

Proposed tax changes may have only a marginal impact on real-estate slump

TALLAHASSEE, Fla. – Nov. 5, 2007 – Will the slumping Florida housing market get a major boost if voters approve a measure that allows homeowners to take their tax break with them when they move?

That's what lawmakers are touting, but some economists question whether the legislation will do much to reverse the current slowdown in homes sales.

The so-called tax portability will have a "marginal, positive effect on the real estate market, certainly, not of the size and magnitude to cause a major recovery," said Hank Fishkind, an Orlando-based private-sector economist who has served as an adviser to a number of Florida governors.

Sean Snaith, an economics professor at the University of Central Florida, said the measure isn't likely to spur home sales to a significant degree or make much difference to the overall health of the state.

"Our economy is so big," Snaith said, totaling about \$770 billion a year in gross state product. But now growth is slowing nationwide and in Florida, with more powerful forces at work, he said, that could swamp any tax-related strategy to boost home sales.

"What we really need to do is take a hard look at how we pay for things" through assorted taxes and fees, Snaith said.

The measure passed by the Legislature earlier this week, if approved by voters Jan. 29, would give existing homeowners a tax break if they sell and move to another dwelling in the state. That could remove at least one potential barrier for homeowners who have been reluctant to move.

"It's very exciting. We're glad it passed, and we're looking forward to having it jump-start the market," said Trey Price, a public-policy analyst with the Florida Association of Realtors.

Florida lawmakers are looking for a way to undo some of the "unintended consequences" of the state's Save Our Homes property-tax provision, originally approved by voters in 1992 to help families stay in their homes and not be forced to sell just to escape escalating property taxes.

It caps increases in appraisals of owner-occupied homes at 3 percent a year or the rate of inflation, whichever is lower, and homes are assessed at the full market value only when sold.

Many fear it has "trapped" homeowners, because selling and then buying another home in the state can immediately triple or quadruple a homeowner's property taxes.

Snaith and a number of other economists say they don't expect Florida's housing market, which is falling from record highs set two years ago, to recover until 2009 because of record-high inventory, record-high prices in inflation-adjusted terms, and weaker demand for a host of reasons that include higher property-insurance costs.

Tax issues, they contend, affect sales on the "margins" of the market but do nothing for the fundamentals. Larger forces, such as an oversupply of homes and weak demand, are the real keys to the state's and the nation's lethargic home sales.

But it all could be moot if courts rule the tax structure unconstitutional. Price, with the Orlando-based state Realtors trade association, said the organization fears the final version of the bill "increases the likelihood of its being overturned."

He would not say what might happen if the tax savings, retroactive for buyers during 2007, were overruled by the courts.

Gov. Charlie Crist, in touting the tax-cutting proposal during appearances this week, repeated his claim that the measure will thaw Florida's frozen real-estate market.

"This is going to fire-up Florida's economy – this economic engine that's been held back," Crist said at the Capitol before traveling to Jacksonville, Orlando and Port St. Lucie to promote the proposed constitutional amendment.

Some residents still are not sold on the idea of preserving the tax break for existing homeowners.

"I oppose portability. That's wrong," said Jonathan Nunes, 37, who bought a home in east Orlando two years ago for \$330,000 and pays about \$5,000 a year in property taxes to Orlando and Orange County, along with other government entities that get smaller slices of the tax pie that comes out of his pocket. He said he figures he will vote against the tax measure, for a number of reasons.

High taxes in general are the main problem, Nunes said, along with the high cost of housing in general.

"The dollar cost of the home is the bigger issue," he said, and "taxes are just ridiculously high."

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