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Legislature OKs tax-cut plan with choices

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TALLAHASSEE -- Florida homeowners may get to choose their own property tax limits after lawmakers hurriedly approved what could be the nation's first multiple-choice tax cut plan Thursday.

Pending voter approval in January, residents would have two choices next year: keep their current homestead exemption and Save Our Homes cap of 3 percent assessment increases; or switch to a new "super exemption" that would provide deeper immediate tax cuts with future increases limited by a new cap on city and county revenues.

Lawmakers also voted Thursday to force local governments to cut their budgets by more than \$2 billion this year to give all property owners in the state savings by the end of this year. Average savings from that rollback range from about \$175 annually for residents to nearly \$1,000 for businesses.

The deeper savings of up to \$1,000 a year on average for homeowners would depend on January's vote on a new super exemption.

Gov. Charlie Crist said he will sign the rollback bill as soon as today.

"Lowering property taxes and doing so significantly, it's in the hands of the people," Crist said. "I would encourage them to support it if they want more of their money back and I bet they do."

Democrats and Republicans had argued earlier this week that many voters would not willingly give up the guaranteed annual cap of 3 percent increases in the future even if they received deeper cuts immediately with new exemptions equal to 75 percent of the first \$200,000 of their home's value and 15 percent of the next \$300,000. Those exemptions are far greater than the current \$25,000 exemption.

But many lawmakers said that new caps on local government revenues, based on population and inflation, would limit increases in the future to as much as 10 percent annually and that a few years of big increases would make the new plan less favorable than the current Save Our Homes cap.

The last-minute switch to give residents a one-time shot at guessing which property tax assessment plan would work best for them dominated the brisk end of a special session that began Tuesday and ended Thursday. It also made it impossible to predict what homeowners will pay in the future, and how much cities and counties will lose in revenue.

That did not matter much to Republicans who said voters would be uncomfortable giving up their Save Our Homes cap even if the super exemption might prove more beneficial.

"Those that say they want precise and accurate numbers forget for the moment the essence of the amendment," said Sen. Don Gaetz, R-Niceville. "Individual Floridians get to make a choice."



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Sen. Daniel Webster, R-Winter Garden, left, and Sen. Mike Haridopolos, R-Melbourne, talk with reporters after the vote.

But Democrats said the choice would prove perilous for residents who erred.

"It's sort of like asking people to play 'Deal or No Deal' with their home," said House Minority Leader Dan Gelber, D-Miami Beach. "The moment you make that selection, for the rest of your life in your home you will be stuck with that selection."

The plan would eventually result in the end of Save Our Homes. Once a resident moves, the Save Our Homes option would not exist. The 3 percent cap has resulted in new homeowners paying far more than neighbors who have lived in their homes for a long time. It also has caused businesses and nonresidents without an annual limit on tax increases to pay far more.

The vote in January would need 60 percent approval from voters, a steep challenge for any constitutional amendment. The popular Save Our Homes amendment was approved in 1992 with only about 54 percent approval.

Expect seven months of intense campaigning as local governments, including firefighters and police officers, battle the plan that would result in even deeper cuts in their budgets.

Senate Majority Leader Dan Webster, R-Winter Garden, said he decided at 1:30 a.m. Thursday to change the bill so residents could choose their exemptions and caps. He said the result would also be lower hits on local government budgets as some homeowners choose higher short-term tax payments instead of deeper cuts with long-term uncertainty.

The cuts would also require up to \$1.5 billion in cuts for 2008-09 education funding, though GOP lawmakers promised that they would use state revenue from the sales tax and other sources to make it up.

One national tax expert said it would be the first multiple-choice tax system in the nation, in a flawed experiment.

"Allowing citizens to decide, on an individual basis, the amount of their property taxes is ridiculous," said David Brunori, an editor with State Tax Notes. "The way it is proposed, everyone will seek to minimize their property tax burden to the detriment of local government services ... To maintain the same level of education and public safety spending will require massive state increases. It is not a good deal for Floridians."

But both parties largely agreed with a tax cut that will take effect this year, forcing cities and counties to cut their budgets by up to 9 percent. The more individual local governments have raised taxes in recent years, the deeper they will have to cut now.

Despite warnings that the plan would force cuts in everything from libraries to fire and police protection, all but one lawmaker voted for the cuts.

"We stand ready to do our part, including cutting services," said Jim Ley, Sarasota County administrator. "It should be clear to all that with the statutory rollback, and especially with the constitutional amendment, we will be doing less, not more with less, in services. However this is what democracy is about and these choices are those of our citizens."

Most supporters still predicted the tax cuts were not deep enough and did more for homeowners than snowbirds and businesses who have suffered the most from recent tax hikes.

"Some of us would like to do more," said Rep. Dennis Baxley, R-Ocala. "Some of us look at it as maybe 'tax cut light.'"

Sen. Ronda Storms, R-Valrico, said: "I just feel like we didn't do enough for the small businessman. I'm still hungry."

With almost no discussion, lawmakers also voted to ask residents to approve in January constitutional changes to give a \$25,000 exemption on tangible property for businesses, a move that would eliminate the tangible property tax for 1 million smaller businesses. Voters will also decide on exemptions for low-income senior citizens who own homes.
