

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6042

BILL NUMBER: SB 278

NOTE PREPARED: Jan 2, 2013

BILL AMENDED:

SUBJECT: Homestead property tax bill cap.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides a tax credit for homestead property that limits property tax increases to 5% per year (excluding the part of an increase attributable to an improvement or expansion of the homestead property made after the previous assessment).

Effective Date: January 1, 2014.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* Statewide, homeowners' net property taxes would be lower under this bill than under current law by an estimated minimum of \$310,000 in CY 2014, \$1.4 M in CY 2015, and \$3.7 M in CY 2016. Revenues for local civil taxing units and schools would decline each year by these same amounts. These estimates assume that all taxing units will use their entire maximum levy each year. They also assume no change in debt levies. Additional property tax credits, above these estimates, would be experienced in cases where new debt levies or taxing units are established, in areas that are annexed, and in areas where market values might rise faster than the average estimated growth rate.

Background: Beginning with taxes payable in 2014 under this provision, an additional circuit breaker credit would be granted to homestead owners if the annual growth in net tax bills would otherwise exceed 5%. The

limit would not apply to expansions or improvements made in a year. The portion of a tax bill devoted to a referendum-approved levy would not be excluded from the calculation, so the 5% increase limit would apply to the entire tax bill.

State Agencies Affected:

Local Agencies Affected: County auditors; Civil taxing units and school corporations.

Information Sources: LSA parcel-level property tax database.

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