

FISCAL NOTE

The fiscal impact, in the form of a property tax revenue decrease, is indeterminable.

This bill establishes a property tax exemption to the assessed value of single family residential structures. The amount of the exemption is any assessed value of the single family residential structure that is in excess of the prior year assessed value plus five percent.

The exemption is not applicable if the increase in value is attributable to structural changes to the property, including new construction and additions. The exemption is also not applicable if the owner acquired the property during the prior calendar year.

The exemption shall first apply to the tax year beginning January 1, 2024, affecting property taxes paid to the School Foundation Program (SFP), K-12 school districts, and other local taxing entities in fiscal year (FY) 2025.

The estimated fiscal impact in the form of a property tax revenue decrease depends on the assessed value growth rate of single family residential structures across the state. The October 2023 Consensus Revenue Estimating Group (CREG) forecast for the statewide assessed value growth in non-mineral property is five percent from tax year 2023 to tax year 2024, and three percent per year thereafter. The growth limit defining the exempted amount proposed by the bill is greater than or equal to October 2023 CREG forecast growth, meaning the impact will come from properties whose values increase by more than the forecast average growth. While it is possible, even plausible, to expect some qualifying properties to have value increases higher than the average, the set of properties whose values increase more than the forecast average growth, and those properties' values, is indeterminable.

For comparison, if this exemption had existed for property taxes paid in tax year 2023 (FY 2024), which experienced a total assessed value growth in residential property of 20.3 percent from the previous year, the exemption would have decreased residential property taxes by a total of approximately \$49.5 million. Of this total, residential property taxes from the 43 mills supporting the SFP would have decreased by approximately \$31.0 million.