



The Honorable Stan McClain, Chair
Florida House of Representatives
Ways and Means Committee
209 House Office Building
402 South Monroe Street
Tallahassee, FL 32399-1100

Via Email Delivery

January 3, 2024

Re: Property Tax Amendment Bills **WMC1-2024, WMC 2-2024, WMC3-2024**
01/08/2024 Agenda, House Ways and Means Committee

Dear Chair McClain:

Thank you for the opportunity to share our concerns with WMC1-2024, WMC2-2024, and WMC3-2024 relating to the increase in the exemption on the taxable valuation of homestead properties and the indexing of the applicable exemptions. While the bills intend to provide tax relief, the reduction will likely result in unintended consequences for local taxpayers and cities. Therefore, the **Florida League of Cities must oppose these bills**.

As drafted, the bills will reduce taxable valuations on homesteaded properties. Ad valorem revenues have only recently recovered to the amounts collected in 2008 before the recession. Simultaneously, the cost of providing essential services continues to rise.

IT'S A TAX SHIFT; NOT A TAX CUT

While the intent of the Legislature may be to provide homestead property tax relief, both homestead and non-homestead taxpayers (businesses and renters) will feel the negative impact of the increased exemptions. Meaning, cities will be faced with tough choices to make up the deficit in funds from the increased homestead exemptions. Cities will either have to raise millage rates or reduce services. These impacts are not equal, as the homestead properties receive an exemption while everyone else must feel the full impact. This means either fewer local services or higher local taxes, shifting a bigger burden onto small business owners, manufacturers and working families.

This tax shift hurts small businesses and exposes them to bigger tax hikes later due to a business's taxable value growing faster than a home. That means business owners will shoulder a larger share of the tax burden. That's bad for small businesses, and bad for our economy.

LESS REVENUE, LESS SERVICES & INFRASTRUCTURE

Our members are concerned with a potential reduction in the ability to generate revenues to fund services. Cities are not created equal. A mil in Wauchula does not raise the same funds as a mil in Miami. Taking this approach especially hurts small, hometown cities who have little to no commercial properties. These communities will be hit the hardest.



Although Florida continues to grow, inflation impacts cities the same way as the private sector. It costs more to pave a mile of road today than it did two years ago. If the State grants new residents increased homestead exemptions on their properties, cities will be further hindered in trying to adjust their services to meet increased demand amid rising costs.

Cities will face a budgetary decision on how to adjust to the reduction in revenues. Will municipal services be reduced or will millage rates be raised? Keep in mind, some cities do not have the option to raise their millage rates as they are already at the statutory cap. The exemptions are troublesome, but increasing the amounts per the Consumer Price Index (CPI) creates uncertainty year over year for local governments as they budget for public services.

UNCERTAIN REAL ESTATE MARKET

The real estate market has flourished in the last two years. The worst time to make financial policy is at the peak of a market. Historically, the State has experienced “boom and bust” cycles in the real estate market, and it is unknown how long the current real estate market will continue. Municipalities took a decade or more to recover from the 2008 recession. Increasing the exemptions for homestead taxes creates a higher hurdle for communities to recover after a downturn.

ONE SIZE DOESN'T FIT ALL

These bills are a one-size-fits-all approach. But what's good for some communities isn't always good for others. Changing local property taxes should be done locally, not through a statewide constitutional amendment.

If the desire of the State of Florida is to provide relief to homestead properties owners, perhaps consideration may be given to a one-time State of Florida-funded relief bill for the 2024-25 fiscal year out of the State's surplus funds. In this method, cities will not be harmed by these proposed amendments, and the State of Florida will have provided tax relief for homestead property owners.

The League respectfully requests that you consider our concerns and opposition with this legislation as drafted.

Sincerely,

A handwritten signature in blue ink that reads "Charles Chapman". The signature is fluid and cursive, with a small "II" at the end.

Charles Chapman
Legislative Consultant
Florida League of Cities, Inc.

cc: Members of the House Ways and Means Committee