



## **Florida TaxWatch**

# **Guiding Principles and Specific Recommendations for Property Tax Reform**

### **Guiding Principles**

- ✓ Homestead property owners (voters), should retain a stake in property taxes and feel the direct impact of the increasing cost of their local governments. This is the best way to ensure public diligence, oversight and input into taxation and spending decisions of local governments.
- ✓ Tax relief should be targeted disproportionately to those taxpayers that have disproportionately shouldered the burden of increasing property taxes.
- ✓ When considering reductions in the taxable value of one type of property, the effect that would have on the tax burden of other properties needs to be acknowledged.
- ✓ Property tax reform should reduce the current shift of tax burden from homestead to non-homestead and eliminate significant future shifts.
- ✓ Property tax reform should greatly reduce or eliminate the tax discrepancies currently existing among homestead properties. Similarly situated taxpayers should be taxed similarly.
- ✓ Property tax reform should not overly shift the burden to new construction.
- ✓ Generally, future growth of property tax revenue should not exceed taxpayers' ability to pay.
- ✓ Reductions in property taxes should not directly result in increases in other local government taxes and fees.
- ✓ To the extent possible, differences between local governments should be considered, such as how much they have increased taxes and how much fiscally capacity they have.

## Recommendations

- ✓ **Replace Save Our Homes With A More Equitable System.** This is the key to true property tax reform. We have recommended repealing Save Our Homes but letting taxpayers keep their current savings. We acknowledge the difficulty in getting enough voters to pass this, so it should be coupled with more benefits for homeowners; increased homestead exemptions, a constitutional form of portability and a cap on local taxing a spending. Another approach would be to institute a “**Save Our Taxpayers**” system. This would cap the assessment growth of all property, the same way Save Our Homes does it for homesteads. An exemption would have to be added to avoid a large tax shift to new construction and new buyers. The exemption would be phased-out dollar for dollar as the Save Our Taxpayer savings grow.
- ✓ **Local Revenue Cap.** In addition to a specific cap on property tax revenue, a cap on the growth of all local government revenue should be created, limiting it to either the growth of population and inflation or personal income. This could also be overridden by a supermajority vote. This would prevent local governments from turning to other revenue sources to make up for cuts in property taxes. Even without property tax cuts, revenue sources such as charges for services, impact fees and special assessments have been increasing at an alarming rate.
- ✓ **Tangible Personal Property Exemption.** There is broad consensus on the merits of the \$25,000 exemption from the tangible personal property taxes that businesses pay. Florida TaxWatch has long been a proponent of exempting small business from tangible personal property taxes. Businesses have borne the brunt of Florida’s property tax increases. This will help small businesses cope with the large property tax increases they have experienced. Also, complying with the law creates a lot of work for both the public and private sector with (in the case of small businesses) relatively little return. The Legislature should consider an even larger exemption or indexing it to inflation.
- ✓ **Highest & Best Use and Other Targeted Relief.** Targeted relief for affordable housing, “working waterfronts” and low-income seniors are all proposals that combine tax relief with furthering good public policy. Florida TaxWatch has been supportive of relief for low-income seniors and any commercial property that suffers excessively from “highest and best use” valuations. In addition to affordable housing and working waterfronts, we encourage the Legislature to continue to find ways to help other properties deal with “highest and best use” valuations.

- ✓ **Taxpayer Fairness.** Taxpayers generally have a difficult time prevailing in assessment disputes. Perhaps the major reason is that a taxpayer challenging their valuation is required to overcome government's presumption of correctness by a clear and convincing evidence standard, rather than just a preponderance of the evidence. Removing this presumption of correctness the property appraiser enjoys would help level the playing field. Florida TaxWatch has recommended this change since 1996. Other fairness issues to be considered are improvements to the Value Adjustment Board process and the payment of interest on overpayments.
  
- ✓ **Preventing Further Tax Shifts to Non-Homestead Properties.** It is essential that if more tax breaks are provided to homestead property, there must be statutory accompaniment to ensure that more tax burden is not shifted to non-homestead properties. Similar to what the Legislature did with the Super Homestead Exempt amendment, the statutory millage cap would have to be amended in the year following any new break to ensure that local government truly absorb the cost of the double homestead exemption, the new homeowner exemption and portability. This can be done by requiring that the rolled-back rate is calculated **before** the value of these exemptions is removed from taxable value. **This is essential to ensuring that these are true tax cuts and not tax shifts.**