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Florida – Voters Will Decide Reduced Assessment Cap

By William C. Coleman III, Orlando

THE FLORIDA LEGISLATURE PASSED [COMMITTEE SUBSTITUTE FOR SENATE JOINT RESOLUTION 532](#), which lowers the current 10% assessment cap on commercial and other non-residential property to 5%. The proposal requires a change to the state constitution so it must also be approved by voters before it becomes law.

Business groups and research organizations, such as Florida Tax Watch, have expressed concerns about a reduced assessment cap. The cap could pressure local governments to increase millage rates – a side effect that would raise taxes across the board. What's more, the cap is lifted when properties change hands so it puts an added tax burden on new, expanding and relocating businesses.

The effect would be similar to what has happened with the Save Our Homes cap on residential properties. Homeowners, who have stayed in the same house for many years pay much lower taxes than new owners.

Virtually identical commercial buildings could experience these same tax disparities. This would either help or hinder their competitive advantage to attract and retain tenants since property taxes are a pass-through expense.

The measure will not go on the ballot until November 2010 so lawmakers could make revisions to the proposal next year. One idea is to prevent assessments from going back to full market value after a sale unless the property is substantially changed. This might help alleviate the effect of tax disparities among similar properties, but it would not address the fears that a lower assessment cap would lead to higher property taxes.