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Bill Analysis
Legislative Service Commission

H.B. 336
123rd General Assembly
(As Introduced)

Rep. Logan

BILL SUMMARY

- Grants a circuit breaker-type income tax credit to homeowners residing in a school district at the 20-mill floor.
- The credit effectively prevents such homeowners from paying more than a specified percentage of their income toward property taxes--2% in the case of homeowners who are elderly or disabled and with limited income, and 4% in the case of all other homeowners.
- The credit is refundable, and may be claimed for property taxes payable on or after December 31, 1998.

CONTENT AND OPERATION

Circuit breaker tax credit for homeowners

(sec. 5747.37)

The bill grants a refundable income tax credit for homeowners who reside in a school district at the 20-mill floor (explained below), and whose property tax bill exceeds a certain percentage of their federal adjusted gross income. The percentage is 2% for homeowners who receive the homestead exemption, and 4% for all other homeowners. If a married couple files a joint tax return, then the couple's combined federal adjusted gross income is used to determine whether the couple may claim the credit. Only one person may claim the tax credit for each residence.

The credit may be claimed only for taxes actually paid by the homeowner. The tax credit applies only to the "homestead" portion of a homeowner's tax bill--that is, to the residence, and as much land as is necessary to use the residence as a home, up to one acre of land. (Condominium units and units of a multiple-unit

residence qualify as a homestead if they are occupied by the owner of the unit.) For the purpose of determining the amount of taxes paid by a homeowner, the following are excluded: special assessments, unpaid taxes from a previous year, penalties, interest, and charges for omissions from a previous year.

The credit may be claimed for homestead taxes payable on or after December 31, 1998.

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 below 2% of taxable value (2% of taxable value is equivalent to a tax rate of 20 mills).¹

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. Thus many property owners will 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 can be significant.

¹ *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.*

HISTORY

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

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