

## Amendment 10: Not A Tax Limit But A Multi-Million Dollar Tax Shift

On November 2, 1992 Florida voters approved State Constitutional Amendment 10, popularly known as the "Save Our Homes" amendment. The vote was close -- 53.6% to 46.4%. In fact, a majority of voters in 33 out of 67 counties voted against it. Beginning this year, the amendment limits the annual growth of assessments of homestead properties to the smaller of 3% or inflation (the annual rate of change in the Consumer Price Index). Only when a home is sold or its homestead exemption status is lost would it be reassessed to reflect fair market value.

Florida TaxWatch issued a report in October 1992 entitled *Amendment 10: More Harmful Than Helpful*. The report warned that the amendment would produce several negative impacts. First, Amendment 10 is not a tax limitation or a spending limitation. It does not put a limit on property tax increases, including those on homestead property. It only limits the growth in homestead property assessments. Local governments are not prohibited from increasing millage rates or enacting or increasing other taxes or fees. In fact, local governments do not have to notify individual taxpayers of a millage increase unless it will bring in more money than the previous year. Consequently, instead of being a tax limitation it becomes a tax shift. To make up for the lost tax base, millage rates will rise to maintain current spending levels unless spending is cut by the local taxing authority. This will

effectively shift the tax burden from homestead property owners to renters, commercial property owners, other non-homestead property owners and, in the future, people who buy homes.

With the first round of tax rolls under Amendment 10 now available, the Florida Department of Revenue (DOR) has just released data that shows that this is happening. Based on the preliminary 1995 county assessment rolls, DOR estimates that Amendment 10 removed \$3.4 billion in taxable value. This results in \$76.7 million in property taxes that are potentially shifted from homestead to other properties. This ranges from a low of \$145 in Union County to \$19 million in Broward County (see Table 2 on page 3).

The impact also compounds over time. The Revenue Estimating Conference projects that the tax shift will climb to \$942.2 million by 2004 -- the tenth year of Amendment 10. By the 20th year it will reach \$2.2 billion.

The 1992 TaxWatch report also pointed out some inequities that would occur under Amendment 10. Faster appreciating homes will benefit more than ones whose market value rises slower. Higher-priced homes will enjoy the largest dollar savings on their tax bills. Because of these facts, during the campaign on Amendment 10, opponents began calling it the "Save Our Waterfront Homes" amendment.

Based on 1994-95 millage rates (1995-96 rates have not been set), the DOR analysis estimates that the average Florida homestead property owner will pay \$22.92 less in property taxes this year than he/she would have without Amendment 10. However, this benefit is not evenly distributed (see Table 1 below). Homesteads assessed between \$25,000 and \$50,000 have a tax reduction of \$11.72 while those valued over \$350,000 will have a reduction of \$282.42. In fact, homesteads valued at \$150,000 and up, which comprise 7.6% of all homestead parcels, will receive 30.6% of the total dollar reduction. It must be noted that the \$25,000-\$50,000 homes have the largest percentage reduction (3.8%). The percentage reduction falls as you move up the value scale (1.6% for \$150,000 to \$300,000) but begins to increase again on very expensive homes (2.3% for \$350,000 and up).

Another inequity that will arise is that taxpayers who are similarly situated could have very different tax burdens. As the years pass, because homestead property will be reassessed at full value if sold, two identical houses, located side-by-side, could have substantially different tax burdens (see graphic on back page). Homestead owners should remember that if they move, they will change from being a tax shifter to having some of the burden shifted to them. As the effects of Amendment 10 add up over time, prospective home buyers could face huge tax increases. The

effect this will have on the housing and real estate industries could be significant as people may become reluctant to sell their homes and lose the large tax break they have built up. This coupled with the increased tax burden on business could lead to erosion of Florida's economic foundation. Moreover, if people do begin to hold onto their houses longer than the current average of nine years that was used in the REC forecast, the long-term impact of Amendment 10 may even be greater than estimated.

As the state begins to live under Amendment 10, its pitfalls become more and more apparent. Many of the voters who approved it likely thought it was a tax limit or a way of controlling government growth. It will probably have little impact in that area with the possible exception of some smaller, rural counties whose tax base is made up primarily of owner-occupied dwellings. When local government spending and revenue data becomes available, Florida TaxWatch will assess Amendment 10's impact on the whole local government tax picture. Governments will find other ways to raise money. Rents and prices will increase as landlords and commercial property owners' tax bills rise. If more people knew the facts about Amendment 10, the close vote could have been turned around. It is akin to "robbing Peter to pay Paul," for which you can always be assured of Paul's support. But in the end, both Peter and Paul lose. ☹

Table 1

**Distribution of Tax Reductions Under Amendment 10 By Homestead Value**

1995 Tax Roll Data\*

Homestead Value	\$25K to \$50K	\$50K to \$75K	\$75K to \$150K	\$150K to \$350K	\$350K and up	All homesteads
Number of homesteads	974,212	954,908	913,733	223,086	31,630	3,347,331
Share of Total	29.1%	28.5%	27.3%	6.7%	0.9%	100.0%
Average tax without Amd 10	\$309.89	\$828.66	\$1,713.14	\$4,043.74	\$12,177.98	\$1,178.80
Average tax with Amd 10	\$298.17	\$812.75	\$1,683.93	\$3,978.87	\$11,895.56	\$1,155.89
Average tax reduction	\$11.72	\$15.91	\$29.21	\$64.87	\$282.42	\$22.91
% reduction	3.8%	1.9%	1.7%	1.6%	2.3%	1.9%
Share of total reduction	14.9%	19.8%	34.8%	18.9%	11.6%	100.0%

\*based on 1994-95 millage rates

Source: Florida Department of Revenue and Florida TaxWatch, September 1995

Table 2

## 1995 Amendment 10 Impact By County

County	Change in Taxable Value (\$)	Millage Rate	Tax Shift (\$)
Alachua	(35,110,650)	28.06	(985,205)
Baker	(1,445,734)	23.80	(34,408)
Bay	(6,035,556)	16.82	(101,518)
Bradford	(2,025,120)	18.45	(37,363)
Brevard	(13,185,460)	19.74	(260,281)
Broward	(720,984,980)	26.41	(19,041,213)
Calhoun	(54,130)	17.21	(932)
Charlotte	(38,354,548)	16.65	(638,603)
Citrus	(101,713)	20.06	(2,040)
Clay	(2,952,537)	18.58	(54,858)
Collier	(44,021,260)	14.53	(639,629)
Columbia	(1,440,642)	21.55	(31,046)
Dade	(465,519,434)	25.49	(11,866,090)
DeSoto	(658,648)	19.35	(12,745)
Dixie	(420,559)	22.91	(9,635)
Duval	(25,891,466)	22.96	(594,468)
Escambia	(33,314,460)	21.10	(702,935)
Flagler	(3,292,346)	17.15	(56,464)
Franklin	(2,326,942)	18.74	(43,607)
Gadsden	(2,904,782)	20.87	(60,623)
Gilchrist	n/a	n/a	n/a
Glades	(1,137,748)	19.89	(22,630)
Gulf	(87,105)	19.80	(1,725)
Hamilton	(112,156)	20.26	(2,272)
Hardee	(2,201,566)	23.06	(50,768)
Hendry	(29,120)	22.33	(650)
Hernando	(17,344,239)	20.94	(363,188)
Highlands	(950,220)	19.80	(18,814)
Hillsborough	(200,364,607)	26.56	(5,321,684)
Holmes	(2,751,598)	15.77	(43,393)
Indian River	(24,392,360)	21.04	(513,215)
Jackson	(40,891,005)	17.27	(706,188)
Jefferson	(384,027)	20.57	(7,899)
Lafayette	(23,559)	19.69	(464)

County	Change in Taxable Value (\$)	Millage Rate	Tax Shift (\$)
Lake	(19,788,537)	17.87	(353,621)
Lee	(107,389,970)	20.34	(2,184,312)
Leon	(134,875,898)	21.41	(2,887,693)
Levy	(304,844)	20.38	(6,213)
Liberty	(43,660)	17.92	(782)
Madison	(42,364)	19.04	(807)
Manatee	(66,605,990)	19.36	(1,289,492)
Marion	(10,543,184)	20.59	(217,084)
Martin	(33,122,623)	17.86	(591,570)
Monroe	(64,310,233)	15.39	(989,734)
Nassau	(317,718)	19.02	(6,043)
Okaloosa	(31,060,236)	15.90	(493,858)
Okeechobee	(21,974)	20.91	(459)
Orange	(69,914,085)	20.23	(1,414,362)
Osceola	(15,079,819)	18.59	(280,334)
Palm Beach	(476,364,754)	22.04	(10,499,079)
Pasco	(26,240,067)	22.04	(578,331)
Pinellas	(204,746,900)	22.80	(4,668,229)
Polk	(6,029,320)	19.09	(115,100)
Putnam	(19,461,015)	19.60	(381,436)
St. Johns	(75,543,390)	19.30	(1,457,987)
St. Lucie	(5,977,340)	23.16	(138,435)
Santa Rosa	(42,745,420)	16.29	(696,323)
Sarasota	(178,405,944)	15.99	(2,852,711)
Seminole	(16,154,119)	19.76	(319,205)
Sumter	(175,936)	21.01	(3,696)
Suwannee	(28,662)	19.67	(564)
Taylor	(4,257,682)	19.65	(83,663)
Union	(7,003)	20.67	(145)
Volusia	(64,743,020)	23.72	(1,535,704)
Wakulla	(6,255,750)	19.55	(122,300)
Walton	(11,783,736)	16.20	(190,897)
Washington	(6,457,038)	19.17	(123,781)
<b>Totals</b>	<b>(3,389,508,508)</b>	<b>22.63</b>	<b>(76,710,507)</b>

Based on 1994-95 millage rates

Source: Florida Department of Revenue, September 1995

# Tax Inequity Under Amendment 10 When Home is Sold:



Home is Sold After	House 1 (Not Sold) Tax Burden	House 2 (Sold) Tax Burden	Tax Difference
5 years	\$2714	\$3045	\$ 331
10 years	\$3236	\$4042	\$ 806
15 years	\$3841	\$5315	\$1474
20 years	\$4543	\$6940	\$2397

This assumes 3% annual growth under Amendment 10 and 5% annual growth in fair market value. It also assumes 1994-95 millage rates. Increasing rates will result in even larger tax disparities.  
Source: Florida TaxWatch, September 1995

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