

MEMORANDUM

B&F

AGENDA ITEM NO. 7 (B)

TO: Hon. Chairperson and Members
Board of County Commissioners

DATE: May 15, 2003

SUBJECT: Tax Deferral Report

FROM: Steve Shiver
County Manager

BACKGROUND

During the Budget and Finance Committee meeting of April 14, 2003, Commissioner Moss introduced a resolution requesting a feasibility study related to establishing a Senior Citizen Home Rescue Loan pilot program. During the discussion, the Committee raised several questions regarding the overall delinquent tax process, what current options are available for homeowners with delinquent taxes, and how the County markets these options. This Report will address these issues and will also describe the County's current taxpayer customer group eligible for senior homestead exemptions.

Delinquent Real Property Taxes

The duties and obligations of the Tax Collector's Office relating to the collection of ad valorem taxes are prescribed in Section 197.332, Florida Statutes (FS). Typically, real property taxes become delinquent on April first of each year and taxes that remain unpaid by June first of each year will be auctioned as tax certificates during the annual tax certificate sale. Tax certificates are issued for the unpaid taxes, interest, and fees. Tax certificates are purchased as investments and constitute a first lien on real property, however, they are not a deed to the property.

The tax sale is a complex process governed by state law and generally takes the entire month of June to conduct, due to the large number of tax parcels that are delinquent. Delinquent taxes are auctioned during the sale with bidding starting at 18 percent. Tax certificates are sold and issued to the person who will pay the taxes, interest, and fees and has bid the lowest rate of interest. If there are no bidders, the tax certificate is reverted to the County at the maximum interest rate of 18 percent. The property owner may pay the delinquent taxes even after the tax certificate is sold, such taxes and fees are paid to the Tax Collector who then remits the proceeds to the certificate holder. After 24 months from the date of issuance of a tax certificate, if the taxes are still unpaid, the holder of the certificate can file a tax deed application with the Clerk's office. By filing a tax deed application, the property becomes subject to a public sale and the owner risks loss of property. The tax deed process is the process used by certificate holders to satisfy their return on investment.

Each year the county advertises over 60,000 delinquent real property tax folios of which approximately 35,000 will be sold as tax certificates. This generates over \$100,000,000 of op-

erating revenues which the Tax Collector's Office distributes to all taxing authorities. Not only is the tax collector required by state law to sell delinquent real property taxes, the absence of the annual tax sale would result in severe fiscal impacts for the County, municipalities, and other taxing authorities such as the School Board.

Deferral of Homestead Taxes

As presented to you at the last committee meeting, FS 197.252 currently provides a program that allows qualifying taxpayers to defer a portion or all real property taxes and non-ad valorem assessments. As long as all conditions of the deferral program are met, the property owner will not be subject to foreclosure. To be eligible to apply for homestead tax deferral, the taxpayer must be entitled to claim homestead tax exemption.

The amount of homestead taxes that may be deferred is based on household income from the prior year and/or age. Although the taxes are deferred, they do accrue interest and constitute a prior lien on the homestead property. The deferred taxes are held as certificates by the County at the state prescribed interest rate. The interest rate for deferred taxes typically ranges between 7-8 percent. The rate for 2003 deferred tax certificates will be 6 percent. In the event the deferred taxes become delinquent due to change in ownership, change in use of property, failure to maintain proper insurance or if the amount of deferred taxes and interest exceeds 85 percent of the assessed value of the homestead, the tax collector will sell a tax certificate during the next tax sale.

Listed below are the specific eligibility requirements to defer a portion or all property taxes and non-ad valorem assessments (per FS 197.252 and 197.253):

Eligibility Requirements:

- Age 65 or older with a household income of no more than \$10,000 (all taxes may be deferred).
- Age 70 or older with a household income of no more than \$12,000 (all taxes may be deferred).
- If total household income exceeds \$10,000 or \$12,000 and the property owner is 65 or older, taxes that exceed 3 percent of household income may be deferred. Social security income is not included as part of household income.
- Age 65 and under may also qualify for the deferment plan if taxes exceed 5% of household income.
- Proof of eligibility for homestead exemption.
- Proof of fire and homeowners insurance on the property with Miami-Dade County Tax Collector listed as loss payee.
- Proof of income by providing most recent IRS tax return. (Application is classified confidential if federal income tax returns are attached).

- The total amount of deferral plus accrued interest and the balance of the primary mortgage cannot exceed 85% of the assessed value. The applicant's primary mortgage cannot exceed 70% of the assessed value.

The tax deferral becomes a lien on the property with interest accruing on the deferred amount until the balance is paid. The interest rate may not exceed 9.5%. Deferred tax amount plus interest becomes due and payable to the County if:

- The home is sold.
- Homeowners and fire insurance are not maintained.
- Change of property use occurs and owner is no longer entitled to claim homestead exemption for such property.

Applications for the tax deferral may be obtained each year after November 1 and must be submitted before January 31 of the following year.

Public Outreach and Education

State law requires the tax collector to print the notice of the taxpayer's right to homestead tax deferral on the back on the envelope used to mail the tax notice. Information outlining the tax deferral requirements is also provided on the County's Website and is provided to individuals who call or visit the Tax Collector's Office due to their inability to pay taxes.

In an effort to better inform taxpayers of their responsibilities to pay taxes as well as available assistance programs, the Tax Collector's Office has begun taking steps to increase notification to the public. One of the objectives outlined in the Finance Department's 2004 Business Plan addresses increasing public outreach, education and awareness concerning local taxes in order to increase compliance and customer relations. A specific component of this objective entails marketing the tax deferral program by way of making information available at public libraries, Team Metro offices, and other agencies that interact and serve our homeowner community. In order to reach our seniors, the Tax Collector's Office is working with the Property Appraiser to provide tax deferral information included in the TRIM notice sent to all property owners with Senior Homestead Exemptions.

The Finance Department will also work with the Communications Department on developing a comprehensive radio and print campaign during our upcoming tax season that runs from November through March. Communications has indicated that the use of radio announcements complemented with print ads, can be a very effective way of reaching the public. We will also be able to identify which types of media are most effective with our senior community to target specific information pertaining to our tax deferral program. At this point, the cost of such a public outreach campaign is yet to be determined; however, it is anticipated that the cost will be covered within current funding levels of those agencies involved.

Senior Homestead Exemptions

Our latest records indicate there are 35,289 Senior Homestead Exemptions in Miami-Dade County. Of these properties, 33,780 or 96% are paid with **no delinquent taxes**, 1,085 remain unpaid for 2002 taxes, representing approximately \$1.69 million in delinquent taxes; and 424 are delinquent with tax certificates, representing approximately \$2.6 million. The \$2.6 million represent taxes for multiple years of delinquent taxes with accrued interest. Out of the 424 delinquent properties, **102 have been deferred** and **61 have open tax deeds** and may face loss of property.

The collection and distribution of property taxes establishes the foundation of government's ability to provide services to the public. The programs to assist taxpayers with their responsibilities to pay property taxes as set forth by state laws are noticed to the public each year. In order to increase the awareness of the property owners an outreach campaign will be organized in an effort to reduce the loss of tax revenues as well as to reduce the risk of individuals losing their properties. Any further questions from the Committee not addressed in this report regarding the delinquent tax process or the public outreach campaign are welcomed.