



STATE OF FLORIDA
LEE COUNTY PROPERTY APPRAISER
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Memo

To: All Lee County Taxing Authorities

From: Honorable Matthew Caldwell

Date: July 11, 2023

Re: DR-420 Follow up

On July 3, 2022, we transmitted to all taxing authorities their DR-420, the Certificate of Taxable Value. The Property Appraiser is required by statute to advise each authority with the taxable value for budgetary and millage fixing purposes. In return, the taxing authorities sign and return the form to the property appraiser telling the property appraiser important information that is then used during the production of the Notices of Proposed Property Taxes (TRIM notice). This is normally a routine process without fanfare unless there has been a significant market change.

On September 28, 2022, Lee County experienced a life altering event for tens of thousands of property owners. Hurricane Ian was a storm like most of us have never experienced devastating tens of thousands of properties in Lee County. We estimate upwards of 100,000 properties were ultimately impacted. At last count, we have identified over 25,000 structures (houses, condos, businesses etc.) were destroyed or rendered uninhabitable. We expect this number will continue to rise as we send out the 2023 TRIM Notices and tax bills. The impact on the Lee County tax rolls is unprecedented with over \$9.5B in (just) value taken from our tax rolls. Conversely, and prior to the hurricane, Lee County continued its upward growth trend. The influx of new residents coupled with new home construction led to double digit increases in valuation county-wide. New construction accounted for \$3.5B while year over year growth was an 11% increase. Together these two things have caused the numbers reported on the DR-420 to be confusing and worthy of questioning for many of you.

Our internal checks and balances are structured to follow prescribed statutory and administrative directives in conjunction with the production of the annual tax roll submitted to the Department of Revenue (DOR). In a normal year, the process is incredibly smooth and without hiccup. In this tumultuous year, we anticipated hiccups and took extra time and effort to make sure the process was conducted appropriately. This included submitting five test tax rolls to the DOR, several telephone conversations over the last few weeks to discuss the results and hundreds of hours of staff time to make sure we accounted for everything known. After review and quality control, we certified the values to the taxing authorities.

I have spoken with many of you leading up to this moment. I believe that you were all aware that there was going to be some impact on the values we reported to you. What we were all unprepared for was the effect on two specific areas of the DR-420: the net new taxable value listed on Line 5 and the calculation of the rolled-back rate on Line 16. We have received several telephone calls and emails concerned that the form was "incorrect". Based on those calls, I directed staff to review our submission once more. Staff has finished the review and we have discussed the results.

Both confusing areas come from the interpretation of F.S 200.065 wherein we must ensure that the rolled-back rate is exclusive of "new construction...and deletions". On the DR-420 this is accomplished by calculating the impact on, and adjusting your current gross taxable value before calculating, the rolled-back rate. Space prohibits the math behind this from being presenting, but it is a valid method for ensuring the requirements of the statute are met.

What I want to explore is what we do to ascribe values to the fields you receive on the form. First, a review the net new taxable. The net new taxable field is straightforward – sum the added value (new construction, annexations etc.) and subtract the deletions (annexations, deletions etc.). Unfortunately for many of you the deletions far exceeded the additions. For many of you, this results in a very large negative. Most, if not all of you, have never seen a negative number in that field but I am confident that this field is being calculated as the form intends.

To ensure that the net new taxable (and these specific items) are excluded from the rolled-back rate, this value is subtracted from the current gross taxable value. The net effect of the arithmetic is to increase the gross taxable basis for the rolled-back rate calculation. This in turn decreases the rolled-back rate and as many of you have suggested "over inflates" the nature of the tax rate increase you are having to show on your form (if you do not use the rolled-back rate). Many have also advised this office that the rolled-back rate "doesn't result in the same amount of taxes collected last year". Although I understand your concerns, I believe this is a mischaracterization of the goal of the rolled-back rate. At the risk of oversimplification, the purpose of the rolled-back rate is to produce the "same taxes" as last year, but as realistically as possible the "same taxes" for the taxpayer, not necessarily for the authority. As a result, the rolled-back rate this year will obviously result in a significant revenue loss for those authorities affected by the hurricane.

I am satisfied with our review of the values and that the process has correctly produced the results intended by the statutes and rules. Unfortunately, those results may require additional discussion and explanation with your Boards and constituents. I stand ready to assist you with those discussions and explanations. Please don't hesitate to reach out to me if you need assistance.