



First-ever homestead audit finds \$76 million in new taxable value

Almost 550 cases of homestead exemption fraud will net Sarasota County more than \$8.3 million in back taxes.

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SARASOTA COUNTY — An extensive audit uncovered more than \$8.3 million in property taxes owed from fraudulent homestead exemptions claimed throughout Sarasota County.

The wholesale review of the lucrative exemption for resident homeowners is the first of its kind in Florida and has added almost \$76 million in added taxable value that will be billed to property owners in November.

More than \$6.7 million in taxes owed already has been paid, leaving \$1.6 million-plus, with interest, still due, said Brian Loughrey, administrative director at the county property appraiser's office.

"In the end, it all boils down to being fair and equitable," Loughrey said. "Nobody likes to pay property taxes and certainly nobody wants to pay more than their fair share. This is just a way to make sure everyone is contributing their fair share, no more no less."

In Florida and many states, property owners can claim a tax break for the home they live in full-time, referred to as a homestead exemption. Owners cannot claim the benefit on more than one property, but it can be difficult for property appraisers in different jurisdictions to track, leading to some accidental and some more nefarious attempts to claim residency.

The enormous audit was only possible through a new partnership between the county, auditing firm Tax Management Associates and LexisNexis' Risk Solutions public records database to comb through tens of thousands of records and compare them to publicly available documents across the country to flag potentially fraudulent local filings.

Over the past 18 months, the partners conducted the first complete audit of a county's homestead exemptions in Florida — whittling about 110,000 such local exemptions down to 547 cases of fraud, some dating back more than a decade.

Until now, tedious and time-consuming audits have only been completed one at a time by a member of the property appraiser's office after a complaint or tip or was received, Loughrey said. But with the analytics used by Tax Management Associates, homesteads could finally be reviewed en masse, effectively purging the tax rolls of all fraud at once.

"I've always referred to it as the three-legged stool," said Matthew Dounahuey, a market planner with LexisNexis Risk Solutions who worked on the project. "You need data, you need the analytics and you need the staff to look through it. If you don't have all three of those, you're not going to get very far."

The resulting owed taxes uncovered by the audit were nearly double the roughly \$4.6 million the county has collected from its own investigations into fraud over the past 24 years combined.

"Now the records are scrubbed, so to speak," Loughrey said. Before "it was very much needle and a haystack."

The genesis

The process began at the end of 2015 when Sarasota County submitted 98,000 of the county's 110,000 homestead exemption records to Tax Management Associates and LexisNexis for review.

The county stripped out about 12,000 exemptions that had been reviewed and approved just in 2016 since they had so recently been verified, Loughrey explained.

Tax Management Associates and LexisNexis staff compared those records with more 20,000 public and commercial records to identify any discrepancies, such as professional licenses, tax records, duplicate exemptions, or family members receiving deductions under a deceased relative's name, for example, according to the companies. Per the agreement, the companies will collect 30 percent of the owed taxes it uncovers, or about \$2.5 million in this case, Loughrey said.

Within a few months, analysts had flagged about 2,500 properties receiving the exemption for a questionnaire to provide further supporting documentation. The results of that process narrowed the final list down to just over 1,000 cases for county staff to more thoroughly investigate.

The 547 cases of fraud represent only about 0.5 percent of local properties receiving the exemption, which is lower than county officials and analysts had expected, Loughrey said.

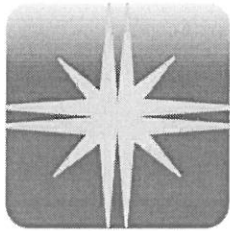
"Based on what TMA said they got historically, we were expecting 1 to 2 percent," he said. "It's actually a good result that there weren't that many."

There was little pattern to the fraudulent cases, spanning homes and condos, large and small, wildly expensive and modest, in every corner of the county, Loughrey said. In the majority of cases owners also were claiming homestead-style exemptions in other states.

Withdrawing the exemptions not only removed the up to \$50,000 tax break, it also eliminated those properties' Save Our Homes amendment benefit, which became the main driver behind the dramatic \$76 million in new taxable value added to the county tax rolls, Loughrey said.

The Save Our Homes rule caps the amount a homesteaded property’s taxable value may increase each year to 3 percent or inflation, whichever is less. Homestead values have not increased the full 3 percent since 2012, for example, so many of properties caught in the audit will see huge increases to their taxable value.

“Sarasota County is a leader in detecting homestead exemption fraud,” Government and LexisNexis Special Services CEO Haywood Talcove said. “The simple fact is all homestead exemption programs have some level of fraud in their programs and most are strapped for resources. The difference here is that Sarasota County realized it did not have to uncover the fraud on its own, and it paid off. By using our identity analytics, coupled with TMA’s investigative capabilities, they uncovered \$75 million in new taxable value that can be used to fund essential public services.”



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