Peter A. Cooper Legislative Service Commission

H.B. 390

123rd General Assembly
(As Introduced)

Reps. Flannery, Jerse, Grendell, DePiero, Sullivan, Ford, Metelsky, Barrett, Britton, Allen, Pringle

BILL SUMMARY

- Provides for using a portion of the state's year-end surplus revenue, if any, to increase the homestead exemption.

CONTENT AND OPERATION

Current homestead exemption computation

Currently, the homestead exemption provides a property tax reduction for elderly and disabled homeowners with limited incomes. To qualify, a homeowner's household income must be $23,000 or less, and the homeowner must be either disabled, at least 65 years of age, or at least 60 years of age and the surviving spouse of a deceased person who received the homestead exemption when he or she died.[1] The exemption applies to residences whether they are classified as real property or manufactured homes.

The amount of a homeowner's tax reduction depends on the homeowner's income. For each income bracket designated by law, a corresponding portion of the home's taxable value is exempted from taxation--either a flat dollar amount or a percentage of the home's taxable value, whichever results in a lower exemption (in almost all cases, the dollar amount results in a lower exemption). The tax reduction is computed by multiplying this exempted portion of taxable value by the gross local tax rate. The exempted portions of taxable value corresponding with the income brackets are as follows (these apply in 1999):

[1] *This is the income eligibility limit for 1999; the limit increases each year to account for price inflation.*

Income	Taxable value exempted
$11,900 or less	$5,000 or 75%
$11,901 to $17,500	$3,000 or 60%
$17,501 to $23,000	$1,000 or 25%

Enhanced homestead exemption

(secs. 131.44, 323.152, and 4503.065)

The bill provides for increased homestead tax reductions in years when there are state revenue surpluses by increasing each exemption amount. In any year there is a surplus, the exemption amounts would be increased from the existing $1,000/3,000/5,000 amounts to whatever amounts could be funded with the surplus, up to maximum amounts of $2,000/6,000/10,000. Each exemption amount must be increased proportionately, and rounded upward to the nearest $50. The Director of the Office of Budget and Management, with the assistance of the Tax Commissioner as needed, is to determine the increased exemption amounts and certify them to the Tax Commissioner, who in turn must certify the total exemption amounts to county auditors.

The enhanced homestead tax reduction is given priority over the existing state income tax rate reductions that are funded through the Income Tax Reduction Fund--i.e., the homestead tax reduction is to be made before the income tax reductions. Like the existing income tax rate reductions, the enhanced homestead tax exemption occurs only if there is still surplus revenue after satisfying requirements for a balance in the Budget Stabilization Fund equal to 5% of the GRF revenues for the preceding fiscal year, an ending final balance equal to 1/2% of GRF revenues for the preceding fiscal year, and various other statutory reserves. Once these budgetary obligations are satisfied and the maximum enhanced homestead exemption amounts are met, any remaining part of the surplus must be used to make the income tax reductions provided for in existing law. In any year that there is not a surplus after the budgetary obligations are satisfied, the homestead exemption amounts revert to the $1,000/3,000/5,000 levels.

The part of the state's surplus revenue used to fund the enhanced homestead exemption must be credited to the Homestead and Income Tax Reduction Fund created by the bill. Money in this fund is to be used to compensate school districts and other local taxing authorities for the revenue they forgo because of the enhanced exemption and to reimburse the GRF for any state income tax reduction that can be funded with the remaining surplus.

The bill first applies in 2000.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	06-17-99	p. 893

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