

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
DAILY BRIEF**



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Although the Special Session on Property Tax Reform is not slated to officially start until tomorrow, members of the Joint Conference Committee on Property Tax Reform met most of the morning to discuss the current plan being considered. Discussion was limited to the technical provisions of the plan, not the politics or policy questions revolving this complex issue. Actual bill language is not available as of this time. We expect to see draft legislation sometime tomorrow.

AIF will be providing up to the minute coverage on this Special Session in our Daily Briefs as well as AIF's Session Blog so be sure to check out both of these reports.

Property Tax Reform

The Joint Committee on Property Tax Relief & Reform met this morning to discuss the new proposal released last Friday by Senate President Ken Pruitt (R-Port St. Lucie) and Speaker Marco Rubio (R-Miami). President Pruitt addressed the Joint Committee and told them how far the negotiations have come. He feels as though this proposal will give real property tax reform and immediate tax relief this year.

The latest plan has two components. First there is a statutory tax relief accomplished by a tax cut and cap for the 2007-2008 tax year. The second component would be a constitutional amendment to increase homestead exemptions; give low-income seniors increased homestead exemption; change how affordable housing and working waterfronts are valued for assessment purposes; and a tangible personal property tax exemption. In order for the constitutional amendment to be placed on the January, 29th ballot it must be passed by 2/3rd of each chamber.

Don Langston, the House's Chief Economist, explained in a power point presentation that property tax levies across the state would be reduced to the FY 2006-07 levels and then further reduced by a specified percentage according to the local government's prior taxing history. The cut is determined by how rapid their property taxes, adjusted for population, have grown over the past five years and then compared to a state average. Cities and counties were then placed in different groups each with a different percentage reduction factor of 3%, 5%, 7%, and 9%. All independent special districts are treated the same and will have a 3% reduction factor.

Local governments and independent special districts would be able to override the tax cuts. To exceed the reduced tax level up to the level of 2006-07 revenues will require 2/3 vote of the governing board. To go beyond the level of taxes achieved with 2006-07 tax rates, it would require a unanimous vote of the governing board. Any increases beyond this level would require voter approval.

Alan Johansen, Staff Director for the Senate Finance & Tax Committee continued the discussions on tax cuts. If the constitutional amendment passes, there will be a further tax cut and cap adjustment made in 2008-09. Local governments and independent special districts will not be allowed to increase tax rates to offset reductions in the tax base without an extraordinary vote. Under the constitutional amendment in order to override the tax cut and recover up to 2/3 of the revenue loss due to the base reduction, it would require a 2/3 vote of the governing board. Any amount above would require a unanimous vote of the governing board or a referendum.

The constitutional amendment would also have a tax growth cap. Over and over we have heard from legislators that they did not want local governments to grow faster than personal income. So part of the constitutional amendment would allow property tax revenues to grow with the state economy; i.e. property tax revenues would be allowed to grow with population (new construction) and the growth in Florida per capita personal income. To override up to 10% over the cap, it would take a 2/3 vote of the governing board. Anything over 10% would require either a unanimous vote of the governing board or a referendum.

There are several other constitutional provisions outlined in the proposed plan including:

- Homestead exemption increase – this new concept would replace the current “Save Our Homes” with a new “super exemption.” Level 1 would give an exemption of 75% of the first \$200,000 in the value of the home and Level 2, in addition to Level 1, would get another 15% exemption for the next \$300,000 in value. There is a provision to “grandfather” the tax savings and assessment cap for the minority of property owners who have greater benefits under the current “Save Our Homes” system.
- Low-income seniors –would be guaranteed a minimum exemption of \$100,000 instead of \$50,000, within the structure of the new, increased Homestead exemption.
- Affordable Housing – this section of the constitutional amendment would grant the legislature the authority to provide for the assessment of the property used for affordable housing at less than fair market value. Implementing language will be needed by the legislature to provide for an application process. Certain defined rental properties that receive federal or state assistance and are rent-restricted will be assessed on the basis of their income.

- Working Waterfronts – this section of the constitutional amendment would also grant the legislature the authority to provide for the assessment of waterfront property at less than fair market value. However, the only qualifying properties are land used exclusively for commercial fishing purposes; land open to the public that is used predominately for water-dependent activities; and land used for public access to the water. Implementing language for this section will be considered during the next regular legislative session.
- Tangible Personal Property – this section of the constitutional amendment would authorize the legislature by general law to grant a minimum exemption of \$25,000. In the implementing bill, it will authorize an exemption of the first \$25,000 per return.

The House Policy and Budget Council as well as the Senate Finance & Taxation Committee will meet tomorrow afternoon to review the plans in more detail. We should see the actual language for the proposed bills later tonight or early Tuesday morning.

Please send your comments or suggestions to us at aif@aif.com or call the Governmental Affairs department at (850)224-7173.

- For more information on all of the important legislative information concerning the business community, go to our “members only” Florida Business Network web site at <http://fbnet.com>
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