

# Florida Approves Property Tax Law

On January 29, 2008 Amendment 1 passed by 64% of those who voted. The measure needed 60% of the vote to become law. The Amendment has four major components:

- 1) **Increases the amount of the homestead exemption.** Florida homeowners qualifying for homestead exemption previously received a \$25,000 exemption from the home's appraised taxable value. Amendment 1 doubles the exemption for homes valued at more than \$50,000, but only for non-school taxes. In other words, the first \$25,000 of homesteaded property will remain exempt from taxation. The next \$25,000 (up to \$50,000) would be taxed. Amendment 1 exempts the next \$25,000 (\$50,000 to \$75,000) but only for non-school taxes. It has been estimated that the statewide annual average savings for homesteaded property would be about \$240.
- 2) **Creates a "portability" provision.** This provision allows Florida homeowners with built-in Save Our Home benefit to transfer up to \$500,000 of the benefit to a new primary residence retroactive to homes sold in 2007. If a more expensive home is purchased, the entire benefit transfers. If a less expensive home is purchased, the benefit is prorated. This provision contains limits on the amount of time allowed in which to purchase a new primary residence after sale of the old residence.
- 3) **Creates a 10% cap on annual increases in assessed taxable value for non homesteaded property.** This is one of two provisions in the Amendment that benefits the owners of non homesteaded property. For example, the annual assessed taxable value increase for an Ohio resident with a vacation home in Florida is capped at 10%. Obviously, this provision only comes into play in years in which Florida property values increase at more than 10%. The maximum annual assessed taxable value increase of homesteaded property remains at 3%.
- 4) **Creates a \$25,000 exemption for tangible personal property.** This will save small businesses tax and eliminate the administrative burden of completing a personal property tax return which often cost more to prepare than the tax itself. Overall the cost of the Amendment to local governments is estimated at \$9.3 billion over five years. Many thought it did not cut taxes enough. Others worry that the reduction of governmental revenues will have a dramatic impact on the level of essential services, such as education and police and fire protection.

Another popular criticism was the Amendment does little to equalize the tax burden between long time Florida homeowners and more recent Florida homeowners who often pay much more in property taxes than their neighbors with homes of equal market value.

In the end, Republicans, Democrats and Independents overwhelmingly decided that they wanted some tax relief now regardless of the consequences to services or the perceived fairness of the overall property tax structure.

For specific information regarding your circumstances, please contact Rick Lanese at 813-634-9296 or [rick@lanese-cpa.com](mailto:rick@lanese-cpa.com)