

The Proposed Increase in the Homestead Exemption, Tax Cut or Tax Increase?

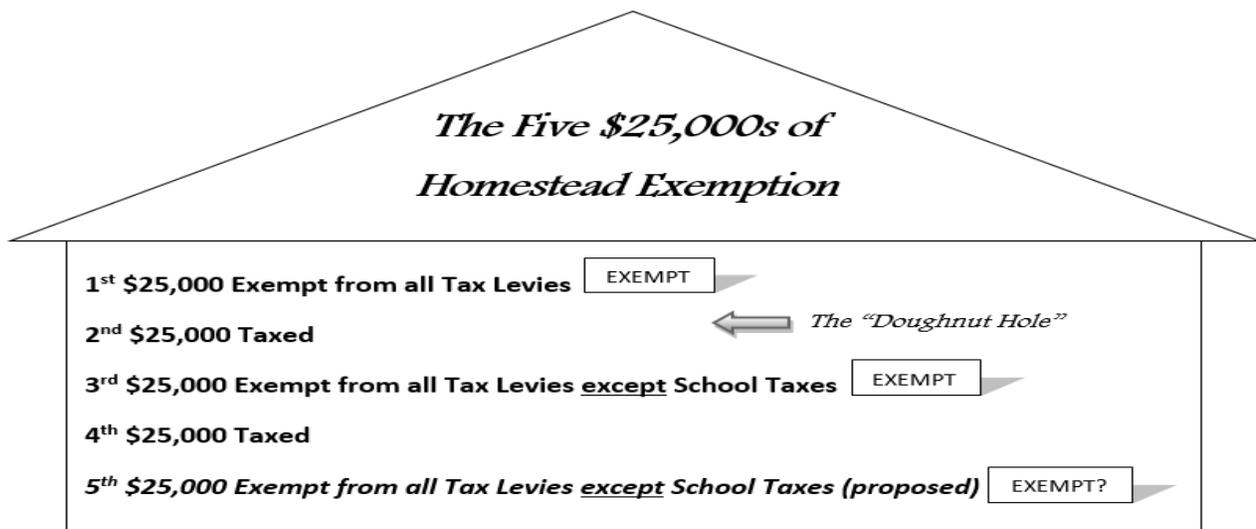
In November the voters of Florida will decide whether to raise the homestead exemption by another \$25,000. Sounds good, right? Who doesn't want to lower their taxes? I'd like to pay less in taxes, but as Civil War veteran and Supreme Court Justice, Oliver Wendell Homes, said: "Taxes buy civilization."

I like what life is like here in Volusia County, and I am okay with paying taxes if we all pay our fair share.

The History of the Homestead Exemption

The first homestead exemption of \$5,000 was created in 1934 to help homeowners during the Depression who could not afford to pay their property taxes. The exemption was increased by the voters in 1980 to \$25,000, and increased again to \$50,000 in 2008. The exemption applies to the value of homes owned by Florida residents who qualify for the exemption.

The Five 25 Thousands



Who benefits?

Homestead property owners with an assessed value over \$100,000. To fully understand who benefits (and who does not), let's distinguish "actual" value (just value) from "assessed" value. A single family homestead in DeLand has an actual value of \$148,000. The assessed value of that same house, however, is only \$88,000 because the Save Our Homes (SOH) cap¹ has limited the amount of value upon which that house can be taxed.

¹ The SOH cap went into effect in 1992 and limited the increase in assessed value to 3% per year, or the Consumer Price Index, whichever was less.

In the example above, the DeLand house had the benefit of the SOH cap for several years, so its assessed value is \$60,000 less than its actual value. That is important to understand when looking at the new proposed homestead exemption increase. It only applies to a homestead property's assessed value. The DeLand house in the example would not benefit from the proposed amendment because its assessed value was less than \$100,000.

Your property's assessed value can be found in the middle column of figures on your tax bill.

Who will not benefit?

Homestead owners with an assessed value less than \$100,000.

Owners of vacation homes.

Commercial and industrial property owners.

We did an analysis of the percentage of homestead properties that would be eligible for the full "Fifth 25" exemption. The percentages varied among our sixteen cities, but the most glaring difference was illustrated when comparing Holly Hill to Ponce Inlet. Ninety (90) percent of the homes in Ponce Inlet would qualify, whereas only five (5) percent of the homes in Holly Hill would qualify.

Our analysis indicates Volusia County's tax base will be reduced by \$1.3 billion if the voters agree to the exemption increase. What happens when the tax base is decreased? The taxes on the remaining properties go up. Alachua County has the highest millage rate in Florida because the University of Florida owns so much land there. The Fighting Gators are tax exempt, so the remaining Alachua County taxable property has to have a higher tax rate (millage) to make up for the taxes not being paid by the University of Florida.

Similarly, if the Volusia County tax base is reduced by the passage of an increased homestead exemption for higher priced homesteads, then the deficit in taxes will be made up by a higher millage on the rest of the tax base.

Our new and improved website (vcpa.vcgov.org) has a feature that will tell you whether you would qualify for the Fifth 25 and, if so, how much you could save in taxes. On the first page of our website is an "Estimate Your Taxes" link. Fill in your assessed value in box number 2, check the homestead exemption box in number 3, select your area in box 4 and then click the box in the lower left to see if the proposed increase will be a benefit. If you do not qualify for the proposed increase in the homestead exemption, then voting for the proposed increase would benefit others, but not you. You could be voting for a tax increase when you thought you were voting for a tax decrease.