

Florida's August TRIM notices will likely include significant property tax increases

Higher *fuel costs*, higher food costs, insurance premium increases, and dramatic increases in property taxes coupled with stagnant income have left Floridians struggling to make ends meet. And with property tax levies having doubled over the past few years from \$15 Billion in 2000 to \$30 Billion in 2006, Floridians have demanded relief.

As a result, in a state referendum on January 29, 2008, Florida voters approved a constitutional amendment known as Amendment One. The amendment provides a tangible personal property exemption of \$25,000 and a 10% annual cap on valuation increases which will go into effect on January 1, 2009.

However, with assessed values on commercial real estate having historically been below fair market value, assessors have been working fast and furious to close the gap between the historical assessments and anticipated market conditions as of the January 1, 2008 lien date. Consequently, commercial property owners can expect to see significantly increased assessments on their August 2008 TRIM Notices (proposed tax notices).

Taxpayers should also be aware that going forward, values can continue to increase even in declining markets. While the cap limits an increase in a year of growth, in subsequent years the property's assessment will continue to rise by 10%, regardless of the actual increase or decrease in value, until the assessed value equals the just (market) value. Under Amendment One, 2008 is the base year upon which future assessment increases will be capped.

In addition, if approved, Amendment Five, the constitutional amendment proposed for the November 2008 ballot, will eliminate property taxes that pay for public schools in favor of a 1 cent sales tax increase; repeal sales tax exemptions deemed not in the interest of the public; and introduce a new sales tax levied on some services previously considered exempt.

Proponents argue that Amendment Five will result in increased property values for income producing properties and increased savings for tenants which in turn will make the tenants more profitable as well.

Opponents counter however, that Amendment Five will result in increased taxes on the state's poorest residents who spend a larger proportion of their income on sales tax. They also argue that the increased sales tax rate will not cover the budget short fall and that additional funds will need to be raised to meet school board budgets.

A Leon County judge has bounced Amendment Five from the state wide ballot ruling that the amendment is misleading, inaccurate and does not explain properly the proposed changes. The ruling will be appealed.

With property tax generally the biggest or second biggest fixed expense on a portfolio owners operating budget, now more than ever before, it is imperative that Florida property owners review their 2008 property tax assessments.

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