TAX TALK

General Information and Frequently Asked Questions (FAQ's)

(The following information is a summary of information compiled from government websites and is intended to provide general knowledge of the property tax process as it relates to *Estero Fire Rescue*. Some information may have been modified from its original format. Additional information can be obtained from the website addresses listed at the end of the document.)

What You Should Know About Florida's Property Tax System

The Florida Constitution reserves all revenue from "ad valorem taxes" (taxes based on property value) for local governments, which is their largest source of funding. State government derives no revenue from property taxes. Property tax is levied as of January 1 annually based on the market value of real and tangible personal property. Property owners receive their tax bills in November and payment is due by March 31 of the following year.

Local property appraisers annually assess each privately owned property in Florida based on market value. Property appraisers also administer exemptions. Local governments (taxing authorities) set the "millage rate," which is the rate at which properties are taxed. After accounting for certain exemptions, differentials, and limitations, the "taxable value" is multiplied by the millage rate to determine the dollar amount of the tax for every $1,000 of taxable value.

The Formula for Determining Your Property Tax

Just Value (market value) – **Assessment Limitations** (e.g. Save Our Homes) = "Assessed Value"
Assessed Value – **Applicable Exemptions** (e.g. Homestead) = "Taxable Value"
Taxable Value X **Millage Rate** = Total Tax Liability

Example: Assume Homestead A has a market value of $400,000, an accumulated $100,000 in Save Our Homes protections, a Homestead Exemption of $50,000, and the millage is 5 mills:

- $400,000 – $100,000 = **$300,000**
- $300,000 – $50,000 = **$250,000**
- $250,000/$1,000 X $5 = **$1,250 (Total Property Taxes)**

Local Entities with Tax Assessing Authority

The state constitution authorizes several types of local governments to levy property taxes up to a certain amount. County, municipal (city), and school district governments may levy taxes up to 10 mills each. A county that provides municipal services may levy an additional tax as set forth in statute. Special districts 1 (e.g., water management) may be authorized by the constitution or by statute to operate with a variety of millage caps.

Estero Fire Rescue's millage cap is 3.75 per F.S. 191.009 which states "An elected board may levy and assess ad valorem taxes on all taxable property in the district to construct, operate, and maintain district facilities and services, to pay the principal of, and interest on, general obligation bonds of the district, and to provide for any sinking or other funds established in connection with such bonds. An ad valorem tax levied by the board for operating purposes, exclusive of debt service on bonds, may not exceed 3.75 mills unless a higher amount has been previously authorized by law, subject to a referendum as required by the State Constitution and this act."

Several local governments, either by codification, or referendum, lowered their millage caps below the threshold of that provided in F.S. 191.009. Estero Fire Rescue has not established a millage cap via its codification or a referendum, and as such must comply with the statutory millage cap of 3.75.

Taxing authorities are required to conduct public hearings on their budgets prior to adopting a budget and setting a millage rate. This is commonly referred to as the truth in millage process (TRIM), and is the best opportunity for property owners to comment on taxing authority budgets.

Save our Homes (SOH) and the "Recapture" Rule

Amendment 10 - "Save Our Homes"

What Is "Save Our Homes"?

> Save Our Homes" (SOH) spearheaded by Mr. Wilkinson, approved by Florida voters in 1992, effective January 1, 1995. SOH places a limitation of 3% on annual assessment increases on homestead exempt property. For all property first granted homestead exemption in the prior year, that year's assessed value will be the base value for the implementation of "Save Our Homes". Thereafter, the assessed value will not increase more than 3% or the percentage change in the Consumer Price Index, whichever is less. The property's market value may differ from SOH assessed value. ***SOH assessed value will never be greater than market value.***

What properties are affected?

> Homestead exempt properties only.

What happens when I sell my property and buy a new home?

> When a homestead property sells, the SOH assessed value returns to market value in the year following the sale. That market value assessment then becomes the base value for SOH purposes for the new owner/homestead applicant.

What happens to the value of my homestead property when I make additions or improvements?

The additions or improvements are valued at market value in the year of construction, and that value is then added to your capped assessment. SOH then applies to these additions/improvements in subsequent years.

Example of SOH scenario

Base Year

1) 1998 market value: $50,000 (1st yr homestead assess)

-$25,000 homestead exemption

=$25,000 taxable value

2nd Year

2) 1999 market value increases: $80,000 (1st year of SOH cap)

$50,850 SOH Value (1998 Assess. +1.7%)

-$25,000 Homestead Exemption

=$25,850 taxable value

Can my Taxes go up more than SOH capped percentage?

Yes, SOH is a limitation on the assessed value of the homestead property, **not the taxes**. Millage rates (determined by the various taxing authorities) may increase or decrease as those taxing authorities determine their budgets. In addition, on multi-dwelling/agricultural parcels only the homesteaded portion is subject to the SOH limitation.

What is the "recapture" rule?

Governor Chiles and Cabinet approved a Department of Revenue rule in 1995 directing property appraisers to raise the assessed value of a qualifying homestead property by the maximum of 3% or the percentage change in the Consumer Price Index (CPI), whichever is less, ***on all properties assessed at less than full market value whether or not that property's value increased during the calendar year.***

For example, Property A's ***market value increases*** by 10 % this year. As a homestead property, the property appraiser can only increase the value by 3% or CPI, whichever is less under ***SOH***.

In the next year, Property A's ***market value did not change***. Since its assessed value under SOH remains under market value, the property appraiser must increase the assessed value by 3% or CPI, whichever is less, to bring its value closer to full market value. ***Recapture.***

Portability of "Save our Homes" benefit

If you have an existing Florida homestead and you buy or move to a new home and make it your homestead, some or all of the difference between your old homestead's assessed value and its market value may be applied to the assessment of your new home.

To receive benefit: If you received the homestead exemption in 2008 on a home that you sold during 2008 or no longer claim as your homestead and have purchased or moved into a new home by January 1, 2009, you may be eligible to take some or all of the benefit of "Save our Homes" to your new home. In order to receive this benefit, for your new homestead exemption and for the transfer of the "Save Our Homes" benefit to your new homestead. If you already filed for the new homestead in either tax year 2010 or 2011 but did not apply for portability, you must apply immediately in order to receive the benefit for the current tax year. The last day to apply for homestead and/or portability is 25 days after the mailing of the annual Truth in Millage Notice (TRIM Notice).

Calculation of Assessment Limitation Difference Transfer Amount

The following examples are intended to illustrate how the transfer (portability) amount of a Save Our Homes assessment limitation difference would be calculated. The examples below show standard calculations for upsizing and downsizing. If you have any questions about homestead portability, please contact your County Property Appraiser's office.

1. ***Upsizing*** **when all owners and homesteaders move to a new homestead.**
   In this scenario all the owners of a previous homestead establish a new homestead with a higher just value and no change of ownership.

Description		Comments
<u>Previous Homestead</u>		
Number of owners	2	
Owners permanently residing	2	
Just Value	250,000	
Assessed Value	200,000	
Assessment Difference	50,000	

Description		Comments
New Homestead		Both of the previous owners and homesteaders move to the new homestead. There are no additional owners.
Number of owners	2	
Permanent residents from previous home	2	
Type of ownership	Any	Since all the previous owners who qualified for the homestead exemption moved to the new homestead with no additional owners, the transfer is not considered a "split" and the full amount is transferred subject to the upsizing and downsizing provisions and the $500,000 maximum.
Just Value	300,000	
Calculated Assessment Difference	50,000	Since this is an "upsize", the full amount of the previous homestead assessment difference is transferred up to $500,000.
Calculated Assessed Value	250,000	

2. ***Downsizing*** **when all owners and homesteaders move to a new homestead.**
   In this scenario all the owners of a previous homestead establish a new homestead with a lower just value and no change in ownership.

Description		Comments
Previous Homestead		
Number of owners	2	
Owners permanently residing	2	
Just Value	250,000	
Assessed Value	200,000	
Assessment Difference	50,000	
New Homestead		Both of the previous owners and homesteaders move to the new homestead. There are no additional owners.
Number of owners	2	
Permanent residents from previous home	2	
Type of ownership	Any	
Just Value	210,000	Since this is a "downsize," the new assessment difference is calculated to be the same proportion that the assessment difference of the previous Homestead was of the just value of the previous homestead: (50,000 / 250,000) *210,000 = 42,000.
Calculated Assessment Difference	42,000	
Calculated Assessed Value	168,000	

Important Dates

January 1

- Date of assessment

January 1 to April 1

- Owners of eligible tangible personal property must complete and file a return with the property appraiser

January 1 to March 1

- Property owners eligible for homestead, widow, widower and disability exemptions or agriculture classification must submit a completed application to the property appraiser.

April 1

- Filing deadline for tangible personal property tax return (Form DR-405A) with no penalty applied

August

- Property appraiser mails the Notice of Proposed Property Tax (Truth in Millage)

September

- Property owners choosing to appeal their values with the value adjustment board must file a petition (DR-486) with the clerk of the court within 25 days of the Notice of Proposed Taxes

September/ October

- Property owners may provide input on taxing authorities' public hearings to adopt a tentative budget and millage rate

- Taxing authorities hold a hearing to adopt a final budget and millage rate

November

- Tax bills are sent by the tax collector

FAQ's

Question

How do I take advantage of the additional $25,000 homestead exemption?

Answer

If you already have a homestead exemption, the property appraiser will automatically subtract the first $25,000 and the additional $25,000 from your just value. You don't have to do anything.

If your home's just value is less than $75,000, you may not receive all of the additional $25,000 exemption. The first $25,000 applies to all homesteads. The second $25,000 applies to the just value of your home over $50,000.

For all homes, the second $25,000 exemption will apply only to nonschool taxes.

Question

What is homestead exemption?

Answer

Homestead exemption is a constitutional provision that reduces the taxable value of residential property up to $50,000 for qualified residents.

Question

Can my non-homestead, real property assessed value increase in a year if the just value stays the same or falls?

Answer

Yes. As with the homestead assessment increase limit, the assessed value of non-homestead property can be adjusted each year by up to 10 percent, but cannot be more than the just value of the property.

Question

Why did my assessed value increase when my just value decreased?

Answer

Your home's assessed value may increase one year even though it's just value fell from the previous year. If you own a homestead and your assessed value this year is less than the just value, state law requires the property appraiser to increase your assessed value each year by 3 percent or the Consumer Price Index, whichever is less. Your assessed value can continue to increase until it is the same as the just value based on the market. However, your home can never be assessed at more than the just value. (Section.193.155, Florida Statutes and Rule 12D-8.0062, Florida Administrative Code)

Question

Is the assessed value on my homestead capped at 3% or the consumer Price Index?

Answer

Under Florida law, your assessed value may increase one year even though it's just value fell from the previous year. If you own a homestead and your Save Our Homes assessed value this year is less than the just value, state law (s.193.155, F.S. and Rule 12D-8.0062 F.A.C.) requires that your assessed value be increased each year by 3 percent or the Consumer Price Index (CPI), whichever is less, until the assessed value is the same amount as the market value. However, the assessed value can never exceed just value.

For additional information visit http://www.leg.state.fl.us/Statutes, the Lee County Property Appraiser website at http://leepa.org/, the Florida Department of Revenue at http://dor.myflorida.com/dor/, and Estero Fire Rescue at http://www.esterofire.org