



2017 Legislative Issue Briefs



Expanded Homestead Exemption

Talking Points:

- An additional homestead exemption will create even more inequities to a property tax system that already picks winners and losers by shifting the property tax burden to non-homestead properties.
- If approved by 60 percent of voters, it is estimated that the new homestead exemption would have a negative fiscal impact on cities, counties and special districts of \$752.7 million in the first year. That impact grows to \$816.8 million by the fifth year.
- The additional homestead exemption will require local governments to either reduce services or increase the taxes of businesses and renters by increasing millage to offset the fiscal impact.
- This new exemption transfers tax burden to non-homestead properties such as businesses and renters who currently receive far less property tax relief than homestead property owners.

Background:

Ad Valorem Taxation

An ad valorem tax, also called a property tax, is a tax that is proportional to the value of the person's property. In general, the greater the value of the property, the greater the amount of the tax. Under the tax structure established by the Florida Constitution, an ad valorem tax may be imposed only by counties, municipalities, school districts, and special districts. The Florida Constitution requires that ad valorem taxes be at a uniform rate within each taxing unit and the maximum tax rate is limited to 10 mills each for municipalities, counties and school districts. The general rule for ad valorem taxation is that property taxes apply to a property's just or market value. However, many assessment benefits and exemptions from taxation apply to a wide variety of properties. In 2016, ad valorem tax collections were \$29.72 billion with municipalities accounting for \$4.36 billion, less than 15 percent, of those revenues.

The Formula for Determining Taxable Value

Just Value (Market Value) - Assessment Differential (i.e. Save Our Homes) = Assessed Value

Assessed Value - Exemptions (i.e. Homestead, Charitable purpose) = Taxable Value

Taxable Value X Millage Rate = Property Taxes

Statewide Homestead Exemption

Every person having legal and equitable title to real estate and who maintains a permanent residence on the real estate (homestead property) is eligible for a \$25,000 tax exemption applicable to all ad valorem tax levies, including levies by school districts. In 2008, Florida voters approved an

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additional \$25,000 exemption that applies to homestead property value between \$50,000 and \$75,000. This exemption does not apply to ad valorem taxes levied by school districts. As of 2016, the value of both homestead exemptions is approximately \$192.77 billion.

Status:

SJR 1774 (Lee) and **HJR 7105** (House Ways and Means Committee) propose a constitutional amendment that creates an additional \$25,000 exemption for homestead properties for the purposes of non-school property taxes. If approved by 60 percent of voters in the November 2018 general election, it is estimated that the new homestead exemption would have a negative fiscal impact of \$752.7 million in the first year, growing to \$816.8 million by the fifth year. The estimated impact on cities is \$188.78 million in the first year, growing to \$204.85 million by the fifth year. SJR 1774 is now awaiting action by the Senate Appropriations Subcommittee on Finance and Tax. HJR 7105 formerly PCB WMC 17-04 was introduced by the House Ways and Means Committee (13-6) and has not yet been referred. The League is opposed to these joint resolutions.

HB 7107 (House Ways and Means Committee) implements the expanded \$25,000 homestead exemption if approved by 60 percent of voters in the November general election. The bill changes statutory dollar thresholds for the homestead exemption in order to conform with those in the constitutional amendment. Additionally, the bill provides that the rolled back rate used by local governments in FY 2018-2019 must be calculated as if the tax base had not been reduced by the increased homestead exemption. This provision also applies to the calculation of higher millage rates that may be levied with either a 2/3 or unanimous vote by a local governing board. The bill also directs the Legislature to appropriate funds to offset ad valorem tax revenue losses in fiscally constrained counties attributable to the reduction in the property tax base caused by the increased homestead exemption. HB 7017, formerly PCB WMC 17-07, was introduced by the House Ways and Means Committee (12-5) and has not yet been referred.

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