

THE FLORIDA LEGISLATURE



KEN PRUITT
President of the Senate



MARCO RUBIO
Speaker of the House of Representatives

June 1, 2007

Dear Senators and Representatives:

We recognize and appreciate the commitment of the House and Senate to provide meaningful relief to taxpayers and significant reform to the property tax system in Florida. We want to update you on the progress of our negotiations regarding property tax relief and reform.

As you know, our Joint Select Committee on Property Tax Relief and Reform met on May 21, 2007. During that meeting, we discussed several different methodologies for the constitutional portion of the Senate and House tax plan. We also announced an initial agreement on how we would proceed with the discussions. Since that time our lead negotiators and professional staff have spent many hours working together.

With their assistance, we have reached additional agreements regarding the structure for a tax relief and reform plan, and agreements regarding the timing and method for implementing the plan.

Below is a condensed outline of the substantial agreement, followed by a more thorough explanation of the plan:

Immediate Tax Relief and Reform (Statutory)

- Cities and Counties will be required to cut their property taxes. The level of cuts will be based on a formula tied to their past taxing performance;
- A cap on future property taxes will ensure that government cannot grow faster than personal income;
- Local Governments may override the cap and the cuts by an extraordinary vote;
- Every category of property taxpayers will benefit from the mandatory tax cut and cap.

Further Tax Relief and Reform (Constitutional Amendment)

- "Save our Homes" and the homestead exemption are replaced with a new homestead exemption based on the value of the homesteaded property;
- The framework will reflect a "tiered percentage approach" similar to that which was discussed during the May 21 meeting;
- The few property owners who would have greater benefits under the current "Save Our Homes Amendment" will be grandfathered to the greatest extent allowed by law;
- We will preserve all existing constitutional exemptions based on special circumstances (e.g., disabled veterans).

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The Statutory Framework

Providing immediate tax relief on this November's tax bill was the first agreement reached. Cities and Counties will be required to cut their property taxes. The level of cuts will be based on a formula tied to the amount of tax increases in each jurisdiction over the last five years.

Those jurisdictions whose taxes have grown the most on a per capita basis will be required to reduce them the most. Similarly, cities and counties whose taxes have grown the least on a per capita basis will be required to reduce taxes less. We believe it is important to take into account local governments' past behavior regarding tax increases, and also to grant the greatest amount of relief to taxpayers who have experienced the greatest increases in their taxes. There will be four tiers of percentages for the additional reductions and we will finalize those numbers next week.

This statutory framework will provide relief where it is needed the most and will reflect fairness toward local governments that have controlled property tax growth over the last five years. It is also important to note that every category of property taxpayer -- homestead properties, non-homestead residential properties, commercial and industrial properties -- will save money on taxes from this change in the law.

Appropriate reductions for two categories of local governments are still under discussion: local governments with special financial needs due to unique circumstances and special taxing districts. We have agreed that even cities and counties with special circumstances and special districts should reduce their property taxes, but we intend to provide a uniform reduction for these situations. Given the unique needs of these two categories, we believe this approach was justified.

We have agreed that public schools will not be required to reduce property taxes under the statutory plan.

Finally, a revenue limitation or "cap" on property tax revenues is a part of our statutory plan. This will prevent a repeat of the current property tax crisis. We have heard the claims by local governments that property tax reduction will threaten their ability to provide essential services. Therefore, we have agreed to include a provision allowing local governments by a super majority vote, referendum, or other heightened standard to override the mandatory cuts.

The Constitutional Framework

As was announced at the last meeting of the joint select committee, we previously agreed that a new methodology for homestead property tax exemption—an exemption based on a percent of value—would form the foundation of a constitutional plan for property tax relief and reform. In addition to the statutory tax cuts, this proposal will give voters the opportunity to achieve greater tax savings and to fix a broken system which has created tremendous inequities and threatens our future economic strength.

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After considering the various options, we have agreed that the new homestead exemption will be based on a percentage of the property's value, rather than on the median county home value. This approach allows us to efficiently provide relief to the greatest number of Floridians, cure the inequities which are inherent in our current system, and avoid creating new inequities.

Finally, we have agreed that for the minority of people who will have greater benefits under the current "Save Our Homes" system than under the new system, their current tax benefits will be "grandfathered" to the greatest extent allowed by law.

Remaining Issues

With these major issues decided, we will spend the majority of the Monday, June 4 committee meeting discussing several remaining issues such as, additional relief for low income elderly taxpayers, incentives for affordable housing, reducing the Tangible Personal Property Tax (TPP) for businesses, tax reform for "working waterfronts," valuation issues, and procedural reforms for assessment challenges.

Once decisions are made on the percentages for the tiered exemption plans and the tax cut levels we will provide you with a thorough fiscal analysis.

We hope that you are as encouraged as we are with the excellent progress made. We believe that the hard work of our negotiators and a mutual commitment to reducing the tax burden on all Floridians will yield meaningful results.

Most Sincerely,



Ken Pruitt
President



Marco Rubio
Speaker