

Estimated cut from property tax amendment reduced by 25 percent

TALLAHASSEE, Fla. (AP) – Dec. 10, 2007 – A five-year estimate of overall savings for taxpayers from a ballot proposal designed to cut property taxes has been reduced by \$3.2 billion, or 25 percent.

State economists dropped the forecast from \$12.4 billion to \$9.2 billion Friday mainly because fewer people now are expected to move due to Florida's depressed housing market. A key provision of the proposal is a tax break for homeowners who do move.

Primary homeowners who stay put, though, are still expected to save an average of \$240 a year, unchanged from the original estimate.

The proposed state constitutional amendment drafted by the Republican-controlled Legislature is on the Jan. 29 presidential primary ballot. GOP Gov. Charlie Crist is leading a campaign to get it passed as part of his promise to make property taxes "drop like a rock," but polls show it's having trouble getting the necessary 60 percent support from voters.

The new estimate plays into the hands of its critics, including House Democratic Leader Dan Gelber.

"A lot of folks were upset that it did not cut enough and now they'll be even more upset," said Gelber, of Miami Beach.

Most Democrats, many local government officials and unions representing teachers and other public employees oppose the amendment, arguing the cuts for non-moving homeowners are too small to justify the reductions in services that would result.

"People are going to have to ask themselves are the individual savings worth the cost to public schools," said Mark Pudlow, a spokesman for the Florida Education Association, the statewide teachers union.

The new estimate, though, also drops the five-year reduction in school tax money from \$2.8 billion to \$1.5 billion.

Some tax-cut advocates, including House Speaker Marco Rubio, R-West Miami, also have criticized the proposal for not cutting enough. Rubio has thrown his support behind a citizen initiative offering bigger reductions, but it has not yet gotten a place on the November 2008 ballot.

Senate Finance and Tax Committee Chairman Mike Haridopolos, R-Indianapolis, defended the Legislature's amendment. He said it must be viewed alongside a \$15 billion, five-year property tax roll back the Legislature passed in June. That cut does not require voter approval. It is expected to save primary homeowners \$174 in the first year.

"There was a group of us who wanted more, but the political reality is there wasn't the votes," Haridopolos said. "I'll tell you this. Nobody is coming into my office saying we're cutting taxes too much."

He said the amendment would help revive Florida's sagging real estate market largely through a "portability" provision. It would let owners of primary homes, known as homesteads, take up to \$500,000 of their existing "Save Our Homes" assessment savings along when they move.

Save Our Homes caps annual assessment increases at 3 percent. Homesteaders lose those accumulated benefits when they move and must pay the full assessed value – less the \$25,000 standard homestead exemption – on their new home the first year.

The portability provision, though, isn't expected to immediately overcome market conditions that have kept people from selling their existing homes and buying new ones, the state economists decided. Fewer people, therefore, will be getting portability tax savings.

"There's just no activity now in real estate," said Amy Baker, coordinator of the Legislature's Economic and Demographic Research Office. "People just aren't willing to make that step. They know loans are harder to get and view the economy as riskier."

The Legislature had estimated a five-year \$5.6 billion savings from the portability provision but the new forecast cuts it to \$2.7 billion.

The amendment would also establish two tax rolls – one for school taxes with the existing \$25,000 exemption and another for other local government agencies with a \$50,000 exemption. Furthermore, it would give owners of non-homestead property – including businesses, second homes and rentals – a 10 percent annual cap on assessments.

The economists also cut savings expected from the 10 percent cap from \$1.2 billion to \$900 million because fewer assessments are expected to increase that much, again due to the depressed real estate market.

A final provision in the amendment would give businesses a \$25,000 exemption on equipment and other tangible personal property.



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