CITY MANAGER'S OFFICE MEMORANDUM

TO: Mayor and City Commissioners

FROM: Bob Vitas, City Manager

DATE: January 18, 2013

SUBJECT: Additional Homestead Exemption for Low-Income Seniors

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ACTION STATEMENT:

An ordinance granting an additional homestead tax exemption equal to the assessed value of homestead property if the property has a just value less than $250,000 to an owner who has maintained permanent residency on the property for not less than 25 years, who has attained age 65, and who has a low household income as defined by general law.

BACKGROUND:

Constitutional Amendment No. 11 approved by the voters of Florida in the November 2012 election authorized an additional homestead property tax exemption for senior citizens who have and maintain a long-term residency on the property, equal to the property's assessed value, specific to the following definitions and requirements:

1. The person must have legal or equitable title to the property.
2. The homesteaded property must have a just (market) value less than $250,000.
3. The property must have been the permanent residency of the owner for at least 25 years.
4. The owner must be a minimum of 65 years old.
5. The owner's household income must not exceed $27,030 (F.S. 196.075(3) based on the general law implementing the proposed amendment).

6. The general law putting into practice the amendment would also require the counties and municipalities providing the additional exemption to do so by passage of a local government ordinance.

This exemption would only apply in counties and cities that offer the current low-income senior exemption in Florida. According to the Florida Department of Revenue, in 2010, 58 Florida counties and over 200 municipalities offer the low-income senior exemption. The amendment does not identify an effective date of adoption.

The impact of Amendment 11 is estimated by the state Revenue Estimating Conference (REC) to have a negative (decreasing) impact on local government revenue in Fiscal Year 2014–2015, with a loss of $9.1 million and another $9.4 million in Fiscal Year 2015–2016. This assumption is based on current local government millage rates and an additional assumption that all counties/municipalities currently offering the low-income senior exemption would also adopt a local ordinance for the additional increase proposed by this amendment.

The relative size and the fiscal impact of the amendment are easy to understand when looking at some of the specific criteria. For example, it is becoming less common for people to live in the same residence for a long period of time and this amendment requires permanent residency of at least 25 years. On the other hand, people are also living longer and the possibility of living in the same homestead for at least 25 years may become more likely, even for those who move to Florida after retirement.

Those who advocated in favor of the amendment suggested that individuals living on a fixed income or those who have suffered significant economic loss due to health problems are worthy of a "property tax break." Opponents of the amendment argued that all Floridians who use local government services should pay something for the services used and not be totally exempt from taxation as this amendment might allow. Others opposed the amendment since it represented another example of the property tax system being used as a piecemeal policy change, which is not "fair" to other taxpayers, and could well shift the estimated revenue decline at the local government level to other taxpayers who do not qualify for this exemption.

FINANCIAL IMPACT:

Reference the e-mail memo from Lynn Garcia of the Monroe County Property Appraiser's Office, dated January 15, 2013, in which her office estimates the loss of taxable assessed value to the City of Key West to be $2,050,000 for those parcels in which all conditions for exemption would be met. Using the approved millage rate of 2.9185 for the City of Key West for Fiscal Year 2012-13, the estimated loss of FY 2012-13 ad valorem revenue would have been approximately $6,000 should the exemption have been in place.