

Confused by local taxes, budgets? Here's help

By Scott Andron and Joey Flechas, Miami Herald, 9/22

This time of year, the Miami Herald is bursting with articles about local government budgets and property taxes. Within the next week, cities that haven't done so already will adopt tax rates and spending plans for the year to come. The new budget year starts Oct. 1.

While property taxes are familiar to anyone who has ever owned a home, Florida has some unusual wrinkles in its tax system that newcomers – and even many longtime residents – might find puzzling.

Here are some frequently asked questions and answers:

Q. Why are taxes and budgets in the news so much this time of year?

A. Local governments in Florida start their fiscal year on Oct. 1, and must have their budgets and tax rates set before then. Most city commissioners received a proposed budget from their city manager in July and have been talking about it (and possibly making revisions) since then.

Q. What is happening now?

A. By now, local governments either have adopted a budget and tax rate or are about to do so. Under state law, every local taxing agency must hold two public hearings before adopting the budget. Every property owner should have received a letter from the county property appraiser about a month ago announcing the proposed tax rates along with times and dates for the hearings.

Q. Why do some of these public hearings seem to be scheduled for 5:01 p.m.? What's with the "01"?

A. To make it easier for people with 9-5 jobs to express their views to local leaders, the Florida Legislature has mandated that public hearings on the budget must be held after 5 p.m. Complying with the letter if not the spirit of the law, some localities – Miami-Dade County, Homestead, Doral and Coral Gables, for example – set their hearings for 5:01 p.m. Other municipalities hold their budget hearings at 6 or 7 p.m. In fairness to the county, its budget hearings can be very long, and residents can still sign up to speak even if they show up late.

Q. To whom do I pay property taxes?

A. The Big Three taxing agencies are your county, your school board and your city or town. Smaller amounts go to agencies such as the Miami-Dade Children's Trust, the South Florida Water Management District, or the hospital districts in Broward County.

Q. What is a "TRIM Notice"?

A. That's the letter you receive from the county appraiser every August informing you of current and proposed tax rates, the assessed and taxable value of your home, and your tax bill if the proposed rates are approved. It is not a bill.

Q. Is my TRIM notice available online?

A. Yes, you can see your TRIM notice at your county property appraiser's website by clicking the "property search" feature, entering some information about your home (such as your name or

address) and then clicking on the link to see the TRIM notice. You can do the same for other people's property too, since these documents are public records. Broward's website is www.bcpa.net, Miami-Dade's is www.miamidade.gov/pa.

Q. What does "TRIM" stand for?

A. It stands for "Truth in Millage," which was an Act of the Legislature, originally passed in 1980.

Q. What is "millage"?

A. It's a property tax rate. A "mill" is \$1 in tax for every \$1,000 in taxable real estate value, or 0.1 percent.

Q. Is there a state limit on tax rates?

A. The maximum tax rate for a municipality in Florida is \$10 per \$1,000 in taxable property value, or 1 percent.

Q. How much is a typical tax bill including all local taxing authorities?

A. Adding together schools, counties and others, the bill usually will exceed 2 percent of taxable home value per year.

Q. How is my property-tax bill calculated?

A. You can multiply the tax rate by your taxable home value. For example, if your taxable home value and the tax rate for your city is \$5 per \$1,000 (or 0.5 percent), then your tax bill is \$500. You would then have to repeat this procedure for your county, school board, etc.

Q. My TRIM notice mentions "assessed" and "market" values as well as a "taxable" value. What's the difference?

A. Market value is the county appraiser's estimate (usually conservative) of what you would get for your home if you sold it. Assessed is the value of your home after the homestead exemption.

Q. What is a "homestead exemption"?

A. Owner-occupied homes in Florida receive a \$50,000 exemption from tax for all purposes except schools. For school-tax purposes, the exemption is \$25,000. In other words, you can subtract these amounts from your home's assessed value before calculating your tax bill. The exemption is not available to commercial property such as office buildings or shopping centers, nor to vacation homes or rental property.

Q. Why is my home's assessed value less than the market value?

A. Under the "Save Our Homes" provision of Florida's Constitution, the maximum annual increase in the assessed value of a house with a homestead exemption is either 3 percent or the rate of inflation, whichever is less. This year, it is 1.7 percent.

Q. Historically, don't property values in South Florida go up faster than 3 percent?

A. Yes, sometimes much faster. Even after the recent housing bubble, home prices in many areas remain much higher than they were a decade ago. Save Our Homes is supposed to protect property owners from these increases.

Q. So "Save Our Homes" is good for homeowners, right?

A. It depends on how long you have owned your home. If you bought your home 15 years ago, your assessed value, as limited by Save Our Homes, probably is still much less than the market value. So you save money. But if your neighbor bought an identical home next door this year, he or she is paying tax based on the full market value of the house, less the homestead exemption. The result can be dramatically different tax bills for properties with about the same market value.

Q. So the government can charge me double the tax as my next-door neighbor? Is that legal?

A. Save Our Homes has survived several legal challenges. In effect, the government is “rewarding” people for living in Florida for a long time, and “punishing” newcomers. In a 1982 case called *Zoble v. Williams*, the U.S. Supreme Court struck down an Alaska program that allocated income from state-owned oil leases based on the number of years each resident lived in the state. In an 8-1 decision, the court held that states can’t discriminate based on length of residency. “Could states impose different taxes based on length of residence?” Chief Justice Warren Burger asked, in his opinion for the majority. “Such a result would be clearly impermissible.” This case has been cited in challenges to Save Our Homes, but so far, it hasn’t done any good.

Q. What happens if I move within Florida?

A. Save Our Homes benefits are portable from one home to another within the state. If you sell a house with a market value of \$250,000 and an assessed value of \$150,000, you get to deduct the difference (\$100,000) from your new home’s value. Example: If you buy a new house for \$300,000, your assessed value would start at \$200,000.

Q. If my city keeps the tax rate the same, what happens to my property-tax bill?

A. In most cases, you pay slightly more. In the case of an owner-occupied home this year, you probably would pay 1.7 percent more, the maximum allowed under Save Our Homes.

Q. My city cut the tax rate, but my tax bill went up a little anyway. What gives?

A. Assuming you have a homestead exemption, your city probably passed a very small tax cut, the value of which was less than the increase in your assessed value. For example, Coral Gables this year approved a 2014 tax rate of \$5.629 per \$1,000 of taxable property value, down from the current rate of \$5.669. The owner of a home assessed at \$375,000 would pay about \$1,865 in property tax, assuming the owner qualifies for the homestead exemption, and that the home’s taxable value increased by 1.7 percent. That’s an increase of about \$23. If the city didn’t cut the tax rate, the increase would have been \$36.

Q. Why would my city approve such a tiny tax cut?

A. You’d have to ask the city commissioners or city manager. But it must be nice for incumbents to be able to advertise “cut taxes” on their campaign flyers at reelection time.

Q. Is the City of Miami’s tax rate really more than triple that of the Town of Cutler Bay?

A. Yes, but it’s not an apples-to-apples comparison. Miami I looking at a tax rate of \$8.43 for 2014, compared with \$2.5702 for Cutler Bay. But Cutler Bay residents pay an additional \$2.4627 to Miami-Dade County for fire protection, while city of Miami residents do not. The reason: Miami has its own fire department, but most local cities don’t. Even after adding in the fire tax, however, Miami residents pay about 67 percent more than Cutler Bay residents.

Q. What other factors contribute to the big difference in tax rates between cities?

A. Many factors contribute; here are some examples:

- Services offered. As the above example shows, cities don't all provide the same services. In addition to fire service, some cities provide their own libraries, opting out of the county system — and the accompanying tax.
- Wealth of city. Miami's median household income is \$30,270, according to the U.S. Census Bureau, compared with \$65,188 in Cutler Bay or \$108,403 in Pinecrest. Wealthier cities tend to have more high-value real estate and lower tax rates.
- Type of city. Miami is a big city with big-city problems such as violent crime — such as 69 murders last year compared to one in suburban Cutler Bay. Dealing with such problems can be costly, as in bigger police departments, and higher labor costs.
- Age of city. Older cities tend to have heavier pension burdens. Pension costs accounted for 14 percent of Miami's budget, compared with 6 percent in Pinecrest. However, part of the reason is that in Pinecrest, only police officers have a pension program; non-uniformed employees have a less expensive 401(k)-type savings plan, and the village doesn't have a fire department. In Miami, pensions are widespread. Pinecrest was created in 1996, Miami, 100 years earlier, in 1896.

LOCAL TAX RATES

Here are the 2012-13 tax rates for the county and the school board, in dollars per \$1,000 of taxable home value

Counties

Broward	\$5.553
Miami-Dade*	\$7.6237

*For taxpayers in cities that use county fire and library services. Note that fire services in Broward are provided mainly through cities.

Schools

Broward	\$7.456
Miami-Dade	\$7.998

Cities

Tax rates for selected cities in Miami-Dade and Broward counties

Aventura	\$1.7261
Biscayne Park	\$9.50
Cooper City	\$5.2679
Davie	\$5.6422
Coral Gables	\$5.669
Cutler Bay	\$2.5702
Doral	\$2.2215
Hialeah	\$6.3018
Hollywood	\$7.45
Miami	\$8.471
Miami Beach	\$6.3477
North Miami	\$8.10
Opa-locka	\$9.10
Pembroke Pines	\$6.3084
Pinecrest	\$2.20
Southwest Ranches	\$3.9404
Weston	\$2.00