

FACT SHEET

Counties at Risk: The Special Challenges for Florida's Small Counties

Current proposals to overhaul Florida's property tax structure could have dire consequences for Florida's 32 small counties, where property tax revenues are already inadequate to pay for essential services. With lower property values than the rest of the state, small counties already have a higher percentage of their property off the tax rolls thanks to the \$25,000 homestead exemption and agricultural land use designations. Thus, small counties have higher property tax rates—many are at or near the 10 mill cap—and lower revenue-raising abilities.

Doubling the homestead exemption to \$50,000 would have an especially dramatic impact in small counties and exacerbate their situation by wiping most of the property off tax rolls. Here's a snapshot of the special challenges faced by Florida's small counties:

Why Small Counties Are Different

- Florida has 32 small counties with populations under 75,000 (27 rural and 5 beachfront).
- The 2004 median income of residents in small rural counties was \$18,908, and in small beachfront counties was \$19,701. This compares to medium income of \$28,838 in large counties.
- Small rural counties have more residents living below the federal poverty level; more households receiving public assistance; fewer residents who have completed high school; more residents living in mobile homes; and more residing in unincorporated areas.
- In small rural counties, residential properties comprised just 32.5 percent of the market value of property in 2004; this compares with 60.4 percent in large counties.
- Small counties have a much higher percentage of their market value of land in agricultural use, which is taxed at a lower rate. Statewide, 4.1 percent of the market value of land was agricultural use in 2004. In small rural counties, 38.7 percent of the market value of land was agricultural, and one—Jefferson County—had 71.8 percent of its market value of land in agricultural use.

Small Counties and Property Taxes

- The **\$25,000 homestead exemption** and the **taxation of agricultural property** based on its current use uniquely impact Florida's small rural counties.
- When combined with the impacts of **Save Our Homes** and **governmental and institutional property** that is exempt or immune from property taxes, the ineffectiveness of property taxes as an adequate revenue source for small counties comes into full view.
- Seventeen of 27 small rural counties had 50 percent or more of their value off the tax rolls in 2004 due to these **four** factors. No other county—small beach, medium or large—exceeded 50 percent of the value off the tax rolls for these reasons.
- With so much property off the tax rolls, small counties have higher property tax rates and a lower capability for raising property tax revenues. Many small counties are at or near the state-mandated 10 mill limit for property taxes.
- For example, in 2004, the medium revenue raised by 1 mill of property tax in 27 small rural counties was \$509,520; for medium-sized counties (75,000 to 400,000 residents) it was \$8.5 million per mill; for large counties (400,000 residents and up) it was \$42.4 million per mill.

Providing Essential Services in Small Counties

- Because of limited resources, county governments are limited to providing basic, essential services to residents in small counties.
- These center on state-mandated activities in the areas of *public safety* (such as sheriffs and jails), *public welfare* (such as medical help for the needy and affordable housing) and *transportation* (such as county roads and drainage).
- With high numbers of rural residents living in unincorporated areas and low population density, the cost of delivering services—and managing them—are extra challenges for small counties.
- With limited resources to draw from, some critical needs of residents in small counties simply go unmet. While it is difficult to quantify this in its entirety, examples include the percentage of unpaved roads in small counties, and lack of water and sewer infrastructure.
- The shortfall resulting from lower property tax revenues is not alleviated by other funding sources for small counties. State shared revenues and local option sales taxes authorized specifically for small counties do not offset deficiencies in the property tax.

Small Counties and the Homestead Exemption

- Small counties have a lower average value of residential property, meaning the \$25,000 homestead exemption has a much greater impact in small rural counties.
- In many small counties, a significant percentage of properties are valued at or below \$50,000, meaning they would be completely removed from the county tax rolls if the homestead exemption is doubled.

***For a more detailed review of the property tax challenges faced by Florida's small counties, please review "Counties at Risk," a report by the Florida Association of Counties, dated February 2, 2004.**

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