

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 92** HLS 14RS 326  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 2, 2014 8:54 AM	<b>Author:</b> CONNICK
<b>Dept./Agy.:</b> Tax Commission / Local Assessors	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Special Assessment For 65 Or Older Without Income Test	

TAX/AD VALOREM TAX OR SEE FISC NOTE LF RV See Note Page 1 of 1  
 (Constitutional Amendment) Increases the income limit for qualification for the special assessment level for property subject to ad valorem tax

Current law freezes the assessed value of residential property receiving the homestead exemption for certain persons (65+ years old, certain disabled persons, etc.). An income threshold applies for applicants 65 years old or older for their initial eligibility. This threshold began at \$50,000 and has been adjusted upward each year by the consumer price index. The threshold is currently adjusted gross income of \$70,484 for tax year 2014.

Proposed law would increase the income threshold to receive special assessment (frozen assessed value) to \$125,000 of adjusted gross income. Annual adjustment by the consumer price index would continue from that new threshold level.

To be submitted to the electors at the statewide election on November 4, 2014, and effective January 1, 2015.

EXPENDITURES	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.


**REVENUE EXPLANATION**

The bill increases the income threshold to receive special (frozen) assessment for persons 65 years of age or older by approximately \$55,000. Currently, this group is already eligible for special assessment if their income is less than \$70,484 (2014 level). A rough idea of the effects of this change can be observed through state personal income tax data for this age group. Approximately 16% of tax returns for this age group report income above the current threshold and below the new threshold proposed by this bill. This bill would make this population eligible. Based on tax returns, this could be as many as 38,000 additional special assessment eligibles.

The Tax Commission's 2013 Annual Report indicates that 163,335 special assessments are currently in effect, and 155,403 or 95% of them are held by persons age 65 or over. The potential new eligibles allowed by this bill might increase the level of special assessments in the state by over 20% from current levels. However, some portion of these taxpayers would not be homeowners and would not be eligible even with this bill's provisions in place. Given the absolute number of potential eligibles though, even if only one-half received special assessment as a result of this bill, it would add 19,000 homesteads to the existing count, or an additional 11% to the total.

Special assessment does not directly or immediately reduce the local property tax base, but does reduce its growth potential over time. Diminished aggregate growth potential resulting from expanded special assessment may ultimately result in higher millages and the shifting of the tax burden to other taxpayers not receiving the benefit of special assessment.

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|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Senate                                                                      | <u>Dual Referral Rules</u>                                                                 | House                                                                     |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |                                                                           |

  
**John D. Carpenter**  
 Legislative Fiscal Officer