



Peter A. Cooper

Bill Analysis
Legislative Service Commission

H.B. 335
123rd General Assembly
(As Introduced)

Rep. Logan

BILL SUMMARY

- Increases the 2-1/2% residential property tax rollback to 22-1/2% in school districts at the 20-mill floor.

CONTENT AND OPERATION

Increase in the residential property tax rollback

(sec. 323.152(B))

Currently, all owner-occupied residences are entitled to a property tax reduction equal to 2-1/2% of the tax bill. (The 2-1/2% reduction is expressed as a fraction--1/4--of the 10% rollback granted to all real property.)¹

The bill increases the rollback to 22-1/2% for owner-occupied residences located in a school district at the 20-mill floor (explained below). The rollback is increased only in those years when the district is at the 20-mill floor.

20-mill floor

(sec. 319.301(E)(2)--not in the bill)

The so-called 20-mill floor guarantees that school districts that levy at least 20 mills for current expenses can charge taxes equal to at least 2% of the taxable value of real property in the district to pay for current expenses, even if the state's property tax limitation law ("H.B. 920") otherwise would reduce their revenue

¹ *Owner-occupied residences, referred to as "homesteads," includes owner-occupied condominium units, and as much land as necessary to use the residence as a home, up to one acre of land.*

below 2% of taxable value (2% of taxable value is equivalent to a tax rate of 20 mills).²

Generally, H.B. 920 prevents property tax revenue from growing in response to growth in property values that results from reassessments and reappraisals. H.B. 920 operates by reducing the total amount of taxes charged against real property to the extent needed to raise the same amount of taxes raised in the preceding year. (If new construction has occurred, revenue is allowed to increase to the extent of the taxes charged on the new construction.) For some school districts, particularly those with relatively low tax rates, the H.B. 920 tax reduction may limit taxes to such a degree that the district's taxes for current expenses would fall short of 2% of the district real property taxable value. Therefore, the 20-mill floor suspends the H.B. 920 reduction to the extent needed to permit the school district to charge 2% (20 mills) worth of taxes for current expenses.

One of the effects of the 20-mill floor is that revenue grows in response to growth in property values, which otherwise would be prohibited under H.B. 920. So, many property owners can experience an increase in property taxes, even though no new tax levy has been imposed. In school districts where property values have risen dramatically, the increase in taxes may be significant especially for property owners whose property value has increased more than the average.

HISTORY

| ACTION | DATE | JOURNAL ENTRY |
|------------|----------|---------------|
| Introduced | 05-11-99 | p. 624 |

H0335-I.123/jc

² If a school district levies less than 20 mills in voter-approved taxes for current expenses, then the district is guaranteed only the voter-approved tax rate. For example, if the voter-approved tax rate is 19 mills, the district is entitled to charge 19 mills' worth of tax for current expenses, without any reduction under the H.B. 920 limitation.