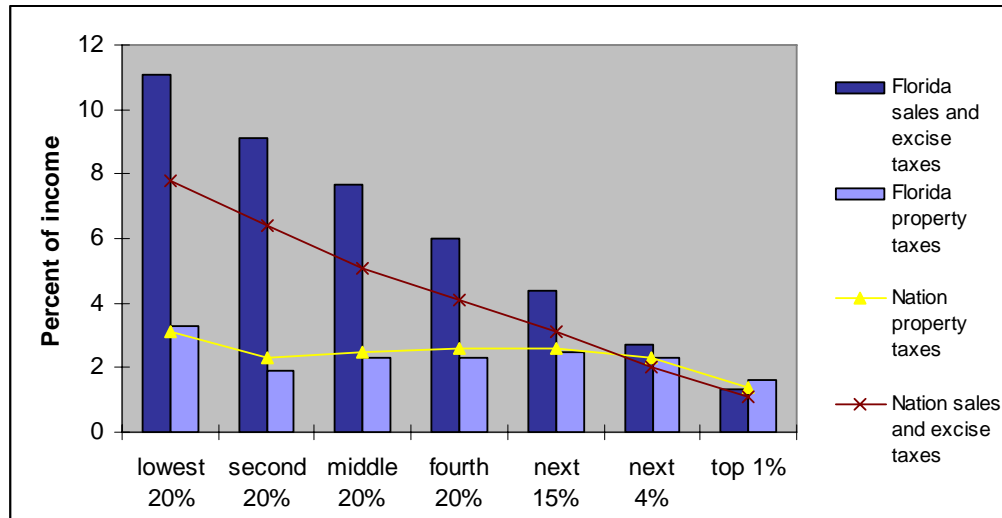


## Issue: Proposed changes to Florida's property tax system

Florida already has the second most regressive tax structure in the nation, due to the lack of a state income tax. The bottom 20% of families pay 14.4% of their income in taxes, while the middle 20% pay 9.9%, and the top 5% pay only 3%.

State & Local Taxes in 2002



Source: Institute for Taxation and Economic Policy

### Raising sales tax and lowering property tax hurts:

**Low- and middle-income families** – “On average, poor families pay almost eight times as high a share of their income in these consumption taxes as do the best-off families, and middle-income families pay more than four times the rate of the wealthy. Because sales taxes are levied at a flat rate, and because spending as a share of income falls as income rises, sales taxes inevitably take a larger share of income from low- and middle-income families than they take from the rich” (ITEP 2002).

**Renters** – Plans that propose to eliminate property taxes on homesteaded properties will shift taxes onto renters whose residences will not be exempted from property taxes. Since a larger share of low- and middle-income families are renters, they will bear brunt of the impact from this type of plan.

**Local government budgets** – Property taxes pay for infrastructure, public health, education, child welfare, and a host of other programs that benefit the community.

### A better alternative

**Property tax circuit breakers** ensure that no one is forced into hardship because of property taxes. Property tax is effectively capped at a certain percentage of household income by extending credits for the amount of the tax that exceeds the limit. Several states extend the credits to renters as well. (ITEP 2005)

### Eliminate sales tax loopholes

By eliminating sales tax loopholes for sports teams, motion picture or recording equipment, legal services, land development, dry cleaning, and many others items and services Florida could save billions. Currently more than \$43 billion dollars in sales and services are exempted from taxation in Florida. (FAIR 2005)

*For more information...*

**The ITEP Guide to Fair State and Local Taxes (2005)**

**<http://www.itepnet.org/guide.htm>**

**Who Pays? A Distributional Analysis of the Tax Systems in All 50 States (2002)**

**<http://www.itepnet.org/whopays.htm>**

**Why Florida Needs Tax Reform (2005)**

**[http://www.fairamendment.com/why\\_florida\\_need\\_tax\\_reform.htm](http://www.fairamendment.com/why_florida_need_tax_reform.htm)**