:** Chairman Don DeFosset  
Donna Arduin  
Stephen Auger  
Barney Barnett  
Bill Donegan  
Representative Carlos Lopez-Cantera (by telephone)  
Charles Milsted  
Representative Dave Murzin  
Dennis Nelson  
Senator Burt Saunders (by telephone)  
Cynthia Shelton  
Richard Spears  
Robert Turner  
William Walker (by telephone)

**Member Absent:** Tony Villamil

#### Agenda Items:

1. **Opening Remarks**
  - Chairman Don DeFosset welcomed everyone to the meeting.
  - Members introduced themselves.
2. **Review of the Committee's charge**
  - Presented by Dr. Don Langston, Finance and Economic Analysis Policy Coordinator for Governor Jeb Bush.
3. **Review of Florida's Ethics and Sunshine Laws**
  - Presented by Nate Adams, General Counsel for Governor Jeb Bush.
4. **Property Tax Overview**
  - Presented by Dr. Don Langston
  - The presentation was an overview of the current property tax structure including historical trends in taxable value, tax collections, tax rates and shifts in the composition of the tax base. The presentation also included

comparisons of how the Save Our Homes benefits vary among homesteads as well as geographical areas of the state.

- The floor was opened for questions. The members focused much of the discussion on how Florida's property tax system compares with other states; how it impacts economic development; and what other states are doing with capped systems such as "Save Our Homes."
- Staff committed to beginning research on some of these issues for future consideration by the Committee.

5. **Scope and Timing of Legislatively Authorized Property Tax Study**

- Presented by Amy Baker, Director of the Legislature's Office of Economic and Demographic Research (EDR)
- The presentation was a review of House Bill 7109 which passed the 2006 Legislature.
- This bill authorizes the Department of Revenue and the Office of Economic and Demographic Research to conduct a study of Florida's property tax structure and report its findings to the Legislature.
- The floor was opened for questions. The discussion focused on the difficulty taxpayers often have in understanding their annual TRIM notices. A broader study of the entire local government budget process was also suggested.

6. **Other Related Research Efforts**

- Bob McKee, Fiscal Policy Director for the Florida Association of Counties presented a brief overview of a study the Association plans to conduct on county government expenditures. The study is being designed to take a closer look at recent budget increases. He noted that there have been significant issues in recent years that have placed a strain on local government budgets including input cost increases, domestic security, economic development (SCRIPPS) and hurricanes. The plan is to look at how these and other issues have influenced the increases in local government budgets. The study is intended to be complete shortly after the end of the year.
- The floor was opened for questions. The members requested additional research comparing growth in local government spending to that of the state government.

7. **Development of Action Plan**

- The Committee members had an open discussion of issues pertinent to the Committee.
  - Future Committee Meetings—The Committee agreed to meet monthly, for the next several months, in venues located around the state to take public testimony. Staff was directed to arrange a schedule of future meetings. Staff was also directed to recommend to the Chairman a set of rules to guide the conduct of future public hearings.

8. **Public Comment**

- Speakers:
  - Mr. Kenneth Wilkinson, Lee County Property Appraiser
  - Roger H. Wilson, Retired Legislator
  - Nancy Stephens, Florida Minerals and Chemistry Council and the Manufacturer's Association of Florida
  - Mr. Bob McKee, Florida Association of Counties
  - Sheila Anderson, Principal-Broker
  - Dominic Calabro, Florida TaxWatch

9. **Meeting Adjourned**

PROPERTY TAX REFORM COMMITTEE MEETING

September 20, 2006

Orlando City Hall

Orlando, Florida

Minutes

**Members Present:** Chairman Don DeFosset  
Donna Arduin  
Barney Barnett (by telephone)  
Bill Donegan  
Representative Carlos Lopez-Cantera  
Charles Milsted  
Representative Dave Murzin  
Dennis Nelson (by telephone)  
Senator Burt Saunders  
Cynthia Shelton  
Richard Spears  
Robert Turner  
Tony Villamil  
William Walker

**Member Absent:** Stephen Auger

**Agenda Items:**

**(1) Opening Remarks**

- Chairman DeFosset welcomed everyone to the meeting. The Chairman reviewed the rules that would be followed during the public testimony. The rules were as follows:
  - The presiding chair shall determine the total amount of time to be allotted for public testimony.
  - The presiding chair shall set such time limits for individual testimony as the chair finds reasonable under the circumstances.
  - In order to address the committee, a speaker must first complete and submit a public appearance record to the committee.
  - Speakers will be called in the order in which public appearance records are received.
  - Repetitious testimony is discouraged.
  - Speakers shall limit their testimony to topics within the purview of the committee, as set forth in the establishing executive order (as amended).

**(2) Approval of August 15, 2006 Meeting Minutes**

- The August 15, 2006 minutes were approved by the Committee.

**(3) Department of Revenue's Role in the Property Tax Process**

- Presented by James McAdams, Dept. of Revenue
- The presentation was an overview of the property tax process and the Department of Revenue's oversight of the process. There are eight steps to the process starting with the property appraisal process and ending with the funding of local government services.
- The floor was opened for questions. The members expressed interest in Department of Revenue providing more history on property tax levies and collections.

**(4) Value Adjustment Board Performance Audit Results**

- Presented by Hardee Ratliff, Office of the Auditor General
- The purpose of the audit was to review the administration of the value adjustment board process by the Department of Revenue, the value adjustment boards, and the clerks of the court.
- The Auditor General's audit included twelve recommendations for improving the process. The complete report can be found on the Auditor General's web site { HYPERLINK "<http://www.myflorida.com/audgen/pages/subjects/locgov>" }.

**(5) Perspectives on the Save Our Homes Amendment**

- Ken Wilkinson, Lee County Property Appraiser, presented some history of the "Save Our Homes" constitutional amendment. He also announced the launch of an initiative drive to allow portability of "Save Our Homes" benefits. A document was provided which explained his approach to allowing homeowner's to transfer a portion of their property tax protection to newly purchased homes.

**(6) Bay County Property Tax Issues and Possible Solutions**

- Rick Barnett, Bay County Property Appraiser, requested permission to allow representatives from Bay County to speak first.
- Mr. Mike Nelson, Bay County Commission Chairman, expressed his concern with limiting the growth in county budgets and offered suggestions to increase homestead exemption, allow portability within a county, implement a local option cap for all properties, allow local governments to implement a local sales tax without a referendum and limit the use of community redevelopment areas (handout).
- Mr. Glen R. McDonald, Chairman, Bay County Chamber of Commerce, supports the changes that Mr. Barnett will be putting forth during his testimony.
- Mr. Barnett took back the floor and outlined his plan for changing the property tax structure which included a list of ten potential changes ranging from increasing the homestead exemption by \$25,000 to limiting budget increases for all taxing authorities. Mr. Barnett provided a letter to the committee members that outlined each of the ten proposals (handout).

**Break for Lunch**

**Afternoon Session:**

**(1) Requested Public Input/Comment**

- Mr. Ed McIntosh, owner of a winter home on Nettles Island in St. Lucie County, gave testimony on behalf of non-homesteaded property owners there. He encouraged the committee to recognize that the issue is not just about homesteaders. He emphasized the need to reform the two-tiered tax system in Florida (handout).
- Vicki Weber, tax consultant for the Florida Chamber of Commerce, gave a perspective of the property tax burden for business owners. Ms. Weber gave some insights into how the business community is reacting to the higher cost of doing business in the state, which includes the higher property tax burden. She also provided information regarding the issues that the business community would like to see addressed by the committee (handout).

**(2) Open Public Input/Comment**

- Chairman DeFosset reviewed the rules for public testimony and opened the floor for members of the audience to speak.
- Speakers:
  - 1) Ted Morris – Center for the Study of Economics
  - 2) Richard Langdon – Indian River Drive Freeholders, Inc.
  - 3) Linda Hayward – Hernando County Citizens
  - 4) Robert Zulega –self
  - 5) Dwight D. Lewis – Volusia County Councilman (handout)
  - 6) Larry Guest -- self
  - 7) Doug Guetzloe – Ax The Tax
  - 8) Roger Baumgartner – self
  - 9) Duncan B. Dowling III – Blue Surf Condo Association, Inc.
  - 10) Julius Bruggeman – property owners (handout)
  - 11) R. M. Ludwic – self
  - 12) Kathy Torontali – Skycrest Subdivision (handout)
  - 13) Bruce Raynor – self
  - 14) James W. Clark – self (handout)
  - 15) Judy Elam --self
  - 16) Wilbur Lewis Hallock “Jim” -- self
  - 17) Edwina Nelon -- Homeowners Against Runaway Taxation
  - 18) Jane Bunkowske -- self
  - 19) Kathleen Clark -- self
  - 20) Amy Smelser – self, husband taxpayers & residents
  - 21) Tom Page – self
  - 22) Chris Adamik – self

**(3) Closing Remarks**

- Representative Fred Brummer, Chairman of the House Finance and Tax Committee, sent a letter to the committee and requested that it be recorded into the minutes. Chairman DeFosset indicated that it would be done.
- Chairman DeFosset recapped the items that he felt the staff should research.
  - Composition of statewide taxable value by type of property;
  - Revenue overages for local governments;
  - More input from cities and counties regarding their recent budgets;
  - Administrative/practical issues relating to local government revenue or spending caps;
  - Land value taxation;
  - Year over year spending comparisons for counties, municipalities and special districts for a 10 year period.
- Richard Spears requested information regarding the value of a dollar compared to 1981.
- Representative Murzin requested information regarding the sensitivity of tax roll assessments to down turns in real-estate markets.
- Donna Arduin requested research on what happens to the property tax needs if counties are limited to roll back rate plus inflation.

**Meeting adjourned**

PROPERTY TAX REFORM COMMITTEE MEETING

October 17, 2006  
Miami-Dade College  
Miami, Florida

Minutes

**Members Present:** Chairman Don DeFosset  
Donna Arduin  
Stephen Auger  
Barney Barnett  
Bill Donegan  
Representative Carlos Lopez-Cantera  
Charles Milsted  
Representative Dave Murzin  
Dennis Nelson  
Senator Burt Saunders  
Cynthia Shelton  
Richard Spears  
Robert Turner  
Tony Villamil  
William Walker

**Agenda Items:**

**(1) Opening Remarks**

- Eduardo J. Padron, President, Miami-Dade Community College welcomed the Committee to Miami.
  - Chairman DeFosset brought the Committee to order. The Chairman reviewed the rules that would be followed during the public testimony.

**(2) Approval of September 20, 2006 Meeting Minutes**

**(4)** The September 20, 2006 minutes were approved by the Committee.

**(5) Local Government Expenditure Growth**

- Presented by Dr. Don Langston, Executive Office of the Governor.
- The presentation was an overview of local government spending compared to state government spending.

**(3) Miami-Dade County Revenue and Expenditure Experience**

- Presented by Mr. George Burgess, County Manager, Miami-Dade County.
- Mr. Burgess' presentation outlined the recent property tax roll growth, its impact on Miami-Dade County's budget, the areas most affected by the tax roll growth, and potential solutions.

- Mr. Frank Jacobs, Miami-Dade County Property Appraiser, came to the podium to address specific questions regarding appraisal processes in Miami-Dade County.

**(4) Revenue Caps on Local Government Spending**

- Dr. Don Langston, Executive Office of the Governor, reviewed various decision points and alternative solutions that should be considered by the Committee as they discuss the issue of revenue caps on local governments.

**Break for Lunch**

**Afternoon Session:**

**(5) Property Tax Reform Solutions/Decision Matrix**

- Dr. Don Langston, Executive Office of the Governor, presented a list of the various problems associated with property taxation that have been identified to date by the Committee. Potential solutions were presented for each problem.
- The stated intention of this information that it should serve as a decision-making tool for the committee in its future deliberations.

**(6) Portability and Property Tax Reform**

- Representative Domino gave a presentation on his plan for “Save Our Homes” portability

**(7) Portability – Implementation Issues**

- Mr. Bill Donegan gave a presentation on another version of “Save Our Homes” portability and some of the implementation issues that will need to be addressed should portability become a recommendation.

**Open Public Input/Comment**

- Chairman DeFosset reviewed the rules for public testimony and opened the floor for members of the audience to speak.
- Speakers:
  - 1) Morgan Gilreath – Volusia County Property Appraiser
  - 2) Javier Hernandez-Lichti – Baptist Health South
  - 3) Martha Carley – Property Manager – Carley’s Mobile Home Park
  - 4) Henry Patel – Hotel Owner (spoke on behalf of several others in room)
  - 5) Deborah Cimadevilla – Multi Family Apartment Building Owner
  - 6) Barbara Carlson – Homestead, Florida
  - 7) John Talamos – Coral Gables, Florida
  - 8) Caroline Gaynor – Director – Shorecrest Home Owners
  - 9) Erik Tietig – Vice President – Pine Island Nursery
  - 10) Gary Dufek – Miami, Florida
  - 11) Jeffrey Mandler – Miami, Florida
  - 12) Delores Roth -- realtor
  - 13) Elizabeth Cimadevilla – Rental Property Owner
  - 14) Ricardo Barthelemy – Miami, Florida

- 15) Nancy Hogan – Commissioner, Ocean Ridge, Florida
- 16) Katie Edwards – Executive Director, Dade County Farm Bureau
- 17) Jerry Flick – Coral Gables, Florida

**(8) Closing Remarks**

- Chairman DeFosset directed staff to begin checking into committee meeting dates early in 2007.
- Committee members made requests for further research in the following areas:
  - 1<sup>st</sup> time home buyers
  - Property taxation practices in other states

**Meeting adjourned**

PROPERTY TAX REFORM COMMITTEE MEETING

November 17, 2006

Hillsborough County Commission chambers

Tampa, Florida

Minutes

**Members Present:** Chairman Don DeFosset  
Donna Arduin  
Stephen Auger  
Bill Donegan  
Charles Milsted  
Representative Dave Murzin  
Dennis Nelson  
Senator Burt Saunders  
Cynthia Shelton (by Phone)  
Richard Spears  
Robert Turner  
Tony Villamil (by Phone)  
William Walker

**Member Absent:** Barney Barnett

**Agenda Items:**

**Opening Remarks**

- Chairman DeFosset brought the Committee to order. The Chairman outlined the issues that have been discussed to date.

**Approval of October 17, 2006 Meeting Minutes**

- (6) The October 17, 2006 minutes were approved by the Committee.

**Community Redevelopment Areas**

- Presented by Ms. Bonnie Wise, Finance Director, City of Tampa.
- The purpose of the presentation was to educate the Committee members about Community Redevelopment Areas – what they are, how they are funded and why they are important.

**Understanding Tax and Expenditure Limitations**

- Presented by Mr. Eric Johnson, Budget Director, Hillsborough County.
- This presentation gave a history of tax and expenditure limitations and their impact on government spending.

**Property Tax Reform Issues and Considerations**

- Mr. Jim Smith, Pinellas County Property Appraiser gave testimony of his experiences with property tax and appraiser issues.

**Break for Lunch**

**Afternoon Session:**

**Agricultural Classification Issues**

- Mr. Michael Prestridge, Chief of Staff, Orange County Property Appraiser, gave a presentation on issues that Orange County is facing in the area of agriculture exemptions and the impact they are having on the tax rolls.

**Canadian Snowbird Association Issues with Property Tax**

- Mr. Gerry Brissenden, President, Canadian Snowbird Association, gave an overview of the property tax concerns that Snowbird's have. He also shared with the Committee recommendations for the Committee to consider when preparing their report.
- Mr. Wallace Weylie, legal counsel for the Association, answered questions for the Committee members.

**Palm Beach County Property Tax Reform Proposals**

Commissioner Warren Newell gave a presentation on the consensus recommendations of the Palm Beach County Board of County Commissioners to address the inequities that now exist in the current property tax system.

**Open Public Input/Comment**

- Chairman DeFosset reviewed the rules for public testimony and opened the floor for members of the audience to speak.
- Speakers:
  - 1) Will Shepherd
  - 2) Martha Johnson
  - 3) Delfin Fernandez
  - 4) Frank Millen
  - 5) Paul Flora
  - 6) Joseph Caetano
  - 7) Gary Brown
  - 8) Ralph Bowers
  - 9) Todd Jones
  - 10) Mike Dyer
  - 11) Betsy Valentine
  - 12) Mary Wilkerson
  - 13) Ford Smith
  - 14) Kenneth Hoyt
  - 15) Phil Tenn, Sr.
  - 16) Cristy Fish
  - 17) Al LoParrino
  - 18) Kay Hanks
  - 19) Mr. Kim Adams
  - 20) Chuck Aller
  - 21) Tom Aderhold

- 22) Bob McKee
- 23) James Nelson
- 24) Ron Weaver
- 25) Penny Farrar
- 26) Tom Mixson

**Closing Remarks**

- The Committee agreed that there should be one more meeting prior to the December 15 meeting. November 29 in Orlando was tentatively set as the date and location.

**Meeting adjourned**

PROPERTY TAX REFORM COMMITTEE MEETING

November 29, 2006  
Orlando International Airport  
Orlando, Florida

Minutes

**Members Present:** Chairman Don DeFosset  
Donna Arduin  
Barney Barnett  
Bill Donegan  
Representative Carlos Lopez-Cantera  
Charles Milsted  
Representative Dave Murzin  
Dennis Nelson  
Senator Burt Saunders (by Phone)  
Cynthia Shelton  
Richard Spears  
Robert Turner  
Tony Villamil  
William Walker

**Member Absent:** Stephen Auger

**Agenda Items:**

**Opening Remarks**

- Chairman DeFosset brought the Committee to order. The Chairman outlined the issues that have been discussed to date.

**Open Public Input/Comment**

- Chairman DeFosset reviewed the rules for public testimony and opened the floor for members of the audience to speak.
- Speakers:
  - 1) Penny Herman
  - 2) Trey Price
  - 3) Jon Pospisil
  - 4) Gail Boettger
  - 5) Ken Wilkinson
  - 6) Mike Armstrong
  - 7) Don Oblazney
  - 8) Lloyd Lee

**Presentation of Draft Preliminary Report**

- (7) Presented by Dr. Donald Langston, Policy Coordinator, Office of Planning and Budgeting, Office of the Governor.
- (8) Dr. Langston reviewed the report with the committee and took comments.

**Discussion of Recommendations for Inclusion in Preliminary Report**

(9) Chairman DeFosset led the committee in a discussion of recommendations to include in the committee's preliminary report.

(10) The committee agreed to a series of recommendations for inclusion in the report and directed staff to complete the draft.

**Closing Remarks**

- The Committee agreed that another meeting should be scheduled in January and that Governor-elect Crist should be invited.

**Meeting adjourned**