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FISCAL IMPACT STATEMENT

LS 6046 **NOTE PREPARED:** Feb 2, 2009
BILL NUMBER: HB 1563 **BILL AMENDED:**

SUBJECT: Property tax deduction for elderly.

FIRST AUTHOR: Rep. Duncan **BILL STATUS:** Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **IMPACT:** Local
DEDICATED
FEDERAL

Summary of Legislation: This bill, for the property tax deduction for individuals age 65 and older: (1) eliminates the adjusted gross income and assessed value limitations; (2) establishes a delayed 2009 deduction filing deadline for mobile homes and manufactured homes; and (3) provides that receiving the supplemental deduction to the standard deduction does not result in ineligibility for the deduction for individuals age 65 and older.

Effective Date: January 1, 2009 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Fifty-three counties currently provide a combination of local property tax replacement credits, homestead credits, and residential tax credits. Some homestead credits are paid with proceeds from a combination of county option income taxes (COIT) and county economic development income taxes (CEDIT). Under this proposal local homestead credits would decrease by approximately $1.4 M in 2010 and by approximately $1.3 M Min 2011.COIT proceeds that are not used for county homestead credits are distributed to civil taxing units as certified shares. CEDIT proceeds that are the result of the additional rate allowed for homestead credits may only be used for homestead credits.

Explanation of Local Revenues: Under current law, persons 65 or over (senior citizens) or their surviving spouses may receive an assessed value(AV) deduction on their real property or mobile home residence equal to one-half the assessed value of the property up to $12,480. In order to qualify, the assessed value of the property may not exceed $182,430 and the adjusted gross income of the taxpayer may not exceed $25,000.

Seniors may also receive an additional tax credit if their adjusted gross income does not exceed $30,000 for single individuals ($40,000 for those filing a joint income tax return), and whose assessed value does not exceed $160,000.

For property taxes first due and payable on real property in 2010 and after (2009 and after for mobile homes and manufactured homes not assessed as real property), this bill eliminates the income and assessed value limitations for seniors to receive the property tax deductions. The limitations on receiving the additional tax credit still remain.

This bill also clarifies that senior taxpayers may receive both the over 65 deduction and the supplemental standard deduction. Under current law, homeowners who qualify for the senior deduction may not receive any other deductions except for the mortgage deduction and the traditional standard deduction. The new supplemental homestead standard deduction is automatically granted to any homeowner that receives the traditional standard deduction.

To qualify for this provision, senior citizens who own real property must submit a certified statement to the county auditor during the year they wish to receive the deduction. Seniors who own mobile or manufactured homes not assessed as real property have to file before July 1, 2009 if they wish to receive the deduction in 2009; after 2009, the filing must be completed during the 12 months before March 31st of each year the individual wishes to receive the deduction. To receive the deduction in 2010, for example, these individuals would have to file between March 31, 2009 and March 30, 2010 inclusive.

This analysis assumes that all taxpayers who qualify for the aged deduction under current law are taking it. It also assumes that all the potentially additional taxpayers covered under this proposal would claim all applicable benefits.

Estimates derived from income tax data and parcel level data indicate that this bill would enable an additional 148,500 senior citizens to qualify for the property tax deduction. In CY 2010 they would pay approximately between $33 M less in taxes for an average tax deduction of $224 per qualified taxpayer; in CY 2011 they would pay approximately between $32 M less for an average tax deduction of $215 per qualified taxpayer.

Extending the property tax deduction to these additional senior citizens would cause a shift of the property tax burden to all taxpayers in the form of an increase in the statewide average gross tax rate of $0.0198 in CY 2010, and $0.0193 CY 2011. This translates to a property tax shift of approximately $40 M to all other taxpayers in CY 2010, and $37 M in CY 2011. The tax base would be reduced by approximately $1,850 M.

Circuit breaker credits would increase by $7 M in CY 2010 and by $6 M in CY 2011. The elderly credit would decrease by $2 M in CY 2010 and CY 2011.

Total revenues would remain unchanged. The revenue for cumulative funds would be changed by the product of the fund rate multiplied by the net change in the amount applicable to that fund.

State Agencies Affected:

Local Agencies Affected: County Auditors.

Information Sources: OFMA Property Tax database; OFMA Income Tax database.

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