Final Analysis

Bethany Boyd *Legislative Service Commission*

Am. H.B. 595

123rd General Assembly
(As Passed by the General Assembly)

Reps. **D. Miller, Allen, Schuler, DePiero, Sullivan, Jones, Barrett, Jerse, Robinson, Hartnett, Perry, Sykes, Verich, Flannery, Boyd, Pringle, Redfern, Sutton, Patton, Gerberry, Britton, Logan, Willamowski, Aslanides, Gooding, Carey, Damschroder, Kilbane, Roberts, Ford, J. Beatty, Roman, Bender, Salerno, Barnes, Stevens**

Sens. **Drake, Herington, DiDonato, Mallory, Fingerhut, Prentiss**

Effective Date: *

ACT SUMMARY

- Extends eligibility for the homestead exemption to residents of a housing cooperative who satisfy the income and age or disability criteria.
- Provides for reimbursement to local taxing districts for the cost of the extended homestead reduction.

CONTENT AND OPERATION

Homestead exemption law

Eligibility

(secs. 323.151(A) and 323.152(A))

The homestead exemption is available for residences (including manufactured homes) that are owned and occupied by persons who are elderly or disabled and have limited incomes. To be eligible for the homestead exemption, a household must have income (after certain adjustments) of $23,300 or less (the income limits are indexed yearly to reflect increases in inflation), and the owner or the owner's spouse must be either (1) disabled, (2) at least 65 years of age, or (3) at least 60 years of

* *The Legislative Service Commission had not received formal notification of the effective date at the time this analysis was prepared.*

age and the surviving spouse of a person who received the exemption at the time of death. The exemption is in the form of a reduction in the taxable value of the residence, which translates into a reduction in the property tax bill. The extent of the reduction in taxable value depends on a person's income, with greater reductions afforded to those with relatively lower incomes, as follows:

Income (for tax year 2000)	Reduction in taxable value
$0 to $12,100	$5,000 or 75% (lesser of the two)
$12,101 to $17,700	$3,000 or 60% (lesser of the two)
$17,701 to $23,300	$1,000 or 25% (lesser of the two)

"Owner"

(sec. 323.151(A))

To be considered an "owner" for the purposes of the homestead exemption law, at least one of the persons residing in the home must own the home; be a purchaser in possession of the home under a purchase agreement or land contract (an arrangement under which the seller retains legal title to the home until the purchaser has paid the amount required under the arrangement); hold the home under a mortgage; be a life tenant, a tenant in common, or a tenant with the right of survivorship; or be the creator of a revocable "living trust" that holds the title to the home and resides in the home under the terms of the trust instrument.

Persons who own condominium units also are eligible for the homestead exemption if they satisfy the income and age or disability criteria.

Homestead exemption extended to cooperative housing units

Eligible housing cooperatives

(sec. 323.151(F))

The act extends eligibility to residential units that are part of a housing cooperative. For the purposes of homestead exemption eligibility, a housing cooperative is a housing complex of at least 250 units owned and operated by a nonprofit corporation that issues shares of the corporation's stock to individuals, entitling the individuals to reside in a unit in the complex. The corporation also must collect a monthly maintenance fee from the individuals to maintain and operate the complex and pay taxes on it.

Eligible residents

(secs. 323.151(A) and 323.152(A))

Residents of a qualified housing cooperative must satisfy the same income and age or disability criteria as homeowners eligible for the existing homestead exemption.

Computation of the tax reduction

(sec. 323.159(B), (C), and (D))

The reduction in taxes is determined on the basis of the number of residents who qualify for the reduction and the portion of the complex's entire property tax bill attributable to those residents' units. This attribution is based on the percentage that the square footage of each eligible resident's unit is of the total square footage of the housing cooperative, and on the basis of "other reasonable factors that reflect the value of the homestead." Once the total tax reduction is determined for all qualifying units in the complex, it is divided among all of the qualifying residents in the form of a reduction in the monthly maintenance fees they pay to the corporation. (The monthly reduction for each qualifying resident must equal 1/12th of the annual tax reduction.)

Administration

(secs. 323.153(A), 323.159, and 323.99)

The homestead exemption for housing cooperatives is administered generally in the same manner as the existing homestead exemption for homeowners, with modifications necessary to reflect the fact that the tax reduction is granted to the housing complex as a whole and transmitted to qualifying residents as a reduction in monthly maintenance fees.

Applications. By March 1 each year, the nonprofit corporation that owns and operates a housing cooperative must obtain applications for the exemption from the county auditor and give one to each resident of the complex. By May 1, residents must submit their individual applications to the corporation; by May 15, the corporation must forward the individual applications to the county auditor. If a corporation fails to file these applications with the county auditor, it may be guilty of a fourth degree misdemeanor.

Continuing applications also must be made available to residents. (Continuing applications afford qualified persons the opportunity to report changes in factors that may affect their eligibility.) If a resident no longer qualifies for the tax reduction, the resident must notify the county auditor, or file a new application.

Certificates of reduction. County auditors must issue "certificates of reduction" for each housing cooperative resident who qualifies for the homestead exemption in substantially the same manner as is done for homeowners. The certificates indicate the amount of the tax reduction, and are provided to the residents. The certificates must include substantially the same information as their counterparts for homeowners, including the taxable value attributed to the housing unit, the reduction in taxes granted for the unit, the total reduction in taxes for all units in the complex, and the local tax rate.

Denials; appeals from denials. As with the existing homestead exemption, if the exemption is denied to a person, the county auditor must inform the person of the reason for the denial. The nonprofit corporation also must be notified. The person may appeal the denial to the county board of revision; the corporation also may appeal if the corporation contends that the total amount of the reduction granted for the entire complex is too low.

State reimbursement

(sec. 323.156)

Local taxing districts are to be reimbursed for the reduced property taxes resulting from the act, as they are for the existing homestead exemption.

HISTORY

ACTION	DATE	JOURNAL ENTRY	
Introduced	03-02-00	p.	1636
Reported, H. Ways & Means	05-11-00	pp.	1947-1948
Passed House (93-0)	05-25-00	pp.	2147-2148
Reported, S. Ways & Means	09-20-00	p.	2085
Passed Senate (32-0)	11-08-00	p.	2190

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