



Selected Property Tax Relief and Reform Issues

Joint Select Committee on Property Tax
Relief and Reform

June 4, 2007



Selected Issues

- Tangible Personal Property
- Low-Income Seniors
- Working Waterfronts
- Affordable Housing
- Member Discussion of Other Issues

Tangible Personal Property



Tangible Personal Property: Current Situation



- "Tangible Personal Property" (TPP) means "all goods, chattels, and other articles of value" but does not include real property, inventory, household goods owned by residents, or vehicles.
- There is no minimum value to the TPP that must be reported for tax purposes.



Tangible Personal Property: Current Situation

- In 2006, there were 1.3 million TPP accounts with total taxable value of \$104 billion.
- 77% of all TPP accounts are less than \$25,000.

5



Tangible Personal Property: Proposed \$25,000 Exemption

- Reduces the number of accounts by 77% or 1 million.
- Reduces tax revenue by \$223 million, or 12%, at current tax rates.


6



Tangible Personal Property: Proposed \$25,000 Exemption

- Provides an exemption for each return, so taxpayers with multiple business locations will receive multiple exemptions.
- Implementing language waives the requirement for annual returns for TPP worth less than \$25,000, after an initial return.

7



Tangible Personal Property: Proposed \$25,000 Exemption

- The average tax savings for each account worth less than \$25,000 is \$85.
- The average tax savings for each account worth more than \$25,000 is \$462.

8



Tangible Personal Property: Proposed \$25,000 Exemption

- Taxpayers will save \$50 - \$300 on the cost of preparing a return.
- Property appraisers will typically save between \$15 and \$50 per exempt account.

9



Low-Income Seniors

Low-Income Seniors: Current Situation

- 1.2 million homesteads owned by persons 65 or older in 2006.
- 42% of the total population 65 and older has household income below \$25,000.
- Proposals could affect more than 500,000 homesteads, compared to 211,000 benefiting from the current exemption.

11

Low-Income Seniors: Current Exemptions

Additional Exemption for Persons 65 and Older

(Section 6(f), Article VII, Florida Constitution, and section. 196.075, F.S.)

- Any county or city may allow an additional homestead exemption of up to \$50,000 for any person 65 or older whose household income does not exceed \$24,214 (in 2007)
- The income limit is increased each year by the CPI.
- Only applies to taxes levied by the enacting county or city.

12



Low-Income Seniors: Current Exemptions

- **Additional Exemption for Persons 65 and Older** (continued)

- In 2006, 53 counties and 178 municipalities had implemented the exemption.
- Constitution amended January 1, 2007, to increase the additional exemption from \$25,000 to \$50,000.

13



Low-Income Seniors: Tax Deferral

- **Homestead Tax Deferral** (Section 197.252, F.S.)

- Homeowners 65 and older, with household income less than \$24,214 in the prior year, may defer all ad valorem taxes and non-ad valorem assessments.
- All seniors may defer the portion that exceeds 3% of household income.

14



Low-Income Seniors: Tax Deferral

■ Homestead Tax Deferral (Continued)

■ Limitations:

- Tax deferrals and other liens may not exceed 85% of assessed value and the primary mortgage may not exceed 70%.
- Deferred tax and interest (up to 7%) are due when the property is sold, property insurance is not maintained, or the property ceases to qualify for homestead exemption.

15



Low-Income Seniors: Considerations

- Special session proposals -- property tax rollback/cap and percent-based homestead tax exemption -- both provide relief.

16

Low-Income Seniors: Considerations

- Income limitation does not capture all income.
 - Income is measured by "adjusted gross income" as reported to the IRS.
 - Income from tax-free bonds, Social Security and some types of retirement income are not included.

17

Low-Income Seniors: Options

- Guarantee that current additional homestead exemption remains unchanged by property tax reform.
- Make the additional \$50,000 homestead exemption mandatory, rather than a local option.
- Limit growth in assessed value.

18



Low-Income Seniors: Options

- Replace the \$50,000 additional homestead exemption with a 100% exemption from property tax for persons 65 and older who meet the current income limit.
 - Exemption could be capped.

- Apply the additional \$50,000 homestead exemption (whether it is optional or mandatory) to taxing authorities other than counties and cities.

19



Working Waterfronts

Working Waterfronts: Definition

“Recreational and commercial working waterfront” means a parcel or parcels of real property that provide access for water-dependent commercial activities, including hotels and motels as defined in s. 509.242(1), or provide access for the public to the navigable waters of the state.

21

Working Waterfronts: Definition (continued)

Recreational and commercial working waterfronts require direct access to or a location on, over, or adjacent to a navigable body of water. The term includes water-dependent facilities that are open to the public and offer public access by vessels to the waters of the state or that are support facilities for recreational, commercial, research, or governmental vessels.

22

Working Waterfronts: Definition (continued)

These facilities include public lodging establishments, docks, wharfs, lifts, wet and dry marinas, boat ramps, boat hauling and repair facilities, commercial fishing facilities, boat construction facilities, and other support structures over the water. . . . Seaports are excluded from the definition. (Section 342.07(2), F.S.)

23

Working Waterfronts: Tax Deferral

- County or city can allow deferral of its taxes and specify:
 - Percentage of taxes to be deferred,
 - Type of working waterfront property,
 - Location of property.

- Tax deferrals and other liens may not exceed 85% of assessed value and the primary mortgage may not exceed 70% of assessed value.

24



Working Waterfronts: Tax Deferral

- The deferred tax and interest (variable up to 9.5%) are due when:
 - the property is sold,
 - the required property insurance is not maintained, or
 - the property ceases to be used as working waterfront.

25



Working Waterfronts: Land Use Planning/Comp Plans

- For coastal counties, the future land use element must include, without limitation, regulatory incentives and criteria that encourage the preservation of recreational and *commercial working waterfronts* as defined in s. 342.07. (Section 163.3177, F.S.)

26

Working Waterfronts: Concerns

- Public access to navigable water is diminishing.
- Commercial working waterfronts face increasing expenses, including taxes and insurance.
- Establishing new working waterfronts with public access may not be financially feasible.

27

Working Waterfronts: Options

- Transfer of Development Rights
- Public Ownership
- Conservation Easements
- Property Tax Based on Current Use

28



Working Waterfronts: Current Use Valuation

- Constitutional Amendment to provide for assessments based on character and use.
- Similar to current treatment of land used for agriculture, high water recharge to Florida's aquifers, and land used for noncommercial recreational use.

(Art. VII, Section (4)(a), Florida Constitution)

29



Working Waterfronts: Considerations

- Commercial Fishing Activities (Maine).
- Other water-dependent commercial activities, e.g., marinas, boat repair and construction.
- Access to water for recreational activities, e.g., boat ramps.
- Public lodging facilities.

30



Working Waterfronts: Considerations

- Open to the public

- Recapture

- Fiscal Impact
 - Reduction in Tax Base
 - Shift in Tax Burden
 - Local Option

31



Affordable Housing



Affordable Housing: Current Situation

- The cost of housing has risen much faster in recent years than household income.
- The Shimberg Center's 2006 *Report on the State of Florida's Housing* confirms that from 2003 through 2005 the affordability of housing fell throughout the state.
- In 2003, the median household had sufficient income to purchase a single-family home selling at the median price in 52 counties; by 2005 this was true in only 18 counties.

33



Affordable Housing: Current Situation

- In 2005, 5 counties – Miami-Dade, Collier, Franklin, Walton, and Monroe – had a median household income less than half of what was needed to buy a median-priced single-family home.
- The Shimberg Center also reports that Florida has more than 1 million households that qualify as extremely-low-income households.

34



Affordable Housing: Current Programs

- Documentary Stamp Tax revenue supports several State-funded programs through the Florida Housing Finance Corporation.
- The Florida Housing Finance Corporation is also responsible for allocation and distribution of federal low-income housing tax credits.
- Community Land Trusts are charitable organizations that build homes on land they own and then sell the property to a limited-income person or persons, subject to a 99 year ground lease.

35



Affordable Housing: Current Taxation

- The Florida Constitution provides no exception to the just value standard for assessment of property in Affordable Housing programs.
- S. 193.017, F.S., provides that in assessing property in the Low-Income Housing Tax Credit Program, neither the tax credits nor the financing generated by the tax credits, shall be considered income to the property, and the actual rental income from rent-restricted units shall be recognized by the property appraiser.
- S. 196.1978, F.S., provides a property tax exemption for property used to provide affordable housing for eligible individuals if the property is owned entirely by a charitable nonprofit entity meeting certain federal criteria.

36



Affordable Housing: Current Taxation

- HB 1375, enacted in the recent legislative session, authorizes a county or municipality to adopt an ordinance to allow for the deferral of property taxes and non-ad valorem assessments if the owners of the property are operating, rehabilitating, or renovating affordable rental housing property. The use of the property as affordable housing must be maintained over the deferral period or the total amount of deferred assessments, taxes and interest becomes due and payable on November 1 of the year in which the use of the property was changed.

37



Affordable Housing: Options

- SB 1022 and HB 1375 included provisions to tax property in affordable housing programs based on its actual rental income.
- Amendments were filed to extend the exemption in s. 196.1978, F.S., to limited partnerships with a sole general partner that is a charitable nonprofit corporation.

38



Affordable Housing: Options

- HB 1151 and SB 2320 provided that improvements to property owned by a community land trust would be assessed on the basis of the restricted ground leases.

39



Affordable Housing: Considerations

- Statutory or Constitutional?
- Recapture?
- Types of Property that Qualify?
- Fiscal Impact?
 - Reduction in tax base--\$75 million at current tax rates
 - Shift in Tax Burden

40



Member Discussion: Other Issues



Member Discussion: Other Issues

- Valuation Issues
 - Deed Restrictions
 - Highest and Best Use
 - Condition of the Property

- Assessment Appeal Process
 - Presumption of Correctness
 - Attorney's Fees and Interest
 - Value Adjustment Board Processes