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Florida Studies TPP Tax Breaks

By John Heatley, Orlando

In the last decade, several states have taken steps to reduce or completely eliminate tangible personal property (TPP) taxes. A special task force believes Florida should follow suit.

The Florida Tangible Personal Property Task Force released a [64-page report](#) outlining the pros and cons of changing the current system that taxes businesses on their machinery, equipment, furniture, computers, signs and other such property.

PROS

Fourteen states substantially exempt tangible personal property from taxation. However, none of these states are in the Southeast. That means an exemption would give Florida a competitive advantage over neighboring states, according to the task force report.

Property taxes are the largest tax expense for businesses nationwide, comprising 36% of total state and local taxes. It's an even bigger expense in Florida because the state has the fourth highest reliance on property taxes in the country.

Florida's property tax system currently shifts billions of dollars in taxes from homestead property to business and other non-homestead property. So a personal property tax break for businesses could play an important role in generating economic development.

CONS

While large counties in Florida tend to have a small portion of their tax rolls comprised of tangible personal property (less than 5.5%), that's not the case in smaller counties.

For example, in at least three small rural counties, more than 40% of the tax base is attributed to TPP. The task force report notes that eliminating the tax could create serious problems for many smaller, fiscally constrained counties.

Local governments throughout Florida have seen their property tax base decline by 21% since 2007. The state has also experienced shrinking revenues for several years.

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If TPP were eliminated, the Legislature would have to find an additional \$780 million in state funding to replace lost tax revenues for schools.

FINDING MIDDLE GROUND

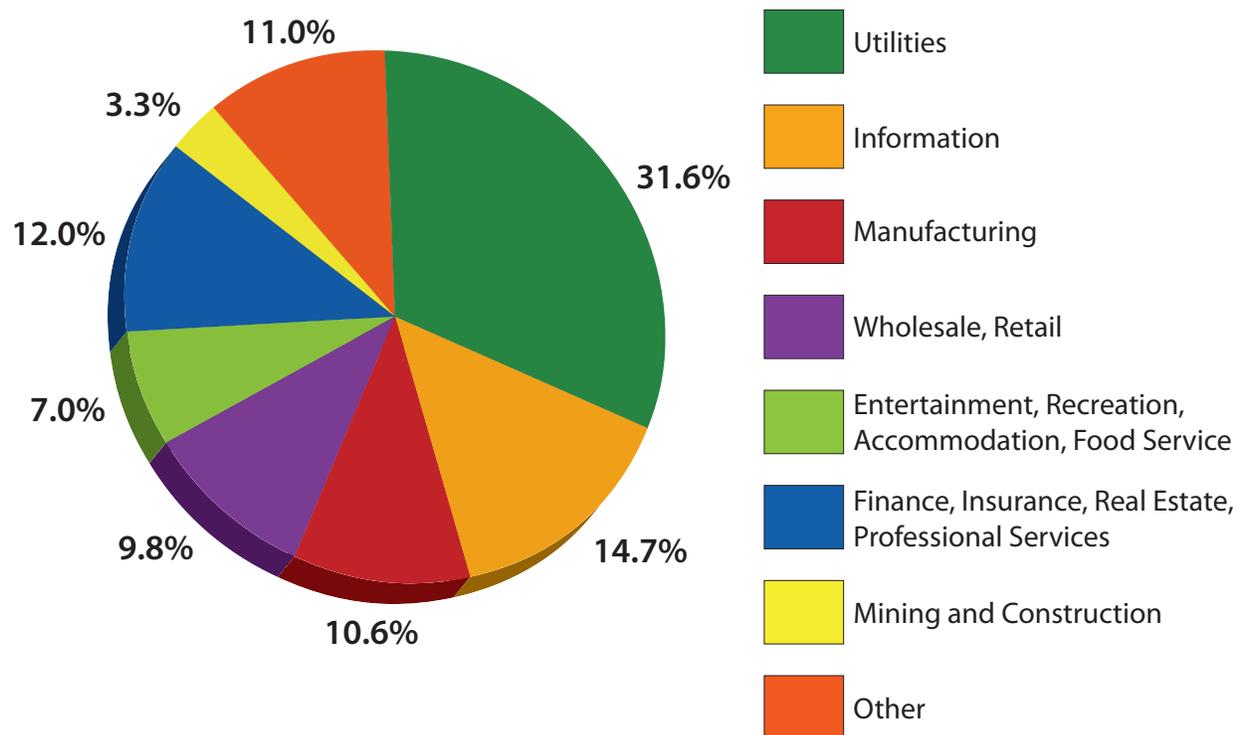
The report states that while the total repeal of tangible personal property taxes would likely create a significant added attraction for businesses to relocate in Florida, the current environment is certainly not favorable for reducing the revenue of schools and local governments.

Instead of trying to totally eliminate TPP taxes now, the task force recommends that the state target economic development exemptions to promote capital investment and create jobs.

At a minimum, the report calls for personal property tax exemptions for new and expanding businesses in targeted industries since this will not erode the current tax base. Task force members say the Legislature should set a goal of total elimination of TPP taxes in the future, when property values are growing at a significant level again.

After the task force presented its findings, the Governor released his 2012 Job Creation and Economic Growth Agenda, which recommends that the Legislature place a constitutional amendment on the ballot to exempt businesses with less than \$50,000 in tangible personal property from paying TPP taxes. The current exemption threshold is \$25,000.

WHO PAYS FLORIDA TPP TAXES?



Source: Florida TaxWatch, from Florida Department of Revenue data, August 2011.