

NOTICE TO BUYERS AND SELLERS OF EXISTING HOMESTEAD PROPERTY

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BUYERS

Buyers of existing homesteaded properties should be aware that **YOU COULD, AND MOST LIKELY WILL, BE SUBJECT TO A SUBSTANTIAL INCREASE IN THE ASSESSED VALUE OF YOUR PROPERTY.** This change would not take effect until the second year when the benefit of the prior owner's homestead exemption ceases to apply to the property. Normally, for a new owner, the prior owner's homestead exemption and capped assessed value applies the first year if the prior owner was residing on the property as of January 1 of the year in which title transfers.

Florida law requires that the assessed value of all existing homestead property cannot be increased more than 3% or the change in the Consumer Price Index (CPI), whichever is less, from one year to the next. When this occurs, the market value of the property has usually appreciated at a greater rate annually than the cap and, after several years, a considerable differential between the capped assessed value and the market value may result.

The law further specifies that when a homesteaded property is sold, the Property Appraiser is required to assess the actual market value of the subject property to the new property owner. This can result in a substantial increase in taxes over what the prior owner was paying based upon the capped assessed value. This is often further compounded by taxing authorities' failure to reduce tax millage rates over several years.

A new buyer can estimate the impact of this by using the TAX ESTIMATOR feature on this web site.

As a new owner, your taxes and escrow will likely be estimated based on the taxes paid by the previous owner. Those taxes will not reflect the full market value assessment, which must be applied to the property by law in the subsequent year.

This is to advise all buyers of existing homesteaded property of this pending eventuality and to permit you to plan accordingly regarding your purchase and your future finances.

SELLERS

This is also to advise all owners of existing homesteaded property who are selling their property of a new State law, Section 689.261, Florida Statutes. This law became effective January 1, 2005 and requires the sellers of existing homestead property to disclose to any prospective purchasers the potential future tax impact based on the market value re-assessment which the law requires with a change in ownership.