

# ASK THE ADVISERS

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.



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## Golden Handcuffs

The State of Florida has one of the more robust homestead provisions in the country. Aside from one's primary residence being exempt from claims of creditors and an exempt asset in a bankruptcy context, the state limits the amount by which one's property taxes can be increased regardless of how much the value of the home appreciates.

That means if you purchased a home at practically any point prior to Covid and your house doubled in price, the local property appraiser can only raise your assessed value by up to 3% per year. The state legislature wanted to provide this benefit to homeowners, but they didn't want to discourage people from moving simply to retain their homestead property tax savings. Therefore, they made the tax savings portable.

For example, if a homeowner purchased a home for \$500,000 and their house went up in value to \$1,000,000 their assessed value may only be \$600,000 depending on how long they owned the house.

Their tax bill would be around \$12,000. When they sell their home, if they purchase a new home within 3 years, they can transfer the artificially low assessed value to the new home for up to \$500,000 of assessed value savings. In the preceding example if the seller purchased a new home for \$1,000,000 the assessed value would only be \$600,000 resulting in continued tax savings of about \$8000 per year.

Many homeowners also are enjoying mortgage rates that they locked in while rates were historically low. Unfortunately for them, those low rates are not portable and according to data from Realtor.com 82% of homeowners feel "locked-in" by their existing low-rate mortgages. This is exacerbating the current home shortage and keeping the price of homes high. I can commiserate with those findings.

In 2019 I refinanced my mortgage for a 15-year fixed at a 3%. If I sold my home today and purchased a new one of equal value, I would have to pay off my mortgage and get a new one which would cost me about \$3000 per month more.