

## **HB-1 Questions and Answers**

Gov. Charlie Crist has signed the first phase of what he is calling "the largest tax cut in Florida history" into law. But there is more to come and here's an explanation of what to expect.

Q: Now that Gov. Charlie Crist has signed the property tax bill what happens?

A: Counties, cities and special taxing districts - like water management districts - will have to freeze their tax collections at this year's level and then make an additional cut, ranging from 3 percent to 9 percent. The local governments are developing their 2007-08 budgets based on those calculations now. School districts are exempted from the rollback and caps.

Q: When will property owners find out what the tax cuts mean to them?

A: Taxpayers should receive a notice about their property taxes in August. In November, they will receive their tax bills. On a statewide average, the initial tax breaks should work out to \$174 for homeowners, \$199 for nonhomestead residential property and \$944 for commercial property.

Q: Can't local governments override the rollback and revenue cuts?

A: Yes, they can. But it would take an extraordinary vote - a two-thirds majority - by the city or county commission or even a unanimous vote or referendum, depending on how far the local governments go beyond the rollback levels.

Q: How will the rollback and caps work in future years?

A: Local governments would have to limit the growth in their tax collections to the rate of personal income growth in Florida. Also the governments could add tax revenues from new homes and other properties added to the tax roll without worrying about the cap.

Q: What about the constitutional amendment that creates the so-called "super-sized" homestead exemption?

A: It goes on the presidential primary ballot on Jan. 29. If 60 percent of the voters approve, it would impact your property tax bill during the 2008-09 budget year. Any savings from the new exemption will show up on your November 2008 tax bill.

Q: Will it be difficult to get 60 percent of the voters to approve a complicated property tax amendment?

A: Yes, it will be, particularly if groups - such as teachers, local governments and law enforcement - organize against it. Many previous constitutional amendments would have failed if they had to meet the new, higher passage standard. Those include the Save Our Homes tax assessment cap (which passed with less than 54 percent of the vote in 1992); the classroom size amendment (less than 53 percent in 2002); and the voluntary pre-kindergarten program (59 percent in 2002).

But that's not to say the amendment can't pass. Some popular measures have exceeded the 60 percent level, including the establishment of a state minimum wage in 2004 (71 percent) and the mandate to spend state funds on an anti-smoking program last year (61 percent).

Q: How does the new exemption amendment work?

A: Beginning next year, if it passes with 60 percent of the vote, it would give homestead owners a choice between keeping their existing exemptions and caps or moving to the new super-sized exemption. Currently, homeowners have a \$25,000 exemption and the Save Our Homes cap, which limits increases in their home's taxable value to 3 percent a year.

If they opt for the new exemption, they would give up their Save Our Homes cap and then be eligible for a new exemption that shields 75 percent of a home's value from taxation up to \$200,000. It exempts an additional 15 percent for values from \$200,000 to \$300,000. Homeowners would be guaranteed a minimum exemption of at least \$50,000.

Q: What happens if I keep my Save Our Homes cap and \$25,000 exemption?

A: That's fine as long as you stay in your home. But if you move or the homeownership changes, you lose the Save Our Homes cap and you must use the new exemption. New home buyers, after Jan. 1, would also fall under the new exemption and could not use the Save Our Homes cap. Over time, as homeownership changes, the Save Our Homes system would eventually disappear and be replaced by the new exemption.

Q: It looks like I could save money under the new exemption. Why not change?

A: That's something each taxpayer will have to consider. But one factor that should be considered is that over time, the new super exemption may not be so super. That's because you lose the Save Our Homes cap, which limits the annual assessment increases on your home. Without the assessment cap, the value of your home may increase to the point that you would actually pay more with the new exemption as opposed to keeping the Save Our Homes cap. Some projections show that could take place in as little as seven or eight years, depending on how steeply property values rise.

Q: I like my Save Our Homes cap. Why should I vote for the new exemption?

A: One argument would be it makes the tax system fairer. Under the existing Save Our Homes system, some argue it is unfair that longtime homeowners may pay substantially less in property taxes than a newcomer living in a similarly valued home. Under the new exemption, everyone would receive a similar break no matter how long they have lived in their homes.

Another argument is the amendment would help if you have to move or downsize. If you move, you might find that you would pay much less in taxes with a new exemption rather than the existing caps, which tend to favor long-term residents over more mobile homeowners.

Q: How does the constitutional amendment help commercial property owners or nonhomestead residential properties?

A: It doesn't since it largely applies to homestead properties. The amendment does have a provision that exempts businesses from paying tangible personal property taxes on equipment if they own less than \$25,000 worth. Lawmakers also argue that nonhomestead property owners will benefit from the new law that caps tax collections by local governments. Over time, that cap will limit property tax increases for everyone, they say.

Q: Are there other tax breaks in the constitutional amendment?

A: Yes, there is a provision that allows Floridians 65 years or older to qualify for a minimum \$100,000 property tax exemption on their home if they can verify their low-income status. The amendment also gives the Legislature the power to provide tax breaks to commercial waterfront property and for affordable housing.