

## The Special Benefit of Floridian Home Ownership

Welcome to the Sunshine State! With its irresistible year around weather, low tax burden and bountiful recreation amenities Florida remains one of the most sought after places to live, work and play.

As a homeowner the State's Constitution offers special benefits by way of its Homestead Exemption provision. As a Realtor, I often find new residents are not clear about the workings of this special benefit. So in this brief article I will try to provide an overview of the law, its benefits and how a owners goes about filing for Homestead Exemption.

Stemming from its Depression era roots in 1933, the law offers Florida residents reduced property taxes and control over escalation of property taxes on a single primary residence. It is available to US citizens, permanent resident aliens or others who are legally able to demonstrate the intent to remain permanently under immigration laws.

It does not apply to second homes or investment/rental homes (with the exception of a 10% annual cap in assessed value for tax purposes). Also, residents claiming residency-based exemptions in other states cannot benefit.

The law exempts \$50,000 of a homes value from property taxes with \$25,000 for all property taxes and the second \$25,000 from non-school assessments. This translates to approximately \$500-\$600 per year depending on county of residence. There are additional exemptions available to widows, owners with disabilities and surviving spouses of veterans who died from service-connected causes while on active duty. These exemptions span from an additional \$500 to total elimination of real estate taxes.

The law also offers a provision that helps control escalations in real estate taxes by limiting value assessment increases to no more than 3% annually (10% for properties that are not homesteaded) for as long as the property qualifies as a homestead. Thanks to this powerful "Save Our Homes" provision of the law, real estate taxes escalate slowly thereby protecting residents with fixed income from being pushed out of their homes by tax increases. It should also be noted that this provision can make taxes appear artificially low to people purchasing a homesteaded property. The longer the property has been homesteaded the greater the increase in property taxes will to the new owner.

Another important element of the law introduced in 2008 was the "portability" provision. This amendment allows an owner to preserve the benefit of long term ownership of homesteaded properties by moving up to \$500,000 of accumulated exemption benefits to a new homesteaded property. The modification protects residents against large property tax increases that previously could occur just by moving to another home.

Aside from tax savings, homestead properties in Florida additionally provide owners with debtor protection on homes within municipalities situated on no more than one-half acre and up to 160 acres outside of a municipality. A homesteaded property cannot be forced into sale with exception of homes pledged as collateral for a mortgage, for payment of work/materials for work completed on a home protected under the Mechanic Lien Law, past due property taxes over \$250 and Federal Income Tax liens.

To acquire Homestead Exemption you must be a resident of Florida and own a home by December 31<sup>st</sup> of the preceding year. There is no term of residency required to qualify. To file you must make application at the Property Appraiser's office in the county where the home is located between January 1<sup>st</sup> and March 1<sup>st</sup> for the current year's taxes. General proof of residency often along with utility bills for the property under the owner's name will be required for filing. Failure to apply constitutes a waiver of the exemption for that year. After the first year of filing renewal of exemption is automatic subject to the requirement of the home's continued use as a primary residence.

Establishing residency in Florida presumes that you spend more than half the year here. Steps that can be taken to support the claim of residency is registering to vote, enrolling a child into school and acquiring a Florida driver license together with registering a vehicle.

This very attractive benefit of resident home ownership is among the many tax advantages associated with life in the Sunshine State. It not only encourages ownership but helps protect residents from the pressures of constant escalations in property taxes found in many of the states from which new arrivals in Florida originate.

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