Florida…Don't Be Fooled by Amendment 2!

BOMA Florida

Amendment 2 proposes to make permanent an assessed value cap limiting annual property tax assessment increases for non-homestead properties to 10% of the prior year's value.

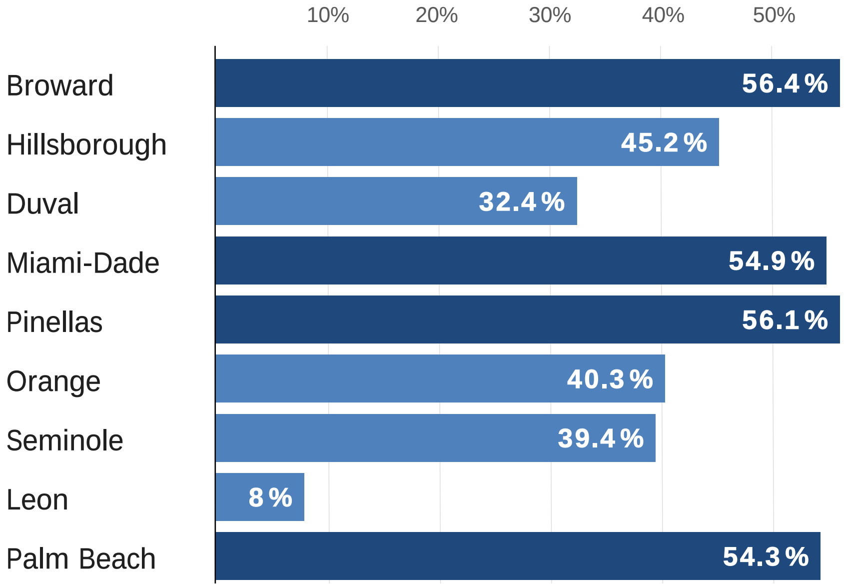
On the surface this appears to be an appealing public policy, but in reality assessed value caps cause more harm than good.

Is it Really "Good for Everyone"?

1. **Only a limited number of properties benefit** from this legislation
2. **Massive disparities between the property tax burdens of nearly identical properties are created** when one is sold or significantly improved
3. **Amendment 2 does nothing to prevent ongoing increases in the tax rate** and the resulting tax liability paid by all Florida taxpayers

Everyone Does NOT Benefit

% of Real Estate Parcels receiving <u>any</u> benefit from Amendment 2



Source: Florida Department of Revenue - Property Tax Division

CAP DIFFERENTIAL

A "cap differential" exists when the market value of a non-homestead property is higher than the assessed value.

For example, in **Duval County**, 156,549 parcels are eligible for the cap differential benefit, however, **only 32.4% (or 50,758 parcels) actually received any benefit for 2017.**

Who Benefits the Most?

ORANGE COUNTY

Just 6% of eligible parcels received **$56.5 million** in annual tax breaks, or **84.7% of the total benefit**.

Parcels eligible for an annual tax break	220,099
Parcels that receive an annual tax break	88,683 (40.3%)
Parcels with a cap differential > $50K	**5,293 (6%)**
Parcels with a cap differential < $50K	83,390 (94%)
Annual tax benefit ($ estimated)	$66,664,471
Tax benefit of parcels with a cap differential > $50K	**$56,498,578 (84.7%)**
Tax benefit of parcels with a cap differential < $50K	$10,165,893 (15.3%)

Hillsborough County

4.6% of eligible parcels received more than **$15.75 million** in annual tax breaks, which is **over 72% of the total benefit**.

Pinellas County

6.6% of eligible parcels received more than **$14 million** in annual tax breaks, which is over **41.2% of the total benefit**.

Leon County

6.1% of eligible parcels received more than **$1 million** in annual tax breaks, which is **74.4% of the total benefit**.

Broward County

14.2% of eligible parcels received more than **$60 million** in annual tax breaks, which is **over 61% of the total benefit**.

Duval County

6.1% of eligible parcels received more than **$13 million** in annual tax breaks, which is **72.2% of the total benefit**.

Miami-Dade County

24% of eligible parcels received nearly **$186 million** in annual tax breaks, which is **over 81% of the total benefit**.

Palm Beach County

10.8% of eligible parcels received more than **$40 million** in annual tax breaks, which is **61.1% of the total benefit**.

Seminole County

2.4% of eligible parcels received more than **$2.2 million** in annual tax breaks, which is **over 55% of the total benefit**.

Caps Are Creating Inequities

The **SALE** or **SIGNIFICANT IMPROVEMENT** of a property allows for the cap to be lifted and assessed value raised to equal market value.

Newly developed or recently traded assets will be **Reassessed at a <u>Higher Value</u>**

Properties NOT improved or NOT traded will be **Afforded <u>Cap Protection</u>**

Commercial property owners will find themselves **at a distinct leasing disadvantage**

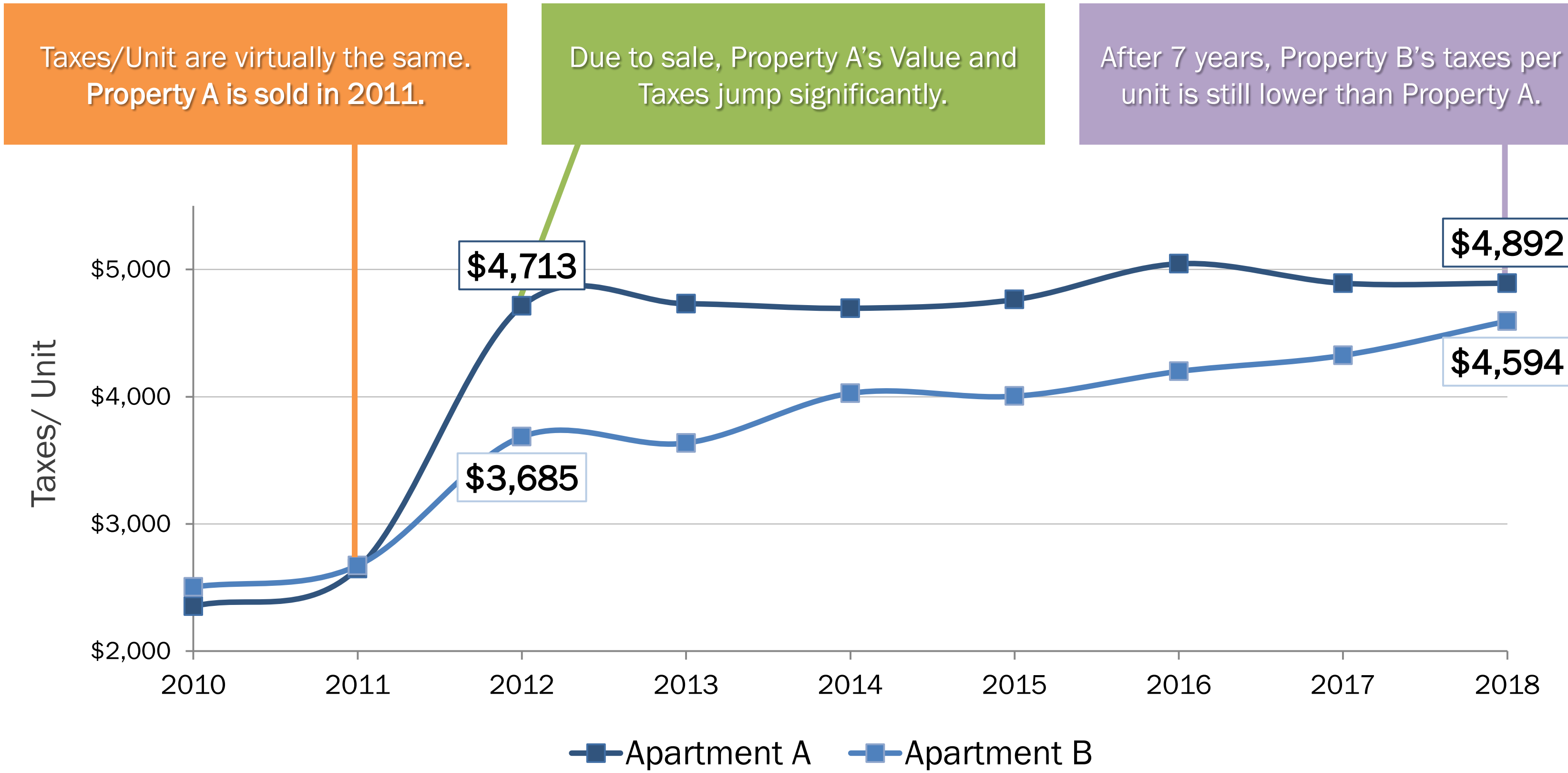
Inequities – Example #1

Both Apartment A and B were built in 2009 and sit across the street from each other.

Apartment Building A sold in 2011.

Apartment Building A					218 Units		Apartment Building B					286 Units	
MARKET VALUE	ASSESSED VALUE	GROSS TAX	MV/UNIT	AV/UNIT	TAXES/UNIT		MARKET VALUE	ASSESSED VALUE	GROSS TAX	MV/UNIT	AV/UNIT	TAXES/UNIT	DIFFERENCE
$23,913,790	$23,913,790	$512,999	$109,696	$109,696	$2,353	2010	$33,393,730	$33,393,730	$716,362	$116,761	$116,761	$2,505	6%
$29,506,100	$26,305,160	$577,481	$135,349	$120,666	$2,649	2011	$36,316,960	$36,316,960	$764,490	$126,982	$126,982	$2,673	1%
$48,500,000	**$48,500,000**	**$1,027,492**	**$222,477**	**$222,477**	**$4,713**	2012	$67,762,400	$39,954,630	$1,053,790	$236,931	$139,702	$3,685	-28%
$48,500,000	$48,500,000	$1,031,256	$222,477	$222,477	$4,731	2013	$58,026,420	$43,950,090	$1,039,802	$202,890	$153,672	$3,636	-30%
$48,500,000	$48,500,000	$1,023,432	$222,477	$222,477	$4,695	2014	$66,049,280	$48,345,090	$1,151,847	$230,942	$169,039	$4,027	-17%
$52,950,670	$52,950,670	$1,038,363	$242,893	$242,893	$4,763	2015	$67,235,350	$53,179,590	$1,145,093	$235,089	$185,943	$4,004	-19%
$57,727,690	$57,727,690	$1,099,868	$264,806	$264,806	$5,045	2016	$71,000,000	$58,497,540	$1,200,882	$248,252	$204,537	$4,199	-20%
$57,727,690	$57,727,690	$1,066,536	$264,806	$264,806	$4,892	2017	$71,720,000	$64,347,290	$1,237,049	$250,769	$224,991	$4,325	-13%
$57,727,690	$57,727,690	$1,066,536	$264,806	$264,806	$4,892	2018	$71,720,000	$70,782,010	$1,313,853	$250,769	$247,490	$4,594	-6%

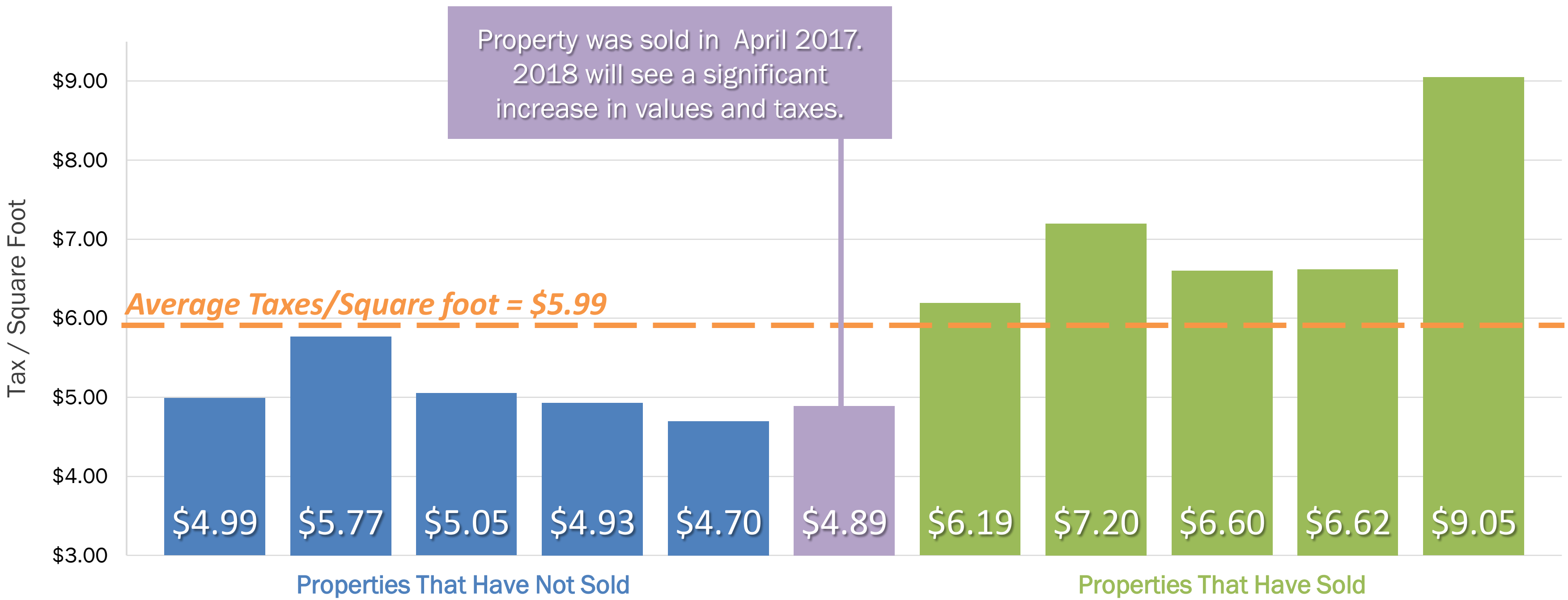
Inequities – Example #1



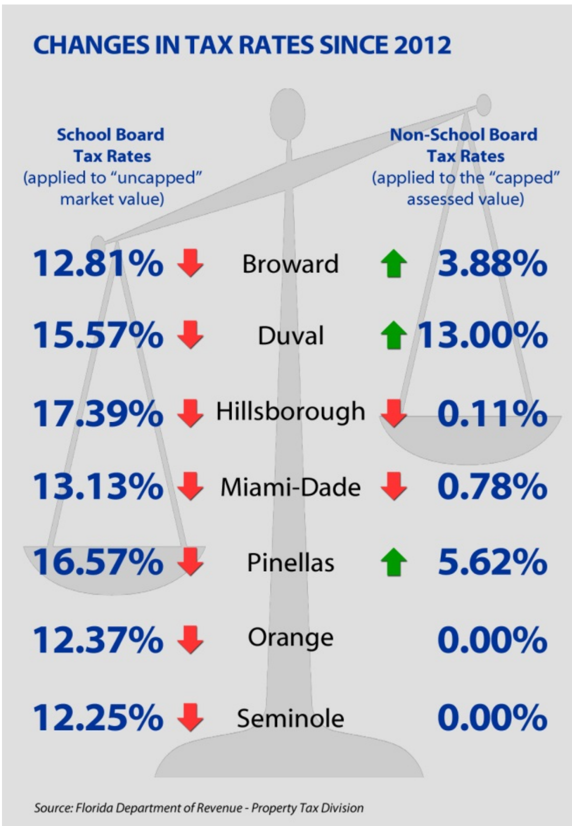
Inequities – Example #2

Office Building Comparables								
CLASS	RBA	2017 MARKET VALUE	2017 ASSESSED VALUE	CAP DIFFERENCE	GROSS TAX	TAX/SQFT	SALE DATE	2017 CAP TAX SAVINGS
A	407,246	**$119,000,000**	**$79,200,000**	**$39,800,000**	$1,993,223	$4.89	Apr-17	$ 583,424
A	267,888	$112,000,000	$112,000,000	$0	$2,425,058	$9.05	Sep-15	$ -
A	120,531	$40,085,387	$40,085,387	$0	$867,941	$7.20	Apr-14	$ -
A	522,892	$149,541,581	$149,541,581	$0	$3,237,919	$6.19	Apr-13	$ -
B	209,122	$63,971,449	$63,971,449	$0	$1,385,129	$6.62	May-15	$ -
B	288,457	$87,970,757	$87,970,757	$0	$1,904,769	$6.60	Feb-15	$ -
A	280,500	**$77,350,000**	**$73,425,000**	**$3,925,000**	$1,617,272	$5.77		$ 57,536
A	188,138	**$49,000,000**	**$41,446,375**	**$7,553,625**	$950,239	$5.05		$ 110,728
A	415,150	**$102,900,000**	**$90,641,258**	**$12,258,742**	$2,048,329	$4.93		$ 179,700
B	100,425	**$27,000,000**	**$19,344,639**	**$7,655,361**	$472,398	$4.70		$ 112,219
B	88,000	**$25,183,180**	**$17,916,845**	**$7,266,335**	$438,762	$4.99		$ 106,516
				$78,459,063	**Average =**	**$5.99**		

Inequities – Example #2



Tax Rates are NOT Capped!



Key Points to Consider:

- **School Board Tax Rates** *(applied to the "uncapped" market value)* **have dropped**
- **Non-School Board Tax Rates** *(applied to the "capped" assessed value)* **have stayed the same or increased**
- Taxing jurisdictions have the ability to receive **automatic 10% annual budget increases** under the guise of NOT raising taxes
- By NOT lowering rates to offset the historic assessment increases, **taxing jurisdictions are in fact raising taxes**

A Better Solution

Instead of an assessed value cap, place a limit on the annual percentage revenue increase that can be generated by taxing authorities

Taxing authorities could still have ultimate control and override the capped increase

This approach provides transparency and puts the financial responsibility on elected officials to prove why additional revenue is needed

Capping annual budgets effectively guarantees lower tax rates when the market is rising, while still allowing for reasonable growth

The 10% assessed value cap expires on January 1, 2019. Voters have to decide whether or not to make the cap permanent.

Bring back **fairness** and **equity** to the property tax process which ultimately benefits ALL Florida taxpayers.

On November 6, 2018…
Vote "NO" on Amendment 2.