

Last month we looked at how millage rates are derived from the municipal budget process and reviewed the concepts of rollback and maintenance. This month we will describe budget terminology to arm you for the upcoming budget hearings. By Florida State Law, the Fiscal Year 2010-11 County budgets must be presented to the respective commissions by July 15, 2010 and the Board of County Commissioners (BOCC) has set a date of July 13th at 2pm at the Harvey Government Center in Key West for staff to deliver the proposed budget to the commissioners. Workshop meetings will then be conducted to review and possibly to change the budgets based on the commission's direction. At the end of these, the commission will set a tentative millage rate. Once this rate has been set it cannot be increased. The commission can only vote to decrease the tentative millage.

The County Property Appraiser has until August 24th to mail TRIM notices to property owners. These notices inform property owners of the tentative millage rates for each taxing authority including not only the City of Key West but also Monroe County, the School District, the Water Management Districts and the Mosquito Control District. Subsequent to sending the notices, a series of public hearings will be scheduled to discuss and take public input respecting the budgets of each entity. This is a critical time for your voice to be heard as both business owners and property owners.

Over the first seven years of this past decade, we became quite used to rising real estate values. Millages rates were expected to decrease each year. Taxpayers were not so mindful that their *tax bill in dollars* might have been increasing because they read newspaper headlines that proclaimed the **RATE** had declined but had to read their individual TRIM notices to figure out if their *tax dollars* were increasing or decreasing. The past three years present a different scenario because property values are decreasing requiring that you adopt a new mindset toward taxes.

**Here are some important budget terms:**

**Millage:** Millage is "a rate (as of taxation) expressed in mills." "Expressed in mills" refers to the fact that the rate has in a sense been multiplied by 1000. When you calculate your tax rate, you will divide it back by 1000 to get the true percentage. For example, the total millage rate for all taxing authorities paid by Key West property owners in 2009 was 10.1623 mills (for the City of Key West, the County, the School District, the Mosquito Control District and the Water Funds). That is 10.1623 thousandths of a dollar. Thus to get the dollar value of this tax, you would multiply your property's taxable value (say, \$250,000) by .0101623 - making your overall ad valorem tax bill \$2,540.58.

**Market Value (Just Value):** The Monroe County Property Appraiser is responsible for "appraising" your property, or determining its fair market value. That is the price most people would pay to purchase your property. Replacement cost, market value, and income (if it is an income producing property) all factor into your appraisal. As a property owner, you may appeal your valuation. Real property is assessed at full market value as of January 1st each year. That value becomes the basis for paying the following year's tax bill so that 1/1/10 market values are used to pay the 2010 tax bill due for payment on 3/31/11.

**Assessed Value:** The Market Value is adjusted by law to arrive at an Assessed Value. The most notable of the laws was the *Save Our Homes* Amendment enacted in 1992. That amendment basically provides that any changes from the prior year's assessed value is not to exceed the lesser of 3% of that prior year assessed value or the CPI percentage change, (except capital improvements, additions or improvements). *Save Our Homes* was itself amended in 2008 to provide a greater Homestead Exemption, to provide for portability of the exemption between Florida Taxing jurisdictions and to establish a 10% cap on annual assessed value of non-homesteaded property. The intent of these amendments was to prevent runaway housing values from forcing Florida residents off their property with runaway tax increases.

**Homestead Exemption:** In addition to the cap on Assessed Value discussed above, some Florida residents who live on their property qualify for the State's homestead exemption. This changes the amount of their property taxes in two ways. First, the exemption provides a \$50,000 reduction in assessment. Second, the annual increase in property assessed value is limited to the lesser of 3% or the CPI change increase (see below).

**CPI:** stands for Consumer Price Index. It is published each month by the US Department of Labor. It is used to measure the pace of inflation in the US economy.

The value of your home is important to how much you will pay in property taxes, both its Market Value and its Assessed Value. But **when** you bought your home and the **change in millage rates** are equally as important in determining your taxes.

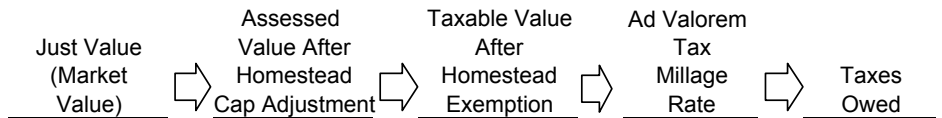
Be sure to follow the budget hearings. The **City of Key West** will hold its public hearings at **6:00pm on the evenings of September 9th and 21st at Old City Hall**. The **County BOCC** will hold its public hearings at **5:05pm** in the following locations and dates: **September 8th in Key West at the Harvey Government Center**; September 13th in Key Largo and September 17th in Marathon. The Florida Keys Mosquito Control District is scheduled to set millage rates for its budget at a special July 14th meeting in Marathon and will, at that meeting or shortly thereafter, finalize its schedule for budget hearings. When finalized, the schedule of all public hearings will be published in August's *Chowder*.

**Key West Chamber of Commerce**  
**Market Values, Assessed Values, Taxable Values and Millage Rates and TAXES OWED**  
**Residential Property - Three Scenarios**

**The Scenarios:** Three identical homes sit on the Golf Course all now worth \$300,000. Each homeowner, however, has paid different amounts for their home depending on when they bought it. One was a young local that saw an opportunity to buy in for \$200,00 in 1999 and homestead the property. The second, a newcomer, saw housing prices rising and, figuring this would go on forever, bought the house next door in 2006 for \$500,000 and homesteaded it. The third, an early investor, who aims to use the house as his retirement home but currently rents it as an income property, is not eligible for the Save Our Homes protection afforded by homesteading the property.

**The Tax Rates:** The tax rate of 8.8935 mils shown for 2008 is the total of rates for the County, the City, the School District, the Mosquito Control District and the SF Water Mgmt/Okeechobee/Everglades projects as was paid by Key West Residents last year. The tax rate of 10.1623 mils shown for 2009 is the total of the rates for these same entities as currently paid by Key West Residents. Tax rates have not yet been proposed by each taxing authority for 2010 as of the date of this writing. Therefore last year's actual data is used.

**The Disclaimer:** These scenarios are meant as illustrative examples designed to demonstrate the affect of the Save Our Homes amendment in a falling real estate market. While plausible, they are not "averages." Each property will be different. It would, as such, be incorrect to claim that all locals saw their property taxes increase by 14%.



**Example #1 - The Local**

House purchased in 1999 for \$200,000. Enjoyed high appreciation thru 2005; leveled; now declining. Homestead cap is CPI or 3.0%, whichever is lower ... we are using 0.1% for the 2009 CPI rate in this example.

<b>Year Purchased: 1999</b>	<b>\$ 200,000</b>	\$ 200,000	\$ 175,000 <sup>1)</sup>		
2008 Tax Rolls (2008-09 Fiscal Year)	\$ 350,000	\$ 250,000	\$ 200,000 <sup>2)</sup>	8.8935	<b>\$ 1,778.70</b>
2009 Tax Rolls (2009-10 Fiscal Year)	<u>\$ 300,000</u>	<u>\$ 250,250</u>	<u>\$ 200,250</u> <sup>2)</sup>	<u>10.1623</u>	<b>\$ 2,035.00</b>
Increase or (Decrease)	\$ (50,000)	\$ 250	\$ 250	1.2688	<b>\$ 256.30</b>
Percent Increase or -Decrease	-14.3%	0.1%	0.1%	14.3%	14.4%

**Conclusion:** Long-time homesteaders will see an increase in their taxes. **Generally, the longer the property has received Save Our Homes protection, the greater the increase in taxes owed.**

**Example #2 - The Newcomer**

Identical house next door purchased in 2006 for \$500,000. Enjoyed no appreciation; now declining.

<b>Year Purchased: 2006</b>	<b>\$ 500,000</b>	\$ 500,000	\$ 475,000 <sup>1)</sup>		
2008 Tax Rolls (2008-09 Fiscal Year)	\$ 350,000	\$ 350,000	\$ 300,000 <sup>2)</sup>	8.8935	<b>\$ 2,668.05</b>
2009 Tax Rolls (2009-10 Fiscal Year)	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 250,000</u> <sup>2)</sup>	<u>10.1623</u>	<b>\$ 2,540.58</b>
Increase or (Decrease)	\$ (50,000)	\$ (50,000)	\$ (50,000)	1.2688	<b>\$ (127.48)</b>
Percent Increase or -Decrease	-14.3%	-14.3%	-16.7%	14.3%	-4.8%

**Conclusion:** Newer homesteaders saw a decrease in their taxes because their property value has dropped below their assessed value. In this case, the property appraiser cannot assess a value greater than the market value (Just Value) of their property and has to adjust it down. **Generally, IF MILLAGE RATES ARE SET AT OR VERY CLOSE TO ROLL-BACK RATES, properties bought at or near the peak of the market will experience a decrease in taxes owed.** Also, note that the newcomer, despite a decrease in taxes this year, will continue to pay significantly more (by almost 25%) what the long-time homesteader pays.

**Example #3 - The Investor**

Identical house on opposite side purchased in 1999 for \$200,000. Enjoyed high appreciation thru 2005; leveled; now declining. **Not Homesteaded.**

<b>Year Purchased: 1999</b>	<b>\$ 200,000</b>	\$ 200,000	\$ 200,000		
2008 Tax Rolls (2008-09 Fiscal Year)	\$ 350,000	\$ 350,000	\$ 350,000	8.8935	<b>\$ 3,112.73</b>
2009 Tax Rolls (2009-10 Fiscal Year)	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>10.1623</u>	<b>\$ 3,048.69</b>
Increase or (Decrease)	\$ (50,000)	\$ (50,000)	\$ (50,000)	1.2688	<b>\$ (64.03)</b>
Percent Increase or -Decrease	-14.3%	-14.3%	-14.3%	14.3%	-2.1%

**Conclusion:** Investors saw a decrease in their taxes. **Without Save Our Homes protection, the amount of TAX decrease will depend upon the amount of decrease (if any) in the market value of their property, assuming, as above THAT MILLAGE RATES ARE SET AT, OR VERY CLOSE TO, ROLL-BACK RATES. Also note the investor is paying the highest amount of taxes for their property despite this year's reduction.**

Note 1) After \$25,000 Exemption

Note 2) After \$50,000 Exemption