

**STATE and LOCAL  
REVISED FISCAL IMPACT**

(replaces fiscal note dated April 13, 2009)

**Drafting Number:** LLS 09-1019  
**Prime Sponsor(s):** Sen. White  
 Rep. Pommer

**Date:** April 16, 2009  
**Bill Status:** House Third Reading  
**Fiscal Analyst:** Harry Zeid (303-866-4753)

**TITLE:** CONCERNING THE PROPERTY TAX EXEMPTIONS FOR QUALIFYING SENIORS, AND, IN CONNECTION THEREWITH, LOWERING FOR A SPECIFIED PROPERTY TAX YEAR THE MAXIMUM AMOUNT OF ACTUAL VALUE OF THE PRIMARY OWNER-OCCUPIED RESIDENCE OF A QUALIFYING SENIOR THAT IS PARTLY EXEMPT FROM PROPERTY TAXATION, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

<b>Fiscal Impact Summary</b>	<b>FY 2009-2010</b>	<b>FY 2010-2011</b>
<b>State Revenue</b> General Fund	(\$825,000)	(\$825,000)
<b>State Expenditures</b> General Fund	(\$90,400,000)	
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2009-2010:</b> See the State Appropriations section.		
<b>Local Government Impact:</b> See the Local Government Impact section.		

**This fiscal note has been revised to reflect amendments made to the reengrossed bill on House Second Reading.**

**Summary of Legislation**

**Budget Package Bill.** For the 2009 property tax year, the reengrossed bill eliminates the homestead property tax exemption for qualifying senior citizens but leaves the homestead property tax exemption for disabled veterans intact.

**Background**

In the 2000 general election, Referendum A, commonly known as the homestead exemption, was passed by the voters. The exemption from property taxes applies to 50 percent of the first \$200,000 of actual value for homeowners aged 65 or over. Furthermore, eligibility rules require that the homeowner must have owned and lived in the home for the previous ten years. The enacting legislation reserved the right of the General Assembly to adjust the amount of actual value exempted, but not the percentage. In the 2006 general election, the homestead exemption was extended to

disabled veterans who have a 100 percent permanent and total disability rating from the U.S. Department of Veterans Affairs as a result of a service-connected disability. The bill alters the exemption to read "50 percent of zero dollars of actual value of residential real property" for the 2009 property tax year for qualifying senior citizens.

### **State Revenue and Expenditures**

The reduction in the exemption of the senior homestead exemption will **reduce state General Fund expenditures by \$90.4 million in FY 2009-10**. Since these amounts will no longer be exempted from property taxes, those qualified homeowners that itemize income tax deductions will be able to deduct a larger property tax amount, thereby lowering their state and federal income tax liability. Since the income tax year is split between two state fiscal years, **state income tax collections are projected to be reduced by approximately \$825,000 General Fund in FY 2009-10** due to the increased deductions that would apply to the second half of the fiscal year, and an additional \$825,000 General Fund in FY 2010-11 that would apply to the first half of the fiscal year on an accrual accounting basis.

### **Local Government Impact**

The \$1.0 million in tax revenue would be collected directly from the taxpayers, effectively holding local governments harmless. However, since the money is no longer coming from an exempt source (i.e. inter-governmental transfer), this money will be subject to local revenue and spending limits. Essentially, minor impacts could occur in situations where the local government has reached its revenue limit. These impacts have not been estimated.

### **State Appropriations**

The bill includes an appropriation that adjusts the 2009 long bill and eliminates the \$90.4 million of the General Fund appropriation to the Department of the Treasury for the purposes of reimbursing local governments for the homestead exemption for FY 2009-10.

### **Departments Contacted**

Legislative Council Staff

Local Affairs

Treasury