Agenda Item #:

5C-1

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: October 17, 2006 | [ ] **Consent** | [X] **Regular**
[ ] **Workshop** | [ ] **Public Hearing**

Department: Office of Financial Management & Budget
Submitted For: County Administration

I. EXECUTIVE BRIEF

Motion and Title: Staff requests Board Direction: regarding several statewide issues related to real property assessments and taxes.

Summary: At the October 3rd, 2006 Board Meeting, staff was directed to make a presentation at an upcoming meeting of the Property Tax Reform Committee appointed by the Governor. Staff is seeking Board Direction relating to several proposals which have been publicly discussed by the Committee and other issues which the Board has previously discussed. Countywide (PFK)

Background and Policy Issues: A number of issues have been raised with respect to the State of Florida's property assessment and tax system. Several of these issues are likely to be discussed in the 2007 legislative session and proposed amendments to the Florida Statutes and/or Constitution are anticipated.

The Governor of the State of Florida has established a Property Tax Reform Committee to examine property tax issues. The Board of County Commissioners has directed staff to make a presentation to that Committee. In order to clearly state the Board's position in regard to these matters, staff requests directions on the following issues:

- Increase in the Homestead Exemption (An additional $25,000)
- Portability of the Save Our Homes reduction on homesteaded properties
- Extending a Save Our Homes type of cap to other/all types of property
- Revising the property assessment methodology so that non-homesteaded property is assessed based on current use rather than a potential alternative (highest and best use).
- Revenue and expenditure caps

Attachments: Property Tax Issues

Recommended by: Richard Roberts 10/10/06
Department Director **Date**

Approved By: [signature] 10/10/06
County Administrator **Date**

II. FISCAL IMPACT ANALYSIS

A. **Five Year Summary of Fiscal Impact:**

Fiscal Years	2007	2008	2009	2010	2011
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT					
# ADDITIONAL FTE POSITIONS (Cumulative)					

Is Item Included In Current Budget? **Yes** ____ **No** ____

Budget Account No: Fund_____Agency_____Org._____Object_____Reporting Category _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

There is no fiscal impact associated with approval of this Committee.

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

Elizabeth Bloeser 10/10/06
OFMB

pm 10-10-06

N/A
Contract Dev. and Control

B. Legal Sufficiency:

Paul F. King 10/10/06
Assistant County Attorney

C. Other Department Review:

____
Department Director

This summary is not to be used as a basis for payment.

PROPERTY TAX ISSUES

	Estimated Revenue Loss at Current Tax Rate	Advantages	Disadvantages
Increase in the Homestead Exemption (An additional $25,000)	$36 million in General Fund $13 million in Fire Rescue and Library Assumes the additional exemption is on the second $25,000 in value	◆ Gives all homesteads (except those valued less than $50,000) the same amount of assessment reduction	◆ Does not address tax inequities created by Save Our Homes ◆ Would result in future tax shift if tax rates are increased to recover taxes lost on homesteaded properties ◆ Would completely remove some homesteads from the tax roll
Portability of the Save Our Homes reduction on homesteaded properties	First Year loss: $5.8 million in General Fund $2.0 million in Fire Rescue and Library Amount of lost revenue would accelerate rapidly. Based on State projections, total loss would be $31 Million in the fourth year.	◆ Would address the complaint among some homesteaders that they are "trapped in their homes" because they cannot relocate without losing their Save Our Homes benefit	◆ Perpetuates and worsens the tax inequity that exists between homesteads of comparable value ◆ Provides no relief to potential first time home buyers who feel priced out of the market due to assessments going to full value when ownership changes ◆ Does not address tax inequity between homesteaded, non-homesteaded, and commercial property
Extending a Save Our Homes type of cap to other/all types of property	$89 million in General Fund $33 million in Fire Rescue and Library Like the current Save Our Homes provision, the amount of untaxed value would increase significantly in future years	◆ Provides tax relief on property which is not currently receiving the benefit of Save Our Homes ◆ Over time will partially eliminate the tax inequity created by Save Our Homes	◆ Will extend the current tax inequity between similarly valued homesteaded properties to other types of similarly valued properties, creating a competitive disadvantage for newly acquired or new commercial establishments.
Revising the property assessment methodology so that non-homesteaded property is assessed based on current use rather than a potential alternative (highest and best use).	Not able to determine at this time	◆ Would eliminate the problem of property being taxed based on a highest and best use rather than current use, which currently puts pressure on a property owner to convert rental housing or working waterfront property to alternative uses such as condominiums	◆ Unless the language of a constitutional amendment provides that the assessment go to full value when the property is sold, a new owner could invest in property based on its potential for future development but retain a lower assessment based on current use, thereby minimizing taxes.

PROPERTY TAX ISSUES

	Estimated Revenue Loss at Current Tax Rate	Advantages	Disadvantages
Revenue Caps	Not able to determine	◆ Caps on revenues may result in lower property taxes for all taxpayers	◆ Does not address Save Our Homes inequities or shift in property taxes away from homestead to commercial and non-homesteaded ◆ If cap is on all revenues, significant increases in non-advalorem revenue would require reductions in property taxes. (Increases in enterprise fund revenue could require reduced property taxes, even though the revenues are not used for same purposes)
Expenditure Caps	Not able to determine	◆ Caps on expenditures would result in lower revenue requirements – potentially lowering property tax bills	◆ Inequities created by Save Our Homes would continue to exist ◆ Does not address issues relating to the shift in taxes from homestead to commercial and non-homesteaded ◆ If the cap is on all funds, it would limit the County's ability to pursue new initiatives such as bond funded projects, or enterprise fund expansions etc., which are not paid for with ad-valorem taxes ◆ If the cap was tied to the CPI, it would not allow sufficient funds for increased construction, health care, retirement contributions costs etc., which have been accelerating at a much more rapid rate than CPI