

The McCollum Property Tax & Local Government Spending Solution

- Florida is facing the greatest economic challenges we have experienced in decades.
- With double-digit unemployment rates and falling property values, this is the time when families should count on their governments to reduce tax burdens and provide a more stable climate.
- Yet Florida has not provided solutions to core tax problems. Florida is falling in national rankings as a state that offers a business-friendly environment in part because of our increasing tax burdens.
- This Property Tax Solution will stabilize Florida's tax burden on residents and businesses, and create a stable environment where our economy will prosper.
- Currently, while homesteaded properties have some protection from large annual tax increases, commercial and rental properties do not. It is time for Florida to create a more predictable, equitable climate for all residents and businesses.
- Property taxes are the primary source of local government revenues. Yet when families are struggling to make ends meet, this should be the last time during which local governments disproportionately increase tax burdens.
- Unfortunately, this is exactly what has happened over the past many years: local government spending has increased well beyond increases in the wealth of their residents.
- Between 1986 and 2006, local government spending grew almost twice as fast as the increase in personal income. That means the percent of Floridians' paycheck that goes to local government is disproportionately more than it was in 1986.
- This lack of fiscal discipline is unsustainable. Governments should never grow faster than the constituents they serve. Government, like Florida households, must make tough decisions.
- Controlling local taxes will grow Florida's economy because more hard earned dollars will remain in the private markets and government spending will reflect economic realities.
- This will make Florida more attractive to both business and individual investment.

The McCollum Property Tax Solution has three components that will change the way that local governments collect and spend taxpayer dollars.

- (1) In the immediate: Freeze millage (property tax) rates for two years at 2010 levels.
- (2) For the long-term: Limit the growth and cap local government spending.
- (3) Exceptions to ensure local control through voter referendum: For both the tax freeze and spending limit, exceptions can be made through the use of local voter referendum.

Below are more details for each of these three proposals:

(1) Freeze millage (property tax and local tax) rates for two years at 2010 levels

- Local tax increases impact every business and resident of our state. Immediate action is necessary. Freezing millage at 2010 levels will ensure local governments don't simply raise taxes to cover losses caused by shrinking property values.
- Private economic activity, not government programs, rescues economies. Freezing millage will allow Floridians to recover from the recession, and allow more dollars to be spent in the private markets rather than in more government programs.

(2) Limit and cap the growth of local government spending

- Local government spending has exceeded the income growth of their communities. When times are tough for Floridians, government spending should not be rising. Under this solution, governments will never grow faster than the wealth of the people they serve.
- This proposal will limit local government spending by tying it to the growth of wealth in communities. For example, if the personal wealth of Floridians has grown by only 2%, local governments would not be able to increase their spending by greater than that amount.
- The wealth of Floridians can be measured by indicators such as Personal Income, or Population Growth plus Inflation. As Governor, Bill McCollum will work with the Legislature to select a measure which provides the greatest protection for taxpayers.
- Further, to protect taxpayers in years where there is extraordinary income or population growth, this proposal would cap local government spending increases at a maximum of 5%.

(3) Exceptions to ensure local control through voter referendum

- There may be compelling reasons for exceptions. This proposal includes a process for making exceptions for both the tax freeze and the spending limit, through the use of voter referendum.
- This means that, ultimately, the decision of whether to raise taxes or spending lies in the hands of local residents who know what is best for their communities.
- The people of Florida will have a say, finally, in the taxing and spending decisions of their local governments.

For more details on Bill McCollum's "*Real Solutions. New Jobs: A Roadmap for Florida's Future*," and to download the entire plan, please visit www.BillMcCollum.com.