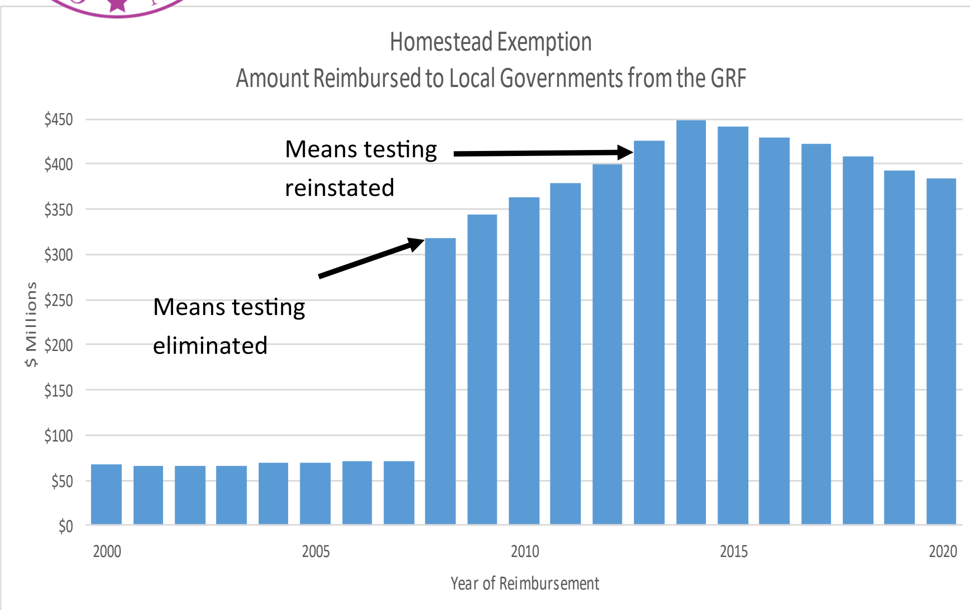
Legislative Budget Office of LSC

Homestead Exemption



Data Notes: 1. The state reimburses local governments from the General Revenue Fund for property tax revenue losses from the homestead exemption.
2. Reimbursements are shown in the chart net of administrative fees.

- The homestead exemption reduces property taxes owed on their primary residences by low-income homeowners who are elderly (age 65 and older) or totally and permanently disabled. Real property and manufactured homes may qualify for the exemption.
- Eligibility was extended to additional homeowners over the years: qualifying surviving spouses of homestead exemption recipients (1991, H.B. 66, 119th G.A.), qualifying disabled veterans (2014, H.B. 85, 130th G.A.), and surviving spouses of first responders (2020, H.B. 17, 133rd G.A.).

- In 2007, H.B. 119 (127th G.A.) eliminated income restrictions to qualify for the homestead exemption, for real property beginning in tax year (TY) 2007 and manufactured homes beginning in TY 2008, both payable in 2008. Up to $25,000 of market value ($8,750 of taxable value) was exempted. Previously only those with incomes of $26,200 or less were eligible.
- Means testing was reinstated in 2013 by H.B. 59 (130th G.A.), limiting eligibility to homeowners with incomes of $30,000 or less, indexed for inflation. Those who received the homestead exemption for TY 2013 (real property) or TY 2014 (manufactured homes) were exempted from the income test. Qualifying disabled veterans and surviving spouses of first responders are also not subject to an income test, and may exempt up to $50,000 of market value.
- GRF reimbursements grew from $318 million in 2008 to $449 million in 2014, as numerous homeowners born after 1945 reached age 65. With means testing reimposed, reimbursements began to fall after 2014, reaching $385 million in 2020, as low-income homeowners first qualifying for exemption were outnumbered by former homestead exemption recipients who ceased to be homeowners.
- For homestead exemptions reimbursed in 2020, 788,266 homeowners qualified for an average tax reduction of $495. Individual tax savings vary widely with local taxes. Most (97%) exemptions are for real property rather than manufactured homes.

- It has been proposed that, in addition to indexing the income used for eligibility, the amount of the exemption may also be indexed for inflation. If, for example, the $25,000 eligibility level in TY 2007 had been adjusted for inflation (GDP price index), the amount of the exemption would have risen to $31,600 for real property in TY 2021 and manufactured homes in TY 2022. The added cost to the GRF from the higher exemption would be an estimated $95 million in TY 2022. The costs in future years will depend on the level of inflation in future years.