



MIAMI BEACH

OFFICE OF THE CITY MANAGER
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CITY CLERK'S OFFICE

LETTER TO COMMISSION

TO: Mayor Matti H. Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: February 4, 2008

SUBJECT: **IMPACT OF AMENDMENT ONE ON THE CITY OF MIAMI BEACH**

The purpose of this LTC is to provide the Mayor and City Commission with an update on the projected impact of Amendment One on the City's property tax receipts.

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment One) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. The new \$25,000 homestead exemption does not apply to school district taxes, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment One also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment One limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment One becomes effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

Based on the January 1, 2007 tax roll provided by the Miami-Dade County Property Appraiser's Office, the initial estimated annual loss of property tax revenues for Miami Beach is approximately \$2,996,275, broken down as follows:

- \$2,058,947 from the additional \$25,000 homestead exemption;
- \$346,402 from the \$25,000 exemption for tangible personal property;
- Determination of the impact of the portability is challenging; however, initial estimates provided by Miami-Dade County indicate that the impact could be up to \$590,926;
- While the 10% assessment cap on non-homestead property will impact individual properties, it may not have a direct negative impact on overall property tax revenues, due to the "roll-back" methodology approved by the Legislature.

*Letter To Commission
Impact of Amendment One
February 4, 2008*

At this point, additional property tax reform by the Legislature in 2008 is possible, but unlikely. Media reports indicate that there may be an effort in the House of Representatives, but statements by Senate leadership indicate that that chamber will not consider additional action this year. In addition to potential legislative action, a citizens petition has been circulated around the state to cap the total property taxes on any property at 1.35 percent of taxable value. As of Tuesday, January 29th, the group had collected only about 125,000 signatures, out of the 611,000 needed by Friday, February 1 in order to place the issue on the November general election ballot.

At this point, it appears that the most likely source of additional property tax reform could be from the Taxation and Budget Reform Commission (TBRC), which has the authority to place constitutional amendments directly on the November 2008 ballot. However, the approval of Amendment One has raised questions by some of the members of the TBRC regarding how that group should move forward.

An update on this issue will also be provided at the February 7, 2008 meeting of the Finance and Citywide Projects Committee. In the meantime, please do not hesitate to contact me if you have any comments or questions.

JMG/KGB/kc

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