



The House Majority Office

REPRESENTATIVE MARTY BOWEN, MAJORITY LEADER



Notes on Property Tax Relief

Numerous ways to cut property taxes have been studied over the past three months and one of the approaches receiving the most consideration was the creation of a percentage exemption based on the median value of homes in a particular county. On its face, this idea was extremely attractive. It appeared sensitive to regional differentials in home values and could potentially provide a broader, although not as deep, benefit to homeowners than some other approaches. However, after considering the potential impacts, the median home value approach was not the best policy choice going forward to reform Florida's tax system.

- The median home value approach would have created new inequities in the property tax system. Individuals living in homes of the same value in the same area would be treated unequally, perpetuating a problem that already exists under Save Our Homes. Consider this example:
 - In the Villages, which has been developed across three counties- Lake, Sumter and Marion- a senior living in a home valued at \$250,000 in Lake County would have a different tax exemption than a senior living in a home of equal just value in the same neighborhood a few hundred yards away but across the county line in Marion County.
 - This boundary effect problem, where the exemption level changes at the county line, would be present at every county border. So while the median home value approach would eliminate some of the inequities in the current Save Our Homes System, it would create another 67 sets of inequities throughout the state.
- The median home value approach would create a disincentive for counties with a high median home value to allow for the development of affordable housing. Under this approach, building homes more affordable than the homes currently in the county would mean a lower tax exemption for the current residents.
 - Residents in counties with a high median home value could actually see a negative tax impact for every new home developed in their county below that median value.
 - We want to encourage the development of affordable and workforce housing in our counties, not discourage it. The median home value approach could provide another reason for residents of a community to oppose affordable housing development in their area and could discourage local buy-in to important solutions to our affordable housing problems.

- The median home value approach would encourage greater development in our coastal areas.
 - Coastal counties in Florida already have some of the highest median home values in the state. Having a higher tax exemption for homes built in those counties would provide even more incentive than currently exists for development in our coastal areas because of the new tax savings.
- Upper-end development in counties that currently have low median home values would be discouraged by the lower tax exemption in those counties.
 - If upper-end developers have a choice in a region, they will choose to develop in the county that already had the highest median home value tax exemption. This would make it very difficult for low-exemption counties seeking to grow their upper-end development opportunities to compete for those options.
 - Consider this example: If a homebuyer wanted to build a home in the Tallahassee-area, and had a choice between building in Jefferson County, with a tax exemption based on a median home value of \$61,000, or in adjoining Leon County, with a tax exemption based on a median home value of \$155,000, other factors being equal, that homebuyer will always choose to buy in Leon County.
 - The same degree of border effects happens in adjoining counties throughout the state, including Escambia vs. Santa Rosa and almost anywhere where a coastal county and a non-coastal county share a border.

Because of many of these factors, adopting the median home value approach would aggravate the disparity between the higher value/higher income counties and lower value/lower income counties, ensuring that those well-off counties could continue to expand their financial advantages while potentially placing less prosperous counties at a permanent disadvantage. That's not the kind of Florida we want to create for the future.

No system created to reform property taxes will be perfect. But the boundary effects created by the median home value approach, coupled with the significant number of inequities the approach creates throughout the system, made this a much less attractive approach than the statewide, tiered approach that leadership has agreed upon.