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State sunk by tax cap

*BY JOHN McCARTHY
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Perhaps no other state depends on growth as much as Florida.

With a ban on an income tax written into Florida's constitution, state and local governments are paid for primarily through sales and property taxes.

Both revenue streams are much more dependent on population growth than an income tax would be. And Florida's constitution limits the growth on assessed values of homestead properties to no more than three percent a year. That restriction -- "Save our Homes" -- places even more of a premium on growth, since newcomers who buy an existing home or build a new one will often end up paying two or three times more in property taxes than a longtime owner of a similar home.

There is even a name for the process. It's called the "Welcome, stranger" effect.

"With Save our Homes, we kind of counted on having more people each year," said Sean Snaith, director of the Institute for Economic Competitiveness at the University of Central Florida. "The problem we've seen here in the near term is that we are seeing fewer people, not more."

In 2007, Florida voters passed property tax reform that also limits the increase in the assessed value of non-homestead properties to 10 percent a year. The same constitutional amendment also doubled the homestead exemption to \$50,000 for all but school taxes.

The Legislature this spring approved putting a new constitutional amendment to voters that would lower that cap to 5 percent.

The non-homestead cap has had little practical effect so far, since the value of such properties have been dropping anyway. But in the long-term it will put an even greater tax burden on newcomers and will give would-be Floridians one more reason to consider heading for the Carolinas, Texas or some other Sun Belt state.

"It is amazing that a state that has buttered its bread on newcomers is putting up a sign saying, 'Come to Florida. Somebody has to pay the taxes,' " Snaith said.

As it stands now, the total taxable value of all property in Brevard County has taken a beating, dropping from \$40.8 billion in 2007 to \$33.2 billion this year.

Snaith said the shrinking population is a short-term trend tied to the economic turndown. But he doesn't think it will recover to the boom times of 3 percent to 4 percent annual growth.

"It is never going to be what it was in the '70s," he said.

Snaith acknowledged a state income tax is unlikely. But he said the state should reconsider exemptions that leave billions of dollars of goods immune from sales tax.

"We have to take a hard look at the tax structure and make sure we have a system to provide the revenue for government service," he said.

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Additional Facts

Local impact

Brevard County's population shrank by about 0.1 percent from 2008 to 2009 according to the University of Florida's Bureau of Economic and Business Research. As of April 1, the county's population was 555,647, according to the bureau, down 556 from a year earlier.
