



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0494 - Revise property tax assistance program and disabled veteran program (Hamilton, Jim )

**Status:** As Introduced

- Significant Local Gov Impact     
  Needs to be included in HB 2     
  Technical Concerns  
 Included in the Executive Budget     
  Significant Long-Term Impacts     
  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$233,427	\$83,691	\$84,616
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	(\$8,735,000)	(\$10,031,000)	(\$10,964,000)
State Special Revenue	\$0	(\$548,000)	(\$630,000)	(\$689,000)
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>(\$8,968,427)</u>	<u>(\$10,114,691)</u>	<u>(\$11,048,616)</u>

**Description of fiscal impact:** HB 494 revises the income limits for each tier of exemption percentage within the Property Tax Assistance Program and the Disabled Veteran Program to be associated with the Federal Poverty Level. HB 494 also increases the market value cap for homes enrolled in the Property Tax Assistance Program. The Department of Revenue will need an additional 3.00 FTE in the first year for additional application volume and 1.00 FTE ongoing for program maintenance.

### FISCAL ANALYSIS

**Assumptions:****Department of Revenue**

- HB 494 revises the income limits for the Property Tax Assistance Program (PTAP) and the Disabled Veteran Assistance Program (DAV) by using percentage multipliers of the federal poverty level (FPL) to determine eligibility. The FPL is adjusted for the number of persons within a household.
- In addition to the FPL income limits, this bill also specifies a top qualifying income limit of \$75,000 for both PTAP and DAV applicants.

3. Under current law, PTAP applies a percentage to the normal class 4 residential property tax rate of 1.35%. There are three tiers of adjustments: 20%, 50%, and 70%. The percent adjustment a property receives depends on the income of the applicant. These factors are only applied against the tax rate up to a \$200,000 market value (MV) limit. HB 494 would revise the adjustment tiers to only be 20% and 50%.
4. The table below shows the estimated maximum income eligibility limits for PTAP by number of persons within a household. Because of the \$75,000 income limit proposed in HB 494, \$75,000 is the income maximum limit in cases where the adjusted FPL was above \$75,000.

Taxable Percentage	Percent of FPL	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons or more
20%	175%	\$25,515	\$34,510	\$43,505	\$52,500	\$61,495	\$70,490	\$75,000
70%	350%	\$51,030	\$69,020	\$75,000	\$75,000	\$75,000	\$75,000	-

5. This bill also increases the market value eligible for the reduction each year starting in TY 2024. From TY 2024 to TY 2027, the market value limit increases by \$25,000 each year. For TY 2028 and TY 2029, the market value limit increases by \$50,000 each year (to arrive at a limit of \$400,000 in TY 2029). In TY 2030 and forward, the market value amount must be adjusted annually using the PCE inflation factor.
6. There were 21,542 properties enrolled in the PTAP program in TY 2022. The market value of PTAP property was adjusted by the growth rates in HJ 2 to arrive at estimated values for each tax year. It is assumed all these properties will continue to meet PTAP income eligibility.
7. The taxable value reduced by the PTAP program under current law is estimated by comparing the abated taxable value with the current market value cap of \$200,000 and the amount unabated taxable value for the same properties. The statewide reduction in taxable value due to the program is shown in the following table:

	TV (Current Law)	Unabated TV	Difference
TY 2024	\$45,083,000	\$77,066,000	-\$31,983,000
TY 2025	\$51,851,000	\$77,066,000	-\$25,215,000
TY 2026	\$53,680,000	\$86,597,000	-\$32,917,000

8. Aligning the income brackets with the FPL instead of inflation-adjusted income tables and removing the 70% adjustment tier would cause some currently qualifying properties to shift to different percent adjustment tiers.
9. Additionally, more properties would now qualify for the PTAP exemption with the income eligibility revisions in this bill.
10. Revising the income eligibility brackets would have an interaction effect with the increasing market value caps. This interaction effect is modeled by applying a percentage change to the abated market value of currently qualifying PTAP properties, simulating the shift and increase in benefits.
11. The number of individual income tax returns that fall into the current income ranges for the PTAP program were compared with the number of tax returns that fit into the PTAP ranges proposed in HB 494. Those ratios are displayed in the table below:

Taxable Percentage	Participant Ratio with Bracket Expansion
20%	256.83%
50%	310.13%
70%	0.00%
Overall	180.20%

12. Due to both newly eligible participants and current participants shifting to different brackets, the number of participants in the 20% and 50% brackets are expected to increase by 156.83% and 210.13%. The ratio for the 70% bracket is 0% because that bracket is not included in HB 494. Overall participation in the program is estimated to increase by 80%, which equates to approximately 17,300 households.

13. Adjusting for property value growth rates (HJ 2), the increased market value abatement cap of \$225,000, and the participation ratios above, the total abated taxable values in TY 2024 under the PTAP portion of HB 494 are shown in the table below.

Taxable Percentage	Abated TV 2024 CL	Abated TV 2024 HB 494	Non-Abated TV 2024 HB 494
20%	\$6,464,000	\$17,997,000	\$89,985,000
50%	\$3,801,000	\$12,952,000	\$25,905,000
70%	\$5,427,000	\$0	\$0
<b>Total</b>	<b>\$15,692,000</b>	<b>\$30,949,000</b>	<b>\$115,890,000</b>

14. The same process for the increasing market value limits (\$250,000 for TY 2025, \$275,000 for TY 2026) was replicated for TY 2025 and TY 2026 below:

Taxable Percentage	Abated TV 2025 CL	Abated TV 2025 HB 494	Non-Abated TV 2025 HB 494
20%	\$6,629,000	\$19,913,000	\$99,563,000
50%	\$3,859,000	\$14,352,000	\$28,703,000
70%	\$5,515,000	\$0	\$0
<b>Total</b>	<b>\$16,003,000</b>	<b>\$34,265,000</b>	<b>\$128,266,000</b>

Taxable Percentage	Abated TV 2026 CL	Abated TV 2026 HB 494	Non-Abated TV 2026 HB 494
20%	\$6,668,000	\$21,333,000	\$106,665,000
50%	\$3,872,000	\$15,508,000	\$31,017,000
70%	\$5,535,000	\$0	\$0
<b>Total</b>	<b>\$16,075,000</b>	<b>\$36,841,000</b>	<b>\$137,682,000</b>

15. The difference between expected abated TV and non-abated TV is \$100.198 million in TY 2024, \$112.263 million in TY 2025, and \$121.607 million in TY 2026.

16. Comparing these differences to the estimated reduction in taxable value under current law for PTAP, the total estimated taxable value difference from HB 494 is shown in the following table along with the estimated revenue impacts to state revenue:

TY	FY	TV Difference	GF Difference	MUS Difference
2024	2025	-\$68,215,000	-\$6,515,000	-\$409,000
2025	2026	-\$79,524,000	-\$7,595,000	-\$477,000
2026	2027	-\$88,690,000	-\$8,470,000	-\$532,000

17. Under current law, the DAV exemption applies a percentage adjustment to the normal class 4 residential property tax rate of 1.35%. There are four tiers of adjustments: 0%, 20%, 30%, and 50%. Unlike the case with PTAP, these factors are applied against the tax rate for the full market value. HB 494 would revise the adjustment tiers to: 0%, 20%, and 50%.

18. The table below shows the estimated maximum income eligibility limits by number of persons within a household for DAV. \$75,000 is the maximum limit in cases where the adjusted FPL was above \$75,000. The 385% FPL level in HB 494 for two persons or more were all above the \$75,000 limit.

Taxable Percentage	% FPL Single Person Household	Income Single Person Household	% FPL Multiple Person Household	Income Multiple Person Household
0%	325%	\$47,385	385%	\$75,000
20%	385%	\$56,133	425%	-
50%	425%	\$61,965	485%	-

19. Aligning the income brackets with the FPL and number of persons in a household instead of the inflation-adjusted income amount tables in current law, as well as and removing the 30% adjustment tier, would cause some currently qualifying properties to shift to different percent adjustment tiers.
20. Additionally, more properties would now qualify for the DAV exemption with the income eligibility bracket revisions in this bill.
21. The shift and increase in benefits are modeled by applying a percentage change to the market value of currently qualifying DAV properties.
22. The number of individual income tax returns that fall into the current income ranges for the DAV program were compared with the number of tax returns that fit into the DAV ranges proposed in HB 494. Those ratios are displayed in the table below:

Taxable Percentage	Participant Ratio
0%	136.85%
20%	26.26%
30%	0.00%
50%	19.40%
<b>Overall</b>	<b>115.93%</b>

23. Due to both new participants being eligible and current participants shifting to different brackets, the number of participants in the 0% bracket is expected to increase by 36.85%, while the number of participants in the 20% and 50% categories are expected to decrease. The 30% bracket is 0% because that bracket is not included in HB 494. Overall participation in the program is estimated to increase by 15.93%, which equates to approximately 500 disabled veteran households.
24. Applying the estimated property value growth rates in HJ 2, the total taxable value differences and impacts to state revenues due to the DAV portion of this bill are shown below:

TY	FY	TV Difference	GF Difference	MUS Difference
2024	2025	-\$23,242,000	-\$2,220,000	-\$139,000
2025	2026	-\$25,511,000	-\$2,436,000	-\$153,000
2026	2027	-\$26,116,000	-\$2,494,000	-\$157,000

25. HB 494 would be effective beginning in FY 2025.

*DOR Administrative Costs*

26. The Department of Revenue will require an additional 3.00 FTE in FY 2025 for application processing with the expansion of the pool of eligible PTAP and DAV applicants.
27. For FY 2026 and beyond, the Department of Revenue will require 1.00 FTE for program maintenance.
28. Decision letter mailings costs would increase about \$11,748 each year.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2024 Difference</u></b>	<b><u>FY 2025 Difference</u></b>	<b><u>FY 2026 Difference</u></b>	<b><u>FY 2027 Difference</u></b>
<b>Department of Revenue</b>				
FTE	0.00	3.00	1.00	1.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$187,014	\$63,083	\$63,840
Operating Expenses	\$0	\$46,413	\$20,608	\$20,776
<b>TOTAL Expenditures</b>	<b>\$0</b>	<b>\$233,427</b>	<b>\$83,691</b>	<b>\$84,616</b>

<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$233,427	\$83,691	\$84,616
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$0</b>	<b>\$233,427</b>	<b>\$83,691</b>	<b>\$84,616</b>

<b><u>Revenues:</u></b>				
General Fund (01)	\$0	(\$8,735,000)	(\$10,031,000)	(\$10,964,000)
State Special Revenue (02)	\$0	(\$548,000)	(\$630,000)	(\$689,000)
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>(\$9,283,000)</b>	<b>(\$10,661,000)</b>	<b>(\$11,653,000)</b>

<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	(\$8,968,427)	(\$10,114,691)	(\$11,048,616)
State Special Revenue (02)	\$0	(\$548,000)	(\$630,000)	(\$689,000)

**Effect on County or Other Local Revenues or Expenditures:**

1. Both PTAP and DAV reduce the taxable value of qualifying properties. It is assumed that local governments will offset taxable value reductions to the loss in taxable value. HB 494 results in a taxable value reduction of \$91.457 million in TY 2024, \$105.035 million in TY 2025, and \$114.806 million in TY 2026. That change represents percentage reductions in state wide taxable value of 2.0% in FY 2025, 2.1% in FY 2026 and 2.3% in FY 2027.

**Long-Term Impacts:**

1. By TY 2029, the market value limit for the PTAP exemption would be increased to \$400,000. From TY 2030 on, the market value limit would increase by the PCE inflation factor each year. As the market value limit for the PTAP exemption increases each tax year, a larger portion of the market value will be abated by the PTAP exemption, resulting in greater statewide taxable value reductions due to the program.

**NOT SIGNED BY SPONSOR**

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Sponsor's Initials

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Date

  
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Budget Director's Initials

  
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