

Michael Saunders & Company

Licensed Real Estate Broker

Exceptional People & Properties



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Celebrating portability: Moving up, moving down, moving all around

It may not be the magic potion that everyone was hoping would re-awaken our hibernating real estate market, but it is just the tonic we need as we enter peak homebuying season in Southwest Florida. On January 29th, 2008, the state's voters will be asked to approve the Legislature's newest proposed tax-relief package, which could help break the logjam of pent-up demand and stimulate sales throughout the region. That's because the run-up in property taxes, spawned by the real estate boom of 2004/2005, has largely kept would-be buyers locked inside their present homes when they would much rather upsize, downsize or move to a new neighborhood. This is especially true given today's incredible buying opportunities.

The stand-out provision expected to snap local buyers out of their "wait-and-see" attitude is the one promoting "portability," which grants homeowners on the move the right to transfer up to \$500,000 in tax exemptions—accumulated under the Save Our Homes cap—to their new residence. The two other major components of the tax plan include doubling the \$25,000 homestead exemption—for an estimated average savings of \$240 per year—and imposing a 10 percent annual cap on non-homestead assessments.

For the changes to be enacted into law, at least 60 percent of voters must approve. If approved, here's how the new portability provision will work:

Example A - Susie currently owns a home and has lived there for quite some time. The house's just value is \$500,000, but because of Save Our Homes, the assessed value is only \$200,000. Susie buys a new house for \$700,000. The following year, she'll pay taxes on only \$400,000,

because she's "porting" \$300,000 in value to her new home.

Example B – Susie currently owns a home and has lived there for quite some time. The house's just value is \$500,000, but because of Save Our Homes, the assessed value is only \$200,000. Susie buys a new town home for \$300,000. She'll pay taxes only on \$120,000 because when buying down in value, she'll keep the same ratio of assessed value versus just value that she enjoyed in her old home.

More good news about the provision is that it will be retroactive to Jan 1, 2007. This means that anyone who bought a new home this year and moved from an established homestead will be able to "port" their savings for next year.

Admittedly this legislation doesn't help non-Floridians and other first-time buyers because the bulk of the tax relief comes from the transfer of existing exemptions. Obviously additional measures are necessary to help snowbirds who make up a large percentage of Florida's second-home buyers. But as we said at the top, this new legislation is an excellent beginning, and the savviest of homebuyers are already attending open houses and browsing the Web to find the best purchasing opportunities with the expectation that voters will approve the package of tax relief.

There's only one potential glitch in all this. No matter how you feel about this latest round of tax relief, if you don't show up at the polls on Election Day, your opinion won't make any difference. Please exercise your right as a citizen—and as a taxpayer—and weigh in with your vote on this important economic stimulus.