

2007 Property Tax Reform Frequently Asked Questions

Note: These answers provide a general overview of some of the provisions of the property tax reform law and do not cover all provisions and exceptions contained in the law.

Background

Property taxes are levied by cities, counties, school districts, and independent special districts. Because property taxes are local taxes, the amount of your property tax depends on the decisions of local governments.

How much property tax you pay is determined by:

- 1) The property tax rate that local government charges, and
- 2) The taxable value of your property (the value you pay tax on, after assessment limitations and exemptions).

The property tax rate is called the "millage rate" and is expressed in "mills". A mill is \$1 per \$1000 of property value. So, for example, a millage rate of 5 mills would mean you would pay \$5 per \$1000 of the property's taxable value, which is the same as one-half percent (0.5%).

The 2007 property tax reform affects the millage rate that local governments can charge and, if the proposed constitutional amendment passes, will affect the taxable value of homesteads and certain other properties.

The impact of the law on an individual taxpayer or a specific county will depend on many local conditions, such as how much property taxes have risen in that area over the past six years. For more specific information on how property tax reform may affect you, please contact your property appraiser. You will find a list of Florida's property appraisers at <http://dor.myflorida.com/dor/property/appraisers.html>

To view the property tax reform law on the Department of State's website, go to <http://election.dos.state.fl.us/laws/07laws/index.shtml>. Under "2007 Laws," select "Special Session Laws," then select "ch_2007-321.pdf."

Note: These answers provide a general overview of some of the provisions of the property tax reform law and do not cover all provisions and exceptions contained in the law.

1. What will property tax reform do?

The 2007 property tax reform has two parts:

1. Property Tax Reduction and Reform Law

The Property Tax Reduction and Reform Law, reduces the total amount of property tax that a county, city, or independent special district can levy. (School districts are not subject to the limits established by the law.) The law establishes a method for determining how much a county, city, or independent special district should reduce its total property tax levy and provides ways a local government can override the reductions. This law is effective now.

2. Property Tax Reform Constitutional Amendment

The Property Tax Reform Constitutional Amendment will only become effective if the people of Florida approve it in a vote on January 29, 2008. It would create a new, larger homestead exemption, while allowing current homestead property owners to choose between the current exemption with its "Save Our Homes" cap and the new exemption.

2. When are the local governments required to reduce property taxes?

Limits on the amount of total property tax the counties, cities, and special districts can levy are effective with the 2007 property tax, for which you receive a bill in the fall of 2007. (These limits do not apply to school districts.)

3. How does the law make property tax rates (millage rates) lower?

Before the property tax reform law, a local government could levy any property tax rate up to 10 mills by a majority vote of its governing body. There were no limits on the amount the property tax rate could increase in a given year.

The new law directs all counties, cities, and independent special districts to reduce property tax rates to generate no more than last year's total property tax revenue (except for revenues generated from new construction). (School districts are not subject to the limits established by the law.)

Each individual county, city, or special district may be required to reduce rates further based on its recent history of total property tax revenues.

Counties, cities, and independent special districts can vote to override this limitation but cannot levy higher than the previous year's millage (see answer to question 5).

Note: These answers provide a general overview of some of the provisions of the property tax reform law and do not cover all provisions and exceptions contained in the law.

4. How much will the property tax rate (millage rate) be lowered?

The limits are individually determined for each county, city, or independent special district. In 2007, the specific limit for each local government is based on:

- the total property taxes that government levied in 2006
- that government's property tax rate in 2006
- how much its total property tax revenues have risen since 2001

5. Can a local government levy a higher property tax rate (millage rate) than the law's limits would allow?

School districts are not included in the property tax rate limitation law, so they can levy a higher property tax rate than the law's limits.

A county, city, or independent special district can override the limits in the following ways:

- To decide not to make the additional cuts, while still meeting the requirement to reduce the rate to generate only last year's revenue plus revenues from new construction growth, a two-thirds vote of the governing body is required.
- To levy the same property tax rate as in 2006, a unanimous vote (or three-fourths for governments with more than 9 commissioners) or a referendum (a vote by the people) is required.
- To levy a property tax rate higher than in 2006, a referendum is required.

If a county or city, or a local government it controls, exceeds the rate limits without meeting the appropriate override requirement, the county or city could lose its half-cent sales tax distribution from the state.

6. Will everyone's taxes be reduced? Will my taxes be reduced?

That depends on many different factors. The limit is applied to the total amount of taxes levied by the local government, and not to individual properties. Other factors also influence the amount of taxes an individual property owner pays, including:

- homestead exemption status
- whether the owner has just bought the property
- any improvements to the property
- change in value of the property

So, while the total amount of property tax levied by a county, city, or independent special district may be reduced a certain percentage because of the reform law, an individual property owner's taxes may decrease less or more than that percentage, or even increase.

Your property appraiser is the best resource for information on how property tax reform may affect you. You will find a list of Florida's property appraisers at <http://dor.myflorida.com/dor/property/appraisers.htm>

Note: These answers provide a general overview of some of the provisions of the property tax reform law and do not cover all provisions and exceptions contained in the law.

7. Does the law limiting property tax rates (millage rates) apply to years after 2007?

The law will continue to limit the amount that county, city, and independent special districts can increase property taxes in future years.

8. What are the limits on local government tax rates after 2007?

Restrictions on county, city and independent special district taxes will continue to apply, whether or not the constitutional amendment passes.

For 2008:

- Property tax rates are limited to provide no more revenue than could have been levied in the previous year by a majority vote of the governing body, plus revenue from new construction and an adjustment equal to the percentage growth in per capita Florida personal income.
- By a two-thirds vote, the governing body can increase that rate by up to 10%.
- By a unanimous vote or by referendum, the governing body can levy a higher tax rate.
- If the constitutional amendment passes, additional limitations on property tax rates will become effective. These limitations will be related to the rate that would have been allowed if the amendment had not passed.

For 2009 and after:

- Property tax rates are limited to provide no more revenue than could have been levied at the maximum rate in the previous year, plus revenue from new construction and an adjustment equal to the percentage growth in per capita Florida personal income.
- By a two-thirds vote, the governing body can increase that rate by up to 10%.
- By a unanimous vote or by referendum, the governing body can levy a higher tax rate.

9. How does property tax reform affect the taxable value of homestead property?

The second part of property tax reform will affect the taxable value of homestead property, if the people of Florida approve the constitutional amendment on January 29, 2008.

The proposed constitutional amendment creates a new, larger homestead exemption that would be optional for current homestead owners and would apply to all new homesteads beginning in 2009.

10. Why isn't the homestead exemption part of property tax reform effective now?

Because the homestead exemption is granted by Florida's Constitution, the exemption can't be changed unless the people vote to amend the Constitution. The Legislature passed a law that established January 29, 2008, as the date for the people to vote on the amendment.

Note: These answers provide a general overview of some of the provisions of the property tax reform law and do not cover all provisions and exceptions contained in the law.

11. What's different about the new homestead exemption?

The current homestead exemption is \$25,000. All current homestead exemptions have the "Save Our Homes" cap on annual increases in assessed value. The "Save Our Homes" cap limits the amount a homestead property's assessed value can increase to 3% or less per year.

The new exemption would be 75 percent of the first \$200,000 in assessed value and 15 percent of the next \$300,000, which is up to \$500,000 in assessed value, with a minimum exemption of \$50,000. For low income seniors, the minimum amount of the new homestead exemption would be \$100,000 instead of \$50,000.

The \$50,000 minimum and the \$200,000 limit on the 75 percent exemption would not change, but the \$500,000 limit for the 15 percent exemption would be adjusted each year by the percentage change in total Florida personal income and also could be increased by the Legislature with a two-thirds vote of the membership of the Florida House of Representatives and Florida Senate.

There will be no "Save Our Homes" cap on annual increases with the new exemption.

12. Will every homestead exemption change to the new exemption?

Current homestead owners would keep the current homestead exemption and assessment growth limitation unless they choose to switch to the new exemption. They could make this choice in 2008 or in a later year.

However, once homestead owners have chosen the new exemption, they would not be able to change back to the old exemption. The new exemption would remain in effect until the home was no longer their homestead.

The "Save Our Homes" assessment growth limitation would no longer apply to homesteads whose owners choose the new exemption.

13. Will people who get a new homestead exemption for 2008 have a choice?

Property owners who qualify for a new homestead exemption for 2008 will have the same option available to all other current homestead owners. This is true even if they apply for the exemption after the amendment passes. (Requirements for receiving a homestead exemption in 2008 include being a permanent resident on the property on January 1, 2008, and applying for the exemption by the deadline, which is currently March 1, 2008.

Property owners who qualify for a new homestead exemption after January 1, 2008, would receive the new homestead exemption for 2009. (Although owners who become permanent residents of their properties after January 1 will not qualify for an exemption for the year 2008, they can apply in 2008 to receive the exemption in 2009.) The assessment growth limitation, "Save Our Homes," would not apply to them.

Note: These answers provide a general overview of some of the provisions of the property tax reform law and do not cover all provisions and exceptions contained in the law.

14. What would my taxes be under the new homestead exemption?

Under the new, larger homestead exemption:

- 75% of the property's value would be exempt on the first \$200,000 of value, with a minimum exemption of \$50,000. For low income seniors, the minimum exemption would be \$100,000.
- On the next \$300,000 of value (for values from \$200,000 to \$500,000), 15% of that additional value would also be exempt.
- This \$500,000 threshold would grow each year by the percent increase in Florida per capita income.

Examples (if the proposed constitutional amendment passes):

Homestead Property Value	New Homestead Exemption	Resulting Taxable Value
\$50,000	\$50,000 (minimum)	\$0
\$100,000	\$75,000	\$25,000
\$150,000	\$112,500	\$37,500
\$200,000	\$150,000	\$50,000
\$400,000	\$180,000	\$220,000
\$600,000	\$195,000	\$405,000

Your property appraiser is the best resource for information on the new homestead exemption. You will find a list of Florida's property appraisers at <http://dor.myflorida.com/dor/property/appraisers.htm>. Many property appraisers have online calculators for comparing the old homestead exemption with the new.

15. What other changes would be made by the constitutional amendment?

In addition to creating a new, larger homestead exemption, the constitutional amendment, if passed on the January 2008 ballot, creates or expands four other exemptions:

- For low income seniors, the minimum amount of the new, larger homestead exemption will be \$100,000 instead of \$50,000.
- Affordable housing that is subject to government imposed rent restrictions will be valued according to general law, which specifies that the value be based on the income from the property.
- Working waterfronts may be valued at less than fair market value according to general law.
- At least the first \$25,000 of tangible personal property will be exempt.

Note: These answers provide a general overview of some of the provisions of the property tax reform law and do not cover all provisions and exceptions contained in the law.

16. I am the owner of a mobile home, a business, or a non-homesteaded property. Will my taxes go down too?

Local government tax reductions mandated this year by the tax reform bill should result in lower total property taxes in most counties, cities and independent special districts. Reductions in tax rates can affect all taxpayers, not just homestead property owners.

It's important to remember that the limits established by the law are for the total amount of taxes levied by the local government, and not for each individual property. Other factors also influence the amount of taxes an individual property owner pays, including:

- any improvements to the property
- change in value of the property

So, while the total amount of property tax levied by a county, city, or independent special district may be reduced a certain percentage because of the reform law, an individual property owner's taxes may decrease less or more than that percentage, or even increase.