

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6475
BILL NUMBER: SB 196

DATE PREPARED: Feb 23, 1999
BILL AMENDED: Feb 22, 1999

SUBJECT: Homestead credits.

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

IMPACT: State

Summary of Legislation: (Amended) This bill keeps the homestead credit at its current level of 10% permanently. (Under current law, the homestead credit is at 10% through 2001 and decreases to 4% beginning in 2002).

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) Under current law, homestead credits are equal to 10% of a homeowner's property tax liability. This percentage is currently scheduled to be reduced to 4% in CY 2002. This proposal would add an additional 6% homestead credit to the current statutory credits beginning in CY 2002 so that the total credit will remain at 10%. 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. The cost of the current 4% credit in CY 2002 is estimated at \$93.9 million. An increase to 10% would bring the total cost in CY 2002 to about \$234.8 million.

The increase in homestead credits under this proposal is estimated at \$140.9 million in CY 2002 and \$151.3 million in CY 2003. On a fiscal year basis, the increase would amount to **\$70.4 million in FY 2002 (½ year) and \$146.1 million in FY 2003.**

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:

Explanation of Local Revenues: (Revised) Local revenues would remain unchanged under this proposal. Net property tax bills for homeowners would be reduced by an additional 6% (compared to current law) beginning in CY 2002.

State Agencies Affected:

Local Agencies Affected: County Auditors.

Information Sources: Local Government Database.