



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	HB0682	Title:	Provide for property tax relief income tax credit
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Primary Sponsor:	Noland, Mark	Status:	As Introduced
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- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$74,238	\$138,681	\$140,754
Revenue:				
General Fund	\$0	(\$7,702,000)	(\$8,515,000)	(\$8,675,000)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>(\$7,776,238)</u>	<u>(\$8,653,681)</u>	<u>(\$8,815,754)</u>

Description of fiscal impact: HB 682 creates an income tax credit for property tax relief. The credit is equal to 35% of the property tax paid for the state 95 school equalization mills during the year on a qualified residence. An applicant must have a gross household income of less than \$75,000; have occupied the residence for at least nine months of the claim period; and the market value of the residence must be less than \$400,000. The property tax relief income tax credit cannot be claimed if an individual qualifies for the property tax assistance program, disabled veteran program, the intangible land value property exemption, or claims the Elderly Homeowner and Renter Credit.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. TY 2019 income tax information was used for estimating the new property tax and rent-equivalent property tax circuit breaker credit.
2. Individual income tax returns with an itemized property tax deduction or a property tax amount filed for the Elderly Homeowner Renter Credit were matched with class 4 residential property tax data using unique mailing addresses. Of the 187,596 income tax returns with property tax information, 158,634, or 84.56%, were matched with a property tax record.

3. It is assumed that the 15.44% of unmatched tax returns do not vary substantially from those matched, and credits will not be skewed by scaling the credit estimate by this ratio.
4. Income tax records, (regardless of known property tax status) were then matched to 215,738 class 4 residential properties. Of these owner-occupied 215,738 properties, 72,170 would qualify for a credit under the provisions of HB 682.
5. The value of the credit for these taxpayers was estimated to be \$5.685 million, an average credit of \$78.76.
6. Because 15.44% of the property taxpayers were not matched in the income tax file, it is necessary to divide the credit size and number of recipients by 84.56% to scale up the credit for all eligible property to yield an estimate of \$6.722 million in total credits for an estimated 85,346 property taxpayers.
7. HB 682 applies to tax years starting TY 2022, the first year the credit could be taken is FY 2023.
8. The TY 2019 values are adjusted by official growth rates for class 4 property contained in HJ 2.
9. The department anticipates the need for 2.00 FTE audit technician positions as part of this bill's implementation. Costs for FY 2023 are anticipated to be half the ongoing costs as the program is established.

<u>Fiscal Impact:</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Department of Revenue	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	1.00	2.00	2.00
<u>Expenditures:</u>				
Personal Services	\$0	\$60,613	\$122,666	\$124,126
Operating Expenses	\$0	\$13,625	\$16,015	\$16,628
TOTAL Expenditures	<u>\$0</u>	<u>\$74,238</u>	<u>\$138,681</u>	<u>\$140,754</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$74,238	\$138,681	\$140,754
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$74,238</u>	<u>\$138,681</u>	<u>\$140,754</u>
<u>Revenues:</u>				
General Fund (01)	\$0	(\$7,702,000)	(\$8,515,000)	(\$8,675,000)
TOTAL Revenues	<u>\$0</u>	<u>(\$7,702,000)</u>	<u>(\$8,515,000)</u>	<u>(\$8,675,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$7,776,238)	(\$8,653,681)	(\$8,815,754)

	<u>3/31/21</u>	<u>KA</u>	<u>3-29-21</u>
Sponsor's Initials	Date	Budget Director's Initials	Date