



Peter A. Cooper

Bill Analysis
Legislative Service Commission

H.B. 135

123rd General Assembly
(As Introduced)

Reps. Sullivan, Pringle, Boyd, Sulzer, DePiero, Allen, Winkler, Hood, Young

BILL SUMMARY

- Grants a property tax reduction for homeowners aged 65 or older that has the effect of preventing future increases in the homeowner's property taxes.
- Provides for state reimbursement to school districts and other local governments for the tax reduction.
- Affects taxes payable in 2001 and thereafter.

CONTENT AND OPERATION

Residential tax reduction that "freezes" taxes for elderly homeowners

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

The bill grants an additional property tax reduction for residences owned and occupied by persons who are at least 65 years of age. The reduction is to be computed so that the amount of taxes charged against the residence each year ("current taxes") equals the amount charged in the year before the homeowner turned 65 ("original taxes"). Therefore, taxes do not increase after the homeowner turned 65. If, for some reason, a homeowner does not receive this tax reduction until after he or she turned 65, then the reduction is computed so that current taxes equal the taxes charged in the year before the homeowner first receives the reduction.

In computing the amount of original taxes for a residence, any penalties, interest, special assessments, or previously outstanding or omitted taxes are not included. This means that if a homeowner owed any of these additional charges in the year for which original taxes are determined, the current taxes are reduced down to the amount of property taxes owed that year, ignoring the fact that those

additional charges made that year's tax bill temporarily higher. Also, original taxes are computed on the basis of a homeowner's net tax bill after reductions are made for the H.B. 920 credit, the 2-1/2% residential tax reduction, and the homestead exemption (if the homeowner is eligible for the exemption).

The tax reduction also applies to manufactured homes that are taxed as real property.

State reimburses local governments for tax reduction

(sec. 323.156--not in the bill)

School districts and other taxing authorities are to be reimbursed for the revenue that is denied them because of the tax reduction, just as they are reimbursed for the homestead exemption and the 2-1/2% residential tax reduction under existing law. The state must also pay for the county's administrative costs, which are stipulated to be 2% of the total amount by which taxes are reduced, as is done currently for the homestead exemption and 2-1/2% residential tax reduction. The 2% administrative reimbursement must be paid to the county's general fund as "payment . . . to the county auditor and treasurer for the costs of administering" the tax reduction.

Eligibility; application; administration

(secs. 323.152(A), 323.153(A)(2), and 323.154)

To be eligible for the tax reduction, a person must turn 65 years of age at some time during the year for which the tax reduction is first made. The person must own and occupy the residence. No income limits apply.

Eligible homeowners must apply for the tax reduction in substantially the same way they apply for the homestead exemption. Homeowners need to apply for the tax reduction only once, and do not have to reapply unless they move to another home. They also are subject to the same penalties for falsifying their eligibility claims; in the case of the bill's tax reduction, this involves falsifying either the claim that the person owns and occupies the home, or the claim that the person did not acquire the home from a relative solely for the purpose of obtaining the tax reduction. These are both grounds for penalties under the existing homestead exemption and 2-1/2% residential tax reduction laws.

In all respects, the tax reduction is to be administered in the same manner as the homestead exemption, except that no income verification is required.

Acknowledgment of tax reduction when selling home

(sec. 319.202(A)(1) and (2))

As is the case with the homestead exemption, homeowners who receive the bill's tax reduction must, when selling a home, indicate whether the buyer has been informed that the taxes have been reduced in the year of the sale, and, if they have been, indicate that the buyer and seller have agreed how the tax reduction will be divided between them.

Effective date

(Section 3)

The bill applies to taxes charged for 2000 (i.e., taxes payable beginning in 2001) and thereafter.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	02-02-99	p. 165

H0135-I.123/jc