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Can't Beat Florida's Weather—But Property Taxes Are Another Matter

By Jack Hoffman

Vermonters usually cite two reasons for moving to Florida: weather and taxes. For those who want to avoid snow and cold, the Sunshine State is the clear choice (**Table 1**). For those looking to reduce their taxes, Florida may not be the haven it seems.

Table 1. Average Monthly Temperature (°F)

Month	Florida[1]	Vermont[2]
December	63.0	23.8
January	60.9	18.1
February	62.6	19.1
March	67.4	29.5
April	71.5	43.2

Anecdotes about tax flight are not new. But the stories rarely are told with enough information to verify the claims about tax savings or the advantages of Florida over Vermont.

Now, thanks to an op-ed by a prominent Burlington accountant stating that he was leaving Vermont because of taxes, we have a case to analyze.[3] We don't have all of the numbers. The accountant did not disclose his income, though one of his complaints was that the Legislature wanted to increase taxes on some capital gains and reduce the deductibility of state income taxes. He also criticized Vermont's property taxes—and provided numbers to support his claim.

It's tough for Vermont to compete on the income tax, because Florida doesn't have one. However, a case could be made that it's really the weather—not the lack of taxes—that lures people from the North. Like Florida, New Hampshire has no income tax, yet more people from New Hampshire—and a greater percentage of its population—migrated to Florida in 2007 than from Vermont. There's also no evidence that those migrating from Vermont took more income with them than those migrating from New Hampshire. The average income of those leaving the two states for Florida is virtually identical. In fact, among the New England states, Vermont had the least migration to Florida (**Table 2**).

At first blush, according to the accountant's article, Florida beats Vermont when it comes to property taxes, too. The accountant said he had homes of similar value in Vermont and Florida, but that the property taxes in Vermont were three times those in Florida: $4,000 in Ocala, Fla. versus $12,000 in South Hero, Vt.

According to public records, the accountant does have a smaller property tax bill in Florida, but the value of his Florida property is not the same as the Vermont property. The fair market value of the Florida property is less than half the value of the property in South Hero.

Table 2. New England Migration to Florida 2006-07[4]

State	No. Migrating to Fla.	U.S. Rank*
Rhode Island	4,009	1
New Hampshire	4,102	4
Connecticut	10,425	6
Massachusetts	17,079	7
Maine	3,195	9
Vermont	1,397	11

*Emigrants as percent of population

In addition, the accountant's Florida property is assessed as working agricultural land, which entitles him to a use-value reduction similar to the reduction he gets on some of his 87 acres in South Hero. Both result in a lower assessed value (**Table 3**).

As Table 3 indicates, the effective tax rate on the Vermont property is actually lower than on the Florida property. The accountant pays higher taxes in

Table 3. Florida and Vermont Values and Taxes

	South Hero, Vt.	Ocala, Fla
Fair market value[5]	$1,217,293	$560,864
Listed value	1,341,700	476,734
Use-value reduction	-299,800	-266,955
Assessed value	1,041,900	209,779
Taxes	12,359	3,256
Effective tax rate*	1.186	1.552

*Per $100 of assessed value

Vermont because he has a more valuable property. He didn't need to move to Florida to lower his property taxes. He could have reduced them as much or more by purchasing a more modest Vermont property similar in value to his Florida property—a $500,000 farm in Vermont enrolled in the current use program. The 2008 grand list available from the Vermont Division of Property Valuation and Review lists numerous properties—in Ferrisburgh, Georgia, Landgrove, Ludlow, Pawlet, and other towns—with fair market values, assessed values and taxes all comparable to the accountant's Ocala property.

Additionally, it appears that Vermont's current use program is less restrictive. In Florida, the agricultural classification is only available to working farms. If the sale price of the property is more than three times its agricultural use value, the presumption is that the land is not used primarily for agriculture. Vermont does not impose such a test.

Again, we don't know anything about the accountant's income. But if he retired on less than $90,000 a year, he could qualify for income sensitivity, a provision of Vermont's school funding system (**see inset**), and dramatically reduce his property taxes while continuing to live in his South Hero home.

Under income sensitivity, qualified resident homeowners can reduce their school property taxes by as much as $8,000.[6] With an income of $89,999 and a primary residence valued at more than $1 million, the accountant could reduce his school taxes by almost $7,800.[7] His municipal and school tax bill would then total less than $4,700. He would still pay somewhat more than in Florida—but on property worth more than twice as much.

With no tax on income, Florida clearly is a better deal for those with high incomes who want to avoid paying state taxes. Vermont has a long tradition of progressive income taxes, which are based on ability to pay. This policy follows the ancient concept that those who benefit most from society have the greatest responsibility to support it.[8] In Vermont, those with the lowest incomes do not have to pay income taxes, but as incomes rise, the rates increase on successive levels of income.

Other tax policies—including some of the changes approved by the Legislature this year—also are targeted to low- and middle-income taxpayers rather

Vermont's "Income Sensitivity" for School Taxes

Under the so-called "income sensitivity" provision of Vermont education funding system, Vermont residents with income of $89,999 or less can pay school taxes based on their income, rather than the value of their property. Income is a better indicator of a person's ability to pay taxes than property value. Act 60 and Act 68, the foundation of the school funding system, recognize this fact, and about two-thirds of Vermont homeowners now pay for schools on the basis of income.

Income sensitivity functions like an income tax, with rates that vary from school district to school district depending on the level of per-pupil spending approved by the voters. As per-pupil spending increases, so do the income sensitivity rates. The statewide average is about 2.6 percent of household income.

Income sensitivity applies only to school taxes, not municipal property taxes. Acts 60 and 68 provide equity to taxpayers and students by ensuring that school districts that spend the same amount per pupil have the same property tax rates and the same income sensitivity rates.

than the few at the top of the income scale. The Legislature reduced the tax deduction for state income taxes, for example, but the vast majority of Vermonters won't be affected. The Legislature capped the deduction at $5,000, which is the tax on about $115,000 of income for a married couple. More than 95 percent of Vermonters still will be able to take their full income tax deduction.

Tax flight stories all assume that states with the lowest taxes are the most desirable places to live. Yet Vermont consistently scores well in education,[9] as a healthy place to live,[10] and in quality-of-life measures like the rate of violent crime and people in poverty,[11] which are the result of policies that help to make Vermont the kind of state Vermonters want and are willing to support.

But there's still all of that snow to plow every winter.

Addendum

The analysis in this report was based on properties in Ocala, Fla., and South Hero, Vt., that are currently owned by the accountant cited. His op-ed referred to "our residence in Ocala, Fla.," and the property values and taxes used in our report apply to the residence he now owns. After the publication of the report, the accountant contacted the author and stated that the figures he used in his article referred to a residence he is scheduled to purchase in August, not his current Florida residence[1]. He also provided additional details about the new property (**Table 1**).

Table 1. Florida Property to be Purchased in August

Purchase price	$1,300,000
"Just value" [2]	489,023
Assessed value	298,143
Taxes	4,000

Our report points out that there is a difference in the fair market value as well as the assessed value between the Florida and Vermont properties that the accountant owns. However, the price of the Ocala property he is about to buy is approximately the same as the South Hero property's fair market value, which was the scenario described in the op-ed.

The purpose of the report was not to suggest that the accountant's claims were inaccurate, but to examine the reasons for the large difference in taxes he reported. The conclusion reached in our report applies to both Ocala properties—the current residence and the new one. The reason that the Vermont property has higher taxes is that it has a higher assessed value than either of the Florida properties.

Both Florida properties, which are each approximately 10 acres, are classified as agricultural land and are therefore taxed on use values that are unrelated to the purchase price or fair-market value. Use-value appraisal is a distinct method that bases the taxes on the income the land will produce in harvestable crops or livestock rather than on what it will bring at sale. Despite the $1.3 million purchase price of the new Florida property, it is not taxed on that value. It's taxed on its use value. Vermont also has a use-value appraisal program, and there are properties here with fair-market values of a million dollars or more whose use values are $300,000 or $400,000. Fair-market value is one basis for taxing property, but it is not the only method states use.

To understand how Vermont taxes compare with other states', it is important to look at comparable assessment policies. A use-value tax program should be weighed against another use-value program, residential property taxes against residential property taxes, non-residential against non-residential. Comparing apples to apples, our conclusion is the same: the accountant's Florida taxes are not lower than those he'd pay on a property of comparable value in Vermont.

ENDNOTES

[1] National Weather Service, Orlando, Fla., monthly averages, www.srh.noaa.gov/mlb/normals.html.

[2] Op. Cit, Burlington, Vt., monthly averages, www.erh.noaa.gov/btv/climo/BTV/monthly_totals/avgtemp.shtml.

[3] Glen A. Wright, "Why We Abandoned Vermont," Rutland-Herald and Times Argus, May 31, 2009.

[4] IRS state-to-state migration data, 2006-2007.

[5] South Hero's common level of appraisal is 110.22, which means the listed valued is about 10 percent above the fair market value. The Marion County, Fla., property appraiser's offices says the listed valued—the so-called "just value"—is approximately 85 percent of full fair market value.

[6] The Douglas administration had proposed to reduce the maximum adjustment to $6,000 this year, but the Legislature declined to make the change.

[7] Vermont Department of Taxes, 2009 Property Tax Adjustment Worksheet, HS-122 2009 Calculation.xls.

[8] Holy Bible, Luke 12:48.

[9] American Legislative Exchange Council, "2007 Report Card on American Education," www.alec.org.

[10] America's Health Rankings, www.americashealthrankings.org/2008.

[11] Statistical Abstract of the States, 2009, http://www.census.gov/compendia/statab/rankings.html.

ADDENDUM ENDNOTES

[1] While researching the original report, the author called the accountant in Florida with questions about the op-ed article, but the call was not returned.

[2] Florida's term for fair market value.

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