



Increasing the Homestead Exemption is a Bad Idea

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This fall it is likely that Floridians will vote on a constitutional amendment to double the homestead exemption.

Currently, homeowners can deduct \$25,000 from the assessed value of their homes for tax purposes, so the owner of a home assessed at \$100,000 pays taxes on \$75,000. The average millage rate is about 20 mills, or 2 percent, of the taxable value of the property. The homestead exemption saves homeowners about \$500/year in property taxes; doubling the exemption doubles the savings.

While everyone prefers paying lower taxes, doubling the homestead exemption is a really really bad idea for Florida. Now if I lived in a state like Pennsylvania or New Jersey where property taxes are very high, I might come to a different conclusion. But the fact is that Florida has very low taxes in general – some of the lowest in the U.S. – and our property taxes are about average. Income taxes are prohibited in Florida, so on a percentage basis our local governments are more reliant on property taxes than most other states, but the absolute levels of local taxes are below the national average. Therefore, there is just no economic basis for doubling the exemption.

Furthermore, more than a decade ago Floridians passed a constitutional amendment to protect homeowners from rising property assessments. Called “Save Our Homes” this provision limits the increase in the assessed value of homestead properties to 3 percent, or the rate of inflation, whichever is less. So homeowners are already very well protected in Florida.

If the proposal to double the property tax exemption passes, Florida's roughly 7 million homeowners will pay \$3.5 billion less in property taxes, forcing cities, counties, and school boards to either find alternative sources of revenue, cut services, or some combination of the two. These local governments really have

very limited options. Most will have to increase their millage rates, which will have the effects of (1) reducing the benefits from the higher exemptions, and (2) shifting some of the burden onto commercial properties. And while some homeowners might like that, the reality is that businesses will ultimately pass these costs back to the homeowner in the form of higher prices. This will not be sufficient to offset the loss of \$3.5 billion in revenues. Services will be cut. Florida struggles to provide adequate services to its growing population today; cutting revenues will only make this much worse.

Finally, it is ironic that this measure may come up on the fall ballot. Only a few years ago Floridians voted for smaller class sizes and for universal pre-kindergarten education. Surely voters understand that these measures will cost a lot of money. So it makes no sense for voters to now turn around and double the homestead exemption.

This is Hank Fishkind for 90.7 FM, WMFE News.

<http://www.fishkind.com>