

Florida lawmakers approve property tax reform

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By Michael Peltier

TALLAHASSEE, Fla., June 14 (Reuters) - Prompted by skyrocketing property tax rates, Florida lawmakers on Thursday passed a tax reform measure that backers say could reduce local taxes by more than \$24 billion over five years.

With one dissenting vote, lawmakers approved a mandatory rollback of current property tax rates and tied future local revenue growth to increases in personal income. That is expected to cut tax collections by \$15 billion over the next five years.

In January, Florida voters will go to the polls to decide if they want to modify the state's tax structure by allowing homeowners to discard a 3 percent tax cap on property tax increases in return for higher homestead exemptions.

"This is probably one of the most profound issues I've ever been a part of in terms of what it means for Floridians," said Senate President Ken Pruitt, a Republican state senator from Port St. Lucie.

"The message is already out there and local governments are already starting to cut back. This is going to jump-start the economy," he said.

Under the proposal being put to a referendum, homeowners would be able to choose to keep the popular tax cap created in 1992 that has held back tax increases on people's primary homes.

Or they could increase the \$25,000 homestead exemption by as much as \$170,000, depending on a home's value.

Unlike many other U.S. states, Florida does not have a state income tax.

CRITICS FEAR SERVICE CUTS

Local governments, emergency responders and teachers say they fear services will be cut in response to what would be the largest single tax cut in the state's history.

"We think we've just voted for the largest cut in police, the largest cut to firefighters and the largest cut to teachers in the history of Florida," said Senate Democratic Leader Steve Geller of Hallandale Beach.

Florida's current system has led to wide discrepancies in tax levies on similarly situated homes, with new homeowners paying much higher taxes than people who have been there for a while.

Backers say the changes could shave local revenues by an additional \$7 billion to \$14 billion over the next five years, depending on how many homeowners make the switch.

The referendum to be held Jan. 29 would also provide \$2 billion in further tax benefits to low-income seniors, coastal businesses and affordable housing, and provide \$25,000 in personal property exemptions to 1 million small businesses across the state. That would bring the total tax cuts to at least \$24 billion.

Gov. Charlie Crist, a Republican, has said he believes the property tax cuts could reignite a once booming but now moribund Florida real estate market.

The lawmakers reached agreement on the tax proposals on the third day of a 10-day special session. <http://www.reuters.com/>

