

Voters To Decide Property Tax Cut

On January 29th Florida voters will go to the polls to not only vote in the Presidential Primary, but also to vote on a proposed constitutional amendment to Florida's property tax system. The amendment which was passed by the Florida Legislature in a special session last fall is known as Senate Joint Resolution (SJR) 2D.

The amendment if passed by 60% of those voting, would eliminate the “lock-in effect” of Save Our Homes by allowing statewide portability for a period of two years after leaving the former homestead. The Save our Homes (SOH) provision currently prevents homestead property assessments increasing greater than 3% per year.

SJR 2D also provides savings for every homestead owner by creating a new, additional \$25,000 homestead exemption for non-school taxes. The Joint Resolution creates a new 10% assessment cap for all non-homestead properties (i.e. business properties, apartments, and second homes) for non-school taxes. It also creates a Tangible Personal Property Tax Exemption of \$25,000 to lower administrative and tax costs for businesses.

The total fiscal impact is \$8.746 billion in reduction in taxes over four years (\$1.859 billion for school tax levies). The average homestead property owner should expect a savings of about \$240 per year.

The Senate Joint Resolution allows homestead owners with an accumulated SOH benefit to transfer 100% of the benefit (up to a \$500,000 benefit) to a new homestead *if* they “**upsized**” to a home with a greater or equal just value.

If “**downsizing**” to a home with a lower just value, the homestead owner can transfer a SOH benefit that protects the same percentage of value as it did the former homestead, up to a \$500,000 benefit.

In other words, if the SOH benefit equaled 25% of the just value of the former home, the new SOH benefit will equal to 25% of the just value of the new home.

The new homestead must be established within two years of the sale of the former homestead in order to transfer the SOH benefit.

This provision is retroactive to 2007, so those who sold a homestead in 2007 will be eligible to transfer their benefit from the former home if they establish a new homestead by January 1, 2009.

A homestead owner may **transfer** the SOH benefit to a new homestead **anywhere in the state**. Portability is not limited within a county or any other jurisdiction.

The transferred SOH benefit on the new homestead will apply to school tax levies.

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The implementing bill which was passed with SJR 2D sets forth additional rules for portability when more than one person has established the homestead:

- **If two or more people own multiple homesteads and are moving into only one new homestead**, they can only transfer a benefit from one of the former homesteads. So if a newly married couple is selling two former homesteads to move into one new homestead, they will choose to transfer whichever of their SOH benefits is largest. The size of the transferable benefit is capped at \$500,000.
- **If two or more people jointly own a homestead and are moving into more than one new homestead**, they must divide the value of their SOH benefit among the new homesteads based on the number of owners of the prior homestead. The total amount of transferable benefits is capped at \$500,000. So, if a couple is moving out of their jointly owned homestead with a \$100,000 SOH benefit into two new homesteads, they will divide the benefit in half and apply a \$50,000 benefit to each of their new homesteads.

The amendment is some what confusing to most people. If the amendment fails, there is still hope for tax relief. The Taxation and Budget Reform Commission is expected to submit recommendations this March for consideration by the voters in November. This Commission is charged with every twenty years reviewing Florida's tax structure and placing recommended changes on the ballot .