

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6662**  
**BILL NUMBER: HB 1736**

**DATE PREPARED: Dec 9, 1998**  
**BILL AMENDED:**

**SUBJECT: Homestead credit.**

**FISCAL ANALYST: Bob Sigalow**  
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**FUNDS AFFECTED:  GENERAL**  
 **DEDICATED**  
**FEDERAL**

**IMPACT: State**

<b>STATE IMPACT</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
<b>State Revenues</b>			
<b>State Expenditures</b>		<b>95,100,000</b>	<b>197,200,000</b>
<b>Net Increase (Decrease)</b>		<b>(95,100,000)</b>	<b>(197,200,000)</b>

**Summary of Legislation:** This bill increases the percentage of the homestead credit to 20%. (Under current law, the percentage of the homestead credit is 10% through 2001 and 4% in 2002 and thereafter.)

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** In CY 1998, Homestead Credits (at 10%) amounted to about \$164.8 million. The cost of the current 10% credit for CY 2000 and CY 2001 is estimated at \$190.1 million and \$204.2 million, respectively. By increasing the credit to 20% in CY 2000 and CY 2001, the cost of homestead credits would double in those years. The cost of the current 4% credit in CY 2002 is estimated at \$93.9 million. An increase to 20% would bring the total cost in CY 2002 to about \$469.6 million.

The increase in homestead credits under this proposal is estimated at \$190.1 million in CY 2000, \$204.2 million in CY 2001, and \$375.7 million in CY 2002. (The upcoming reassessment which is effective in CY 2002 explains the larger increase in the cost of the credit in CY 2002). On a fiscal year basis, the increase would amount to **\$95.1 million in FY 2000, \$197.2 million in FY 2001, and \$289.9 million in FY 2002.**

Homestead Credits are paid from the Property Tax Replacement Fund (PTRF). In the event that the PTRF falls short, a transfer is made from the State General Fund to cover the difference. Since these transfers are

needed each year to cover PTRF expenditures at current rates, the funding for this proposal will ultimately come from the State General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Local revenues would remain unchanged under this proposal. Net property tax bills for homeowners would be reduced by an additional 10% in CY 2000 and CY 2001 and by an additional 16% in CY 2002 and thereafter.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** County Auditors.

**Information Sources:** Local Government Database.