

The Speaker's New Plan

This week the Speaker revealed a new version of the GREAT Plan to ACCG and GMA at a meeting in his office. The revised tax reform plan is dramatically different from previous editions and includes four major pieces. This document briefly outlines the new plan and includes the most recent information ACCG has received. Some items for consideration are included.

ACCG has long supported the modernization of our tax system and is approaching the state leadership's strong interest in tax reform as a good opportunity to debate the most appropriate way to fund our government services and public infrastructure during the 21st century. Since comprehensive tax reform is a complex undertaking, ACCG believes any reform should be based on sound data and research and a thorough study of impacts and implications. Moreover, any tax reform effort should ensure stable and adequate revenues, maintain local control, and be fair, simple and predictable.

I. Provide a Homestead Tax Relief Grant (HTRG) Credit to Eliminate School Ad Valorem Taxes on Homesteaded Property.

While many commissioners have stated that the elimination of school ad valorem taxes on the homeowner would help take political pressure off them when tax bills are sent out, others have expressed concern that this is the first step to eventually eliminating city and county ad valorem taxes. There is also the possibility that counties may lose the majority of their 2 percent administrative fee paid by the schools for collecting their tax.

II. Provide an HTRG Credit to Eliminate Ad Valorem Taxes on Personal Vehicles.

These HTRG credits would be funded by expanding the sales tax base to include lottery tickets, groceries and consumer services. The local sales tax already applies to groceries in most cases and the Speaker advises he is not sure if local sales tax would be applied to consumer services; however, he has stated it would not be applied to lottery sales.

III. Limit Assessment Growth on Homesteaded Property to 1 Percent a Year Until the Property is Sold or Improved.

Many counties already have "floating homestead exemptions" which in effect are an assessment freeze. These have been implemented locally and the process by which they were enacted respects Home Rule.

Florida and California are two states in particular that are familiar with assessment caps: *Florida allows for a 3 percent growth rate and California has a 2 percent growth rate in annual assessed value.*

Florida's "Save Our Homes" program is an assessment cap of 3 percent on homesteaded property only. Over time, their program has shifted the property tax burden to non-homesteaded properties and has made it difficult for long time beneficiaries of the

program to change homes. Because of these problems, Florida is undergoing current changes to its law.

California's Proposition 13 has negatively impacted some services and has forced local governments to become more reliant on fee based revenue (e.g. impact fees on homes exceeding \$30,000).

IV. Restrict growth in annual property tax revenues to no more than the state government inflation rate (per capita) without passage of a local referendum.

This proposed Tax Expenditure Limitation (TEL), which would cap the increase in local government property tax revenue from one year to the next, is an artificially set cap which brings up many questions.

- How will counties fund federal, state, and court ordered mandates?
- How will counties respond to emergencies like natural disasters?
- How will commissioners control the budgets of constitutional officers?
- How will counties pay for necessities that are growing faster than the rate of inflation (e.g. health care for employees, medications for inmates, building material for infrastructure)?
- How will these limits impact the county's credit rating?

Colorado and several other states have tried this and the results were negative. In fact, Colorado recently placed a moratorium on their TEL through a statewide referendum.

Other Changes

- All taxpayers will have 30 days from receipt of their tax bill to appeal the value if such value increased by at least 5 percent over the previous year's value.
- May incorporate a provision to reduce tax burden on timber corporations.
- May apply expenditure limits on constitutional officers.
- May privatize the Department of Revenue sales tax collection function.
- May raise the tag registration fee to provide additional revenue for a statewide trauma network.