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Office of Research and Drafting

Legislative Budget Office

H.B. 103
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 103's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Troy and T. Hall

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2026	FY 2027	Future Years
State General Revenue Fund			
Expenditures	Increase of $114 million	Increase of $223 million	Increasing amounts

Note: The fiscal year for the state, school districts, and certain other local governments runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- Homestead exemption changes in the bill would reduce property tax revenues to local governments by an estimated $227 million for tax year (TY) 2025, and $220 million for TY 2026.
- The state GRF would reimburse these losses, with reimbursement payments increasing by $114 million in FY 2026 and $223 million in FY 2027 due to property taxes being paid in arrears and the semiannual reimbursement structure. The associated payments would increase expenditures from GRF line item 200903, Property Tax Reimbursement – Education, and GRF line item 110908, Property Tax Reimbursement – Local Government.

Detailed Analysis

The bill increases the homestead exemption amount for elderly homeowners or homeowners with a permanent and total disability and certain of their qualifying surviving spouses. It also expands eligibility for the homestead exemption by raising the income eligibility requirement above which a taxpayer may not claim the exemption. The increased exemption amount and income limitation are indexed to inflation like all other homestead exemption amounts and thresholds under continuing law.

Specifically, the bill raises the income threshold for eligibility from $40,000 to $45,000 for TY 2025. Homeowners who qualified for the homestead exemption in TY 2013 (for manufactured homes, TY 2014) are not subject to an income test. The bill also increases the exempted market value of a qualifying property from $29,000 to $50,000 for TY 2025 and indexes that amount for inflation. This exemption applies to homeowners who are totally and permanently disabled, 65 years of age or older, or surviving spouses of such persons and age 59 or older.

These provisions would apply starting with TY 2025 for real property taxes, and TY 2026 for manufactured home taxes, both generally due in calendar year 2026. A $58,000 exemption in TY 2025 for totally disabled veterans, their surviving spouses, and the surviving spouses of public service officers killed in the line of duty is unchanged by the bill.

The changes in the bill have a compounding effect, with the income increase allowing more homeowners to qualify for the exemption, and the higher value exempted increasing the value of the exemption to these newly qualified additional homeowners as well as to homeowners who previously qualified and continue to do so. The bill is projected to reduce property tax revenues to local governments by an estimated $227 million in TY 2025 and $220 million in TY 2026. The decrease in revenue loss from the first to the second year reflects a continuing decline in the number of homeowners eligible for the exemption. The state GRF would reimburse these local revenue losses.

The bill would increase expenditures from GRF line item 200903, Property Tax Reimbursement – Education, and GRF line item 110908, Property Tax Reimbursement – Local Government. Because property tax payments and the associated GRF reimbursements are paid in arrears, half of the first-year increase in the exemption would be reimbursed in FY 2026, and half in FY 2027. As a result, GRF reimbursements are estimated to increase by $114 million in FY 2026 and by $223 million in FY 2027. The cost of the bill to the GRF is expected to decrease in subsequent years, though the pace of that decline will depend on the rate of inflation and whether the long-term decline in the number of eligible homeowners resumes under the bill's provisions.

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