H.B. 254
135th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsors: Reps. Richardson and Holmes

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Revenues	$0	$0	$0
Expenditures	Increase of $17.9 million	Increase of $36.6 million	Increases will grow as property taxes grow
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	$0	$0	$0
Expenditures	$0	$0	$0

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.

- The bill expands eligibility for the homestead exemption to include any honorably discharged veteran homeowner with a 50% or greater disability rating.
- Continuing law requires the GRF to reimburse local taxing authorities for the homestead exemption. Due to the bill's effective date of tax year (TY) 2023, GRF expenditures would increase in the second half of FY 2024 whereas FY 2025 is the first full year of GRF reimbursements.

Detailed Analysis

The bill expands an existing property tax reduction for disabled veterans. Under continuing law, qualifying veterans are veterans of the United States armed forces including reserves, or of the National Guard, discharged or released from active duty under honorable conditions. They may receive an enhanced homestead exemption, owing no property tax on $50,000 of the market value of their homes (or all of the home's value if lower than this). To qualify currently, a veteran must have received a total disability rating or a total disability rating for compensation based on individual unemployability. Eligibility does not depend on the disabled veteran's age or income.

The bill expands eligibility to include any honorably discharged veteran homeowner with a 50% or greater disability rating, as opposed to only those with a total disability rating of 100%. For a disabled veteran qualifying for benefits under current law, the tax reduction is increased to eliminate all current property tax due. For a disabled veteran with a disability rating of 80% or 90%, the reduction eliminates taxes on $10,000 of the true market value of the property. For a disabled veteran with a disability rating of 50%, 60%, or 70%, the reduction eliminates taxes on $5,000 of true market value of the property. If a disabled veteran falls into any of these categories but already receives a homestead exemption benefit, they may choose which exemption they would like to receive.

The bill first applies to real property for tax year TY 2023 and manufactured homes for TY 2024. Applicable homeowners will benefit from lower payments generally remitted during calendar year 2024. Continuing law requires the owner to file an application with the county auditor of the county in which the owner's homestead is located. The bill further requires that an application from a disabled veteran state their disability rating.

Under continuing law, revenue losses to schools and local governments from homestead exemptions including that for disabled veterans are reimbursed from the state GRF.

Fiscal effect

The following table depicts estimated GRF expenditures for each category of disability ratings. GRF costs are expected to grow in future years due to expected rises in property taxes.

Estimated Additional GRF Expenditures from Expanded Homestead Exemption			
Disability Rating	**Estimated Number of Owners**	**Reduction Value**	**Estimated TY 2023 GRF Cost**
100% (Total disability)	12,732	All property tax liability	$33.6 million
80%-90%	4,728	$10,000 of the true market value of the property	$1.0 million
50%-70%	10,489	$5,000 of the true market value of the property	$1.1 million
Total	**27,949**	**N/A**	**$35.7 million**

Source: LBO tabulations of ACS public use microdata sample

LBO obtained these estimates using homeowner survey data from the American Community Survey (ACS). LBO used ACS data to estimate the number of disabled veteran homeowners in each category of disability ratings, and multiplied that number by the expected amount of credit each homeowner would receive from the expanded homestead exemption changes. For those with a 100% total disability rating, their property tax credit would equal the amount of current property taxes paid annually, which LBO estimates to be on average $2,638. For those with an 80% to 90% disability rating, a $10,000 reduction of the true market value of their property would correspond to an expected property tax credit of $217 per homeowner. For those with a 50% to 70% disability rating, a $5,000 reduction of the true market value of their property would correspond to an expected property tax credit of $109 per homeowner.

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