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H.517

SHORT FORM

Introduced by Representative Browning of Arlington

Referred to Committee on

Date:

Subject: Taxation; statewide education tax; property tax adjustments

Statement of purpose of bill as introduced: This bill proposes to remove the cost of property tax adjustments from the Education Fund and finance that cost out of the General Fund. Property tax adjustments are not education spending voted on by local school boards; therefore, the cost of these adjustments should not be borne by the Education Fund and local property taxpayers. The bill also would alter the eligibility for property tax adjustments in a way designed to increase horizontal and vertical equity, so that taxpayers with similar incomes would have more similar benefits. These changes would phase in over three years.

In Year One, the following changes would occur:

- Pay for a portion of property tax adjustments out of the General Fund as a line item.
- Reduce non–property tax revenues in the Education Fund by the same amount and transfer that amount to the General Fund.

- 1 • Raise the income tax rates on the highest two tax brackets to make up
2 any shortfall in the General Fund from the new property tax
3 adjustment expense.
- 4 • Decrease the homesite value in the adjustment calculation such that
5 the decreasing slope of adjustment benefits is lowered to
6 \$90,000.00, from the current slope that ends between approximately
7 \$130,000.00 to \$140,000.00.

8 In Year Two:

- 9 • Use the non-property tax revenues in the Education Fund to cover the
10 remaining cost of property tax adjustments and to lower homestead
11 rates. The reduced costs of property tax adjustments should result in
12 lower homestead tax rates for everyone.
- 13 • Shift the remaining Education Fund costs of property tax adjustments
14 to the General Fund. There should not need to be any additional
15 revenue due to the lower homestead rates and increased personal
16 income tax rates.
- 17 • Establish a stream of income tax revenue into the Education Fund.
- 18 • Establish a cap on education spending of two percent per year for five
19 years.

