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BEYOND THE HOMESTEAD EXEMPTION: WHAT AMENDMENT 3 COULD MEAN FOR FLORIDA COMMERCIAL REAL ESTATE

September 15, 2026

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Why should commercial property owners pay attention to a measure focused largely on homeowners?

Property taxes are part of a broader local revenue system. State economists project that Amendment 3 would reduce local government revenue by roughly $5 billion in its first year, growing to approximately $12 billion on a recurring basis. That is a significant gap that municipalities will need to address.

When that much revenue disappears from local budgets, the pressure to make it up through higher millage rates or new fees and assessments tends to fall on non-homestead properties, including commercial buildings, rental properties, and second homes. The commercial impact may differ considerably from one community to another, because communities with a higher percentage of homesteaded properties will face steeper relative revenue losses. A municipality with a large proportion of homesteaded property could face different budget pressures than one supported by a broader commercial tax base. Owners and investors should therefore consider the specific financial profile of the communities where they hold property.

It is also worth noting that Amendment 3 does more than increase exemptions. It empowers the Legislature to prescribe a uniform procedure for counties and municipalities to raise the homestead exemption all the way to full assessed value — without any additional voter approval. That pathway to full elimination of non-school homestead property taxes is one of the most significant long-term implications for commercial property owners, because the revenue replacement burden would only grow over time.

Does a lower assessment cap guarantee lower property taxes?

No. Amendment 3 would reduce the annual assessment cap for non-homestead properties from 10% to 5%, which could make increases in assessed value more manageable and predictable.

The assessment, however, is only part of the calculation. Changes to the local millage rate or governmental fees could affect the amount ultimately owed. It is also important to understand that the 5% cap applies only to non-school assessments. School district taxes on non-homestead properties would continue to be levied based on just/market value with no limitation. For budgeting purposes, property owners should consider how all components of their tax and operating expenses may change — not only the assessment cap.

How could the proposal influence leases and real estate transactions?

Property-tax changes can affect both sides of a commercial lease. In a triple-net lease, tax increases pass directly to the tenant through CAM charges and tax escalation clauses. Even in modified gross structures, tax escalation provisions may expose tenants to a share of any increase. Businesses negotiating or renewing leases should understand how the agreement addresses increases in taxes, assessments, and governmental charges, and in my practice, I am advising clients to review those provisions now rather than waiting for the November vote.

Buyers and lenders may also want to test multiple tax scenarios when evaluating a transaction. Projected tax expenses can affect net operating income, valuation, debt coverage, and the overall economics of an investment. The proposed change may not determine whether a sound transaction moves forward, but it should be incorporated into the analysis.

What can businesses do before the vote?

Commercial owners, investors, and tenants do not need to predict the outcome to prepare responsibly. They can review the tax provisions in their leases, evaluate the assumptions used in operating budgets and transaction models, and consider how different local responses could affect their properties.

I also recommend that businesses engage with local budget processes. Monitoring your municipality's TRIM notices, attending budget hearings, and staying in contact with local officials can help you understand how your specific community plans to respond if the amendment passes.

Amendment 3 remains subject to voter approval, and it requires 60% to pass, and its practical effect would depend in part on how individual taxing authorities respond. Planning for several possible outcomes can help businesses make informed decisions without assuming that any one result is inevitable.

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