



SALES ASSOCIATE COURSE
CHAPTER 18

Taxes Affecting Real Estate



Live Stream Students: WEBCAM POLICY

- To receive credit for this course:
 1. Camera must be ON

AND

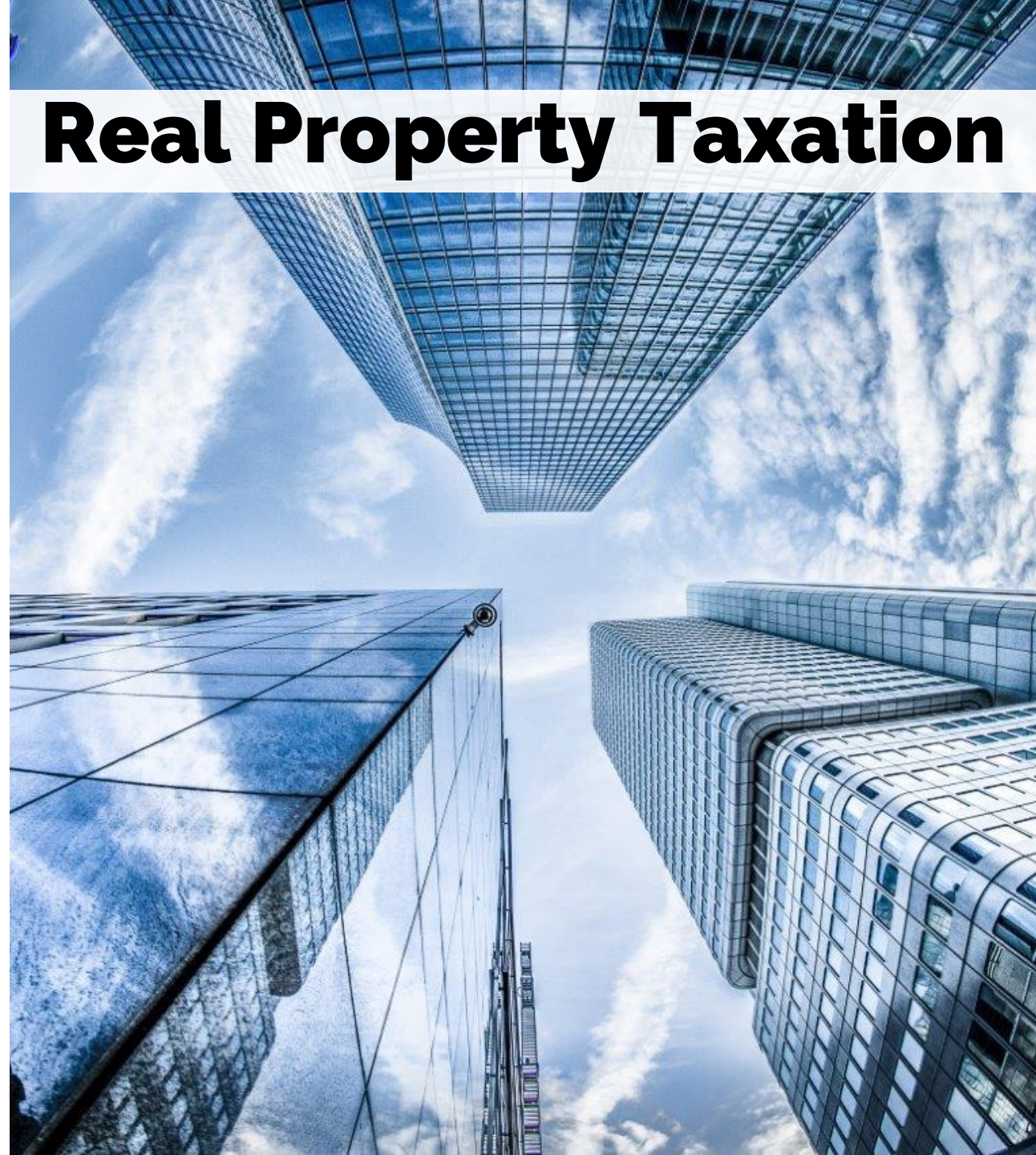
 2. Student must be visible to instructor for the ENTIRE time class is in session
- **No Exceptions!**
- This policy also applies to Repeat and Review students.
- Credit for the course will NOT be given if camera policy is not followed.
- No driving around during class, running errands, etc. We can see you!

A young woman with dark hair wearing a black hijab is looking directly at the camera. Her hands are raised, with her index fingers pointing towards her eyes and her thumbs pointing towards her cheeks, framing her face. The background is a soft-focus outdoor scene with green foliage and a blue sky.

Webcam Policy Reminder!

Real Property Taxation

- Local Tax Districts impose property taxes
 - **Cities**
 - **Counties**
 - **School Boards**
 - Special Tax Districts
- State and Federal governments do not levy property taxes



Tax Rate Expressed in Mills

- Mills
 - 1/1,000 of a dollar
 - Convert to a Decimal Number by moving the decimal 3 places to the left. e.g. ten mills (10)

.0 1 0.
↻ ↻ ↻
.0 1 0.



The 10 Mill Cap

- City
- County
- School board tax rates

Maximum Allowed by Law

Property Tax Assessments



- **Ad valorem**
 - According to value
- **Assessed value** - county appraiser
 - Based on “just” or “fair” value
- **Taxable value**
 - Assessed value - exemptions
- **Tax levy**
 - Taxes payable

- Three (3) step process
- 1. Request informal conference** with county appraiser
25 days after receipt of the TRIM notice
- 2. Value Adjustment Board**
 - Two county commissioners
 - One school board member
 - Two private citizens
- 3. Appeal with District Court of Appeals**
 - 60 days after Value Adjustment Board



Protesting the Tax Assessment



Tax Exemptions and Limitations

- **Exempt property** (assessed but not taxed)
 - Churches
 - Non-profit entities
- **Immune properties** (not assessed or taxed)
 - Government owned
 - Airports
 - Schools
 - Libraries
 - County court houses
 - Military bases



Green Belt Laws



- Protects owners of agricultural land from excessive taxation
- Encroaching uses raises value
- Land might be suitable for development
- Abused by developers
- Assessment is based on actual use rather than Value in use
- Highest and Best Use is not a factor
- Owner must justify the use each year

Homestead Tax Exemption



- First time applicants
 - Resident of Florida before Jan 1
 - Apply at the property appraiser's office
 - **Apply between January 1st and March 1st**
 - Primary residence
 - Renew every year

Homestead Tax Exemption

- **Exemption Up to \$50,000**
- **Assessed Value**

Exemption	Assessed Value	Exemption Amount	Applicable Taxes		
			County	City	School Board
Basic Exemption	Up to \$50,000	Amount of assessed value up to \$25,000	✓	✓	✓
2 nd Exemption	\$50,001 to \$75,000	Amount of assessed value between \$50,001 and \$75,000	✓	✓	
	\$75,001 and Higher	\$25,000			

- Homestead
 - Widow/widower(not remarried) - **\$500**
 - Legally blind - **\$500**
 - Totally disabled non-veteran
 - 100% exemption
 - 10% or greater **disabled veteran (service related)**
 - **\$5,000**



Additional Property Tax Exemptions



Save Our Homes Assessment Limitation

- Amendment to the Florida Constitution
 - Limits increases to the Assessed Value of homestead property to lesser of
 - **3% per year or**
 - **Percentage change in the Consumer Price Index (CPI)**
 - Property assessed again January 1 following a change in Ownership
- Non Homestead Property
 - Annual cap 10% annually



Portability

- Applies to homesteaded property only
- When market value is greater than assessed value
- Transfers difference to new property

Calculating Property Taxes

\$50,000 or Less

\$25,000 Homestead Exemption

- 1)** Assessed Value x Tax Rate = Tax Liability
- 2)** Basic Exemption (\$25,000) x Tax rate* = **- Total Savings**
**(city/county/school)*
- 3)** Tax Liability (1) minus total savings (2) = Property Taxes
(tax levy)

Calculating Property Taxes

\$50,001 to \$75,000

\$50,000 Homestead Exemption + partial 2nd Exemption

- 1) Assessed Value x Tax Rate = Tax Liability
- 2) Basic Exemption (\$25,000) x Tax rate* = - Savings from 1st \$25k
**(city/county/school)*
- 3) Additional Homestead Exemption
Assessed Value over \$50,000 x Tax Rate* = - Additional Savings
**(city/county)*
- **Total Savings**
- 4) Tax Liability (1) minus total savings (2 & 3) = Property Taxes
(tax levy)

Calculating Property Taxes

\$75,001 +

\$50,000 Homestead Exemption

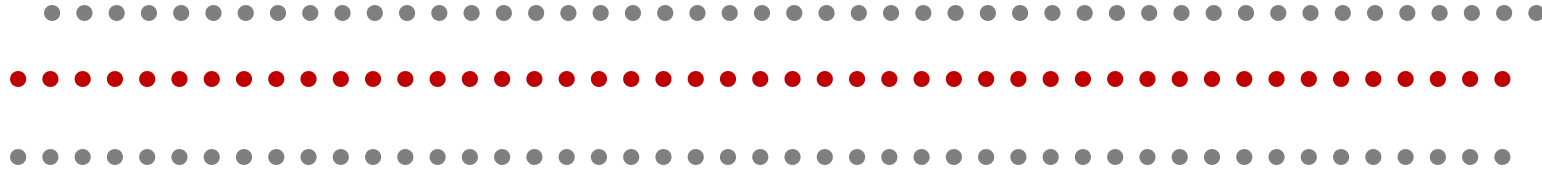
- 1) Assessed Value x Tax Rate = Tax Liability
- 2) Base assessed value (\$25,000) x Tax rate* = - Savings from 1st \$25k
**(city/county/school)*
- 3) Additional \$25,000 Assessed Value x Tax Rate* = - Savings from 2nd \$25k
**(city/county)*
- Total Savings
- 4) Tax Liability (1) minus total savings (2 & 3) = Property Taxes
(tax levy)

- A one-time tax (not an ad Valorem tax)
- Pays for an Improvement
 - e.g. sidewalk, widening street, paved roadway or streetlights
- **Must enhance value of property**
- Usually levied on a Front-foot Basis
 - Neighbors across road pay half
 - Not ad valorem

A hand holding a pen pointing to a technical drawing or blueprint. The drawing shows architectural details, including a 'WOMEN WASHROOM' and a 'KEEP HOUSE' sign. Dimensions like '8-2 1/2\"/>

Special Assessment


110



110

$$110' \times \$10 = \$1,100$$


$$\$1,100 \times 70\% = \$770$$


$$\frac{\$770}{2} = \$385$$

Real Estate Investment Terminology

- **Taxes on a calendar year basis**
 - January 1st – become a lien
- **True Rate in Millage (trim)**
 - Mailed in August
- **Tax bill received in November**
 - November 4% discount
 - December 3% discount
 - January 2% discount
 - February 1% discount
 - March Face value
 - April Delinquent



Tax Certificate

- Investors bid on the tax certificate
- Bids are based on the interest rate
- Bidding starts at 18%
- Certificate awarded to lowest bidder

- **Tax Certificate Redemption**
- Original owner/s does not redeem within two years
- Certificate holder can apply for tax deed sale after two years, but not after seven years
- Tax certificate is void after seven years
- Property sold at auction to highest bidder
- Proceeds pay tax certificate holder/s

Tax Timeline

- **January 1:** Tax Year Begins - Lien on Property
- **March 1:** Exemption Filing Deadline
- **April 1:** Property Taxes delinquent for previous year
- **November 1:** Taxes Due for Current Year
- **December 31:** Tax Year Ends



Tax Benefits of Homeownership

- **Real Estate Property Tax Deduction**
 - Deduct as expense from federal income taxes
- **Mortgage Interest Deduction**
 - Deduct mortgage interest on up to \$750,000 debt
 - Principal residence
 - Buy, build or improve
- **Home Equity Interest Deduction**
 - The Tax Cuts and Jobs Act (TCJA) eliminated this deduction effective Jan1, 2018



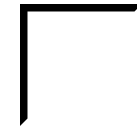


Tax Benefits of Homeownership

- Taxpayer Relief Act of 1997
- Sale of Principal Residence
- **Principal residence for 2 of last 5 years**
 - **Married filing joint return**
 - Exempt **\$500,000** gain on sale
 - **Single homeowner or married filing separately**
 - Exempt **\$250,000** gain on sale
- What qualifies:
 - Recreational vehicle or boat as principal residence
 - Kitchen, sleeping and bath facilities



Foreign Investment in Real Property Tax Act (FIRPTA)



Sale of Property by a foreign seller

- Above \$300,000 up to \$1,000,000
- Buyer must withhold 10% of sale price
- Sale price over \$1,000,000 buyer must withhold 15%
- Remit to the IRS





Coffee Break

15 Minutes