Bill Analysis

Peter A. Cooper *Legislative Service Commission*

H.B. 56

123rd General Assembly
(As Introduced)

Reps. D. Miller, Schuler, Metelsky, Logan, Willamowski, James, Maier, Opfer, Sullivan, Bender, Sulzer, Jones, Allen, DePiero, Schuck

BILL SUMMARY

- Increases the income limits determining eligibility for the homestead and manufactured home exemptions.
- Indexes those limits and the corresponding tax reductions to increases in general price inflation.

CONTENT AND OPERATION

Homestead exemption income eligibility expanded

(secs. 323.152(A) and 4503.065)

The homestead exemption is available to limited-income homeowners who are 65 years of age or older; who are permanently and totally disabled; or who are surviving spouses of persons who received the homestead exemption at the time of death, provided the surviving spouse was between 59 and 65 years of age when the deceased spouse died. A similar exemption is available for limited-income owners of manufactured homes who satisfy the same criteria. Both exemptions are granted in the form of a reduction in taxes on the homestead or manufactured home.

The exemptions are computed by determining the "reduction in taxable value" that applies to the homestead or manufactured home. (In the case of the manufactured home exemption, the reduction is in "assessable value.") The reduction in taxable value is prescribed in a statutory table and depends upon the "total income" of the eligible homeowner and his or her spouse. The local tax rate is then multiplied by the reduction in taxable value to arrive at the amount of the reduction in taxes. The property tax revenue foregone by local taxing authorities because of the exemption is reimbursed by the state.

Currently, the reduction in taxes afforded an eligible taxpayer by the homestead and manufactured home exemptions equals the amount obtained by multiplying the tax rate by the reduction in taxable value shown in the following table:

Current law

If total income is	Reduction in taxable value is lesser of[1]
$10,800 or less	$5,000 or 75%
$10,801 to $15,800	$3,000 or 60%
$15,801 to $20,800	$1,000 or 25%
$20,800	-0-

Increase income criteria

The bill proposes increasing the current income limits as follows:

Proposal

If total income is	Reduction in taxable value is lesser of
$0 to $12,000	$5,000 or 75%
$12,001 to $18,000	$3,000 or 60%
$18,001 to $25,000	$1,000 or 25%

[1] *The lesser of the two usually will be the dollar amount. In order for a residence to receive a 60% reduction in taxable value, for example, it would have to have a taxable value of $5,000 or less, which equates to an appraised market value of only $14,286. Since most residences have a higher appraised market value, they will receive a reduction in taxable value of $3,000, which will amount to less than 60% of taxable value.*

Indexing of income limits and tax reduction amounts

In addition to making the initial increase in the income limits, the bill provides for automatic increases in both the income amounts and the tax reduction amounts to account for price inflation. Since the homestead exemption law was enacted, increases in the income limits have been made only by changes enacted by the General Assembly; the tax reduction amounts have not changed since shortly after the homestead reduction law was first enacted. The automatic adjustment would be made annually to track increases in the Gross Domestic Product price deflator, a broad gauge of general price inflation. Specifically, beginning in 2000, the Tax Commissioner would have to determine the annual percentage increase (if any) in the price deflator for the period running from October 1 to September 30, and increase both the income limits and the tax reduction amounts by that percentage. The income limits would be rounded up to the next multiple of $100, and the tax reduction amounts would be rounded up to the next multiple of $10. The tax reduction percentages (75%, 60%, and 25%) would not be adjusted. The Tax Commissioner would have to certify the adjustments to each county auditor by December 31.

The indexing adjustment would first apply to real property taxes paid for 2000 (generally reflected in tax bills due in 2001) and to manufactured home taxes payable in 2001.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	01-20-99	p. 94

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