

THE FLORIDA LEGISLATURE



KEN PRUITT
President of the Senate



MARCO RUBIO
Speaker of the House of Representatives

June 8, 2007

Dear Senators and Representatives,

We have reached an agreement on the tax cut levels for a historic relief and reform package that will save Florida taxpayers **\$31.6 billion** over the next five years. This is, by far, the largest tax cut in Florida's history.

We cannot be more proud of the excellent work of our negotiating team and the valuable input from our respective legislative chambers. Together, we are bringing forth a thoughtful and comprehensive plan. We are confident that when this plan is implemented, Floridians will finally have a more equitable tax system that will yield property tax bills that they can afford to pay.

In our last letter, we promised to provide more information including specifics on tax cut levels and the fiscal impacts to local governments. To do so, we have taken the outline from the last letter and added language that represents additional details and agreements. Although the substance of the outline is nearly identical, the additions are substantial.

Finally, we have included with this letter several informative attachments.

\$15.6 billion in Immediate Tax Relief and Reform (Statutory)

- Beginning this year, every category of property taxpayer will benefit from the cut and the cap that the statute imposes.

- All cities and counties will be required to cut taxes in the upcoming 2007-2008 fiscal year to the 2006-2007 revenue levels. These local governments will then be required to make an additional cut of 3%, 5%, 7%, or 9%. The level of cuts will be determined by a formula that analyzes their taxing performance over the past 5 years, measured against a statewide average (see attached spreadsheet for county/city specific information).

- Special taxing districts and fiscally limited cities and counties will be required to cut taxes to the 2006 – 2007 revenue levels and make an additional cut of 3% (see attached spreadsheet for county/city specific information).

- A cap on future property tax revenues (based on the rate of personal income growth, and new construction) will be imposed to ensure that government cannot grow faster than personal income.

- Local governments may override the cut and cap. The method for the override will vary based on the magnitude of the local government's action (escalating from a supermajority vote of the local governing body, to a unanimous vote of the local governing body, to a referendum).

NOTE: The mandatory cut and cap represent the minimum required reduction. Local governments may elect to provide taxpayers with a greater level of tax relief.

\$16 billion in Further Tax Relief and Reform (Constitutional Amendment)

- "Save our Homes" is replaced with a new "super exemption." An estimated 73% of homesteaded properties will receive a greater benefit under this new exemption.

- The estimated average savings for a homestead property (combining the statutory and constitutional changes) will be \$1,300 in 2008-2009. This average savings represents a 44% reduction.

- The new "super exemption" will be as follows:

- Level 1: Homesteaded property will receive an exemption of 75% of the first \$200,000 in value of a home
 - The minimum exemption is \$50,000 per homestead.
- Level 2: IN ADDITION to Level 1, homesteaded properties will obtain another 15% exemption for the next \$300,000 in value.

- We will grandfather the tax savings and assessment cap for the minority of property owners who have greater benefits under the current "Save Our Homes" plan.

- We will preserve all existing constitutional exemptions based on special circumstances, including those now provided to disabled veterans, low income seniors and agricultural lands.

- Because the tax base for all taxing authorities will decline under the constitutional amendment, the fiscal analyses reflects a reduction in school funding. We intend to hold schools harmless from these cuts.

June 8, 2007

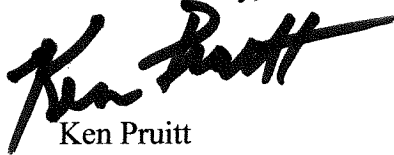
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Other Constitutional Changes

We have agreed to address remaining issues by including authorizing language in the constitutional amendment and executing these changes by statute. This approach gives additional relief to low income elderly taxpayers, offers incentives for affordable housing, and provides tax reform for “working waterfronts” and small businesses. Small businesses will receive a \$25,000 tangible personal property tax (TPP) exemption resulting in a total exemption for 1 million of the 1.3 million businesses who must pay this tax. Furthermore, those who receive a total exemption on their TPP will never have to file the burdensome paperwork associated with the tax again.

It is our hope that this information will help prepare you for next week. We believe it is very important for all Senators and Representatives to attend the Monday meeting of the Joint Committee on Property Tax Relief and Reform. Now that the plan is firm and detailed we look forward to the next important phase: putting this historic relief and reform package into place for the taxpayers of Florida.

Most Sincerely,



Ken Pruitt
President



Marco Rubio
Speaker