



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0407 - Provide for affordable housing abatements (Fern, Dave)	
Status:	As Amended in House Committee

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
Expenditures:				
General Fund	\$86,249	\$84,560	\$85,672	\$86,802
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	(\$86,249)	(\$84,560)	(\$85,672)	(\$86,802)

Description of fiscal impact: HB 407 grants county and municipal governments authority to offer local property tax abatements for property that meets the bill's tenant income and unit rental cost standards for housing units, multifamily housing units, and accessory dwelling units. The bill as amended reduces the abatement length to 10 years, narrows the qualifying income requirements, increases the required rent reduction and adds authority to offer abatements to affordable trailer courts. If a jurisdiction established an affordable rental program and granted these abatements properties that apply and qualify would receive full market value abatement in the first year in the program and be cumulatively assessed an additional 11% of their market value each year until the assessment reaches 100% of market value in year 10. These local abatements could shift taxes between taxpayers in jurisdictions that offer these local abatements. The Department of Revenue Property Assessment Division would require 1.00 FTE, ongoing, to coordinate with local jurisdictions and apply abatements to property records.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 407 provides for local property tax abatements for affordable multifamily rental housing, affordable rental housing, affordable accessory dwelling units, and affordable trailer courts.
2. Properties that qualify for these abatements are fully exempt the first year and then assessed at an additional 11% of market value the next nine years until fully assessed at 100% of their market value the 10th year. The property would be taxed at 100% of its market value in subsequent years unless the taxpayer reapplies for and is granted a new abatement. For qualifying rental housing and accessory dwelling units, the exemption would only apply to the eligible improvement value and excludes the land value.
3. Applications for these abatements must be approved by resolution by the local governing body. The abatement only applies to the mills levied by the local governing body and the local school mills. The abatement would not apply to the state school equalization mills.
4. If the property is located within a city, the property owner would need to apply and be approved by both the city and the county to receive a full abatement.
5. The affordable multifamily rental housing abatement applies to newly constructed property where at least 20% of the units are rent-restricted, the tenant's income must fall between 60% and 100% of the area median income, and the tenant's rent must be 30% or less of their gross household income or 80% or less than the market rent adopted by the city or county providing the abatement.
6. This bill also provides an abatement for affordable rental housing, which is multifamily rental housing with four or fewer units and accessory dwelling units. To qualify, the tenant's income must fall between 60% and 100% of the area median income and the tenant's rent must be 30% or less of their gross household income or 80% or less than the market rent adopted by the city or county providing the abatement.
7. Existing properties could receive this abatement, but it would only be applied to the portion of value associated with a unit that is rent restricted.
8. HB 407 as amended provides abatements for affordable trailer courts. The determination as to whether a trailer court qualifies as an affordable trailer court would be made by the local government offering the abatement.
9. HB 407 requires that abated properties be annually reviewed and recertified by the local jurisdiction.
10. The abatements outlined in this bill allow for a recapture of taxes if the local governing body determines that the property failed to meet the terms for receiving the abatement outlined in the enabling resolution.
11. Because these abatements only apply to the approving local governments' mills and local school mills, there would be no impact to state revenue.

DOR Administrative Costs

12. Administrative rules would be necessary for outlining the process and timeframe for the local governing bodies' annual abatement review, certification of abatement qualification, and notification of the department.
13. The abatements would require the department to create new application forms, new exemption type pages, class codes to be added, and potentially change some system algorithm changes.
14. The Property Assessment Division would require 1.00 ongoing FTE to coordinate these abatements with local governments, apply the abatements to the respective records, maintain those abatements, and verify the eligibility of the affordable housing, accessory dwelling, and trailer court property.

<u>Fiscal Impact:</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
Department of Revenue				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$74,691	\$75,863	\$76,812	\$77,774
Operating Expenses	\$11,558	\$8,697	\$8,860	\$9,028
TOTAL Expenditures	\$86,249	\$84,560	\$85,672	\$86,802

<u>Funding of Expenditures:</u>				
General Fund (01)	\$86,249	\$84,560	\$85,672	\$86,802
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$86,249	\$84,560	\$85,672	\$86,802

<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$86,249)	(\$84,560)	(\$85,672)	(\$86,802)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. The abatements provided in HB 407 would reduce the overall taxable value in approving jurisdictions.
2. To generate the same amount of revenue, mill levies impacted by these abatements could rise to offset the tax base reduction in the local jurisdictions with approved abatements.
3. The amount of abatements that would be granted by jurisdictions is unknown as is the total value of potential tax shifts.

Long-Term Impacts:

1. Over the 10-year life of a property's receipt of these abatements, the local property taxes paid by the property would be about 50% lower than they otherwise might have been. With the amendments to HB 407, property owners may reapply for these abatements in subsequent years.

AF

Sponsor's Initials

2/20/23

Date

[Signature]

Budget Director's Initials

2-27-23

Date