

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1560 HB	<b>Title:</b> Property tax exemptions
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## Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(1,400,000)		(1,000,000)		(1,800,000)
Local Gov. Total		(1,400,000)		(1,000,000)		(1,800,000)

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	2.8	1,485,300	1,485,300	1,485,300	1.9	766,000	766,000	766,000	1.9	766,000	766,000	766,000
Department of Veterans Affairs	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>2.8</b>	<b>1,485,300</b>	<b>1,485,300</b>	<b>1,485,300</b>	<b>1.9</b>	<b>766,000</b>	<b>766,000</b>	<b>766,000</b>	<b>1.9</b>	<b>766,000</b>	<b>766,000</b>	<b>766,000</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Veterans Affairs	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 2/ 7/2023
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1560 HB	<b>Title:</b> Property tax exemptions	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Expenditures from:**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.9	2.7	2.8	1.9	1.9
<b>Account</b>					
GF-STATE-State 001-1	996,600	488,700	1,485,300	766,000	766,000
<b>Total \$</b>	996,600	488,700	1,485,300	766,000	766,000

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Rachelle Harris	Phone: 60-786-7137	Date: 01/24/2023
Agency Preparation: Frank Wilson	Phone: 60-534-1527	Date: 02/06/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/07/2023

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Note: This fiscal note reflects a revision to the expenditure impact, and replaces fiscal note number 1560-1.

#### CURRENT LAW:

The law provides an exemption to property tax (exemption program) on the primary residence of qualifying persons, such as senior citizens (aged 61 or older) and veterans and individuals with disabilities. The level of exemption varies based on the participant's income threshold.

The income thresholds necessary to qualify in the exemption program are as follows:

- Income threshold 1 is the greater of \$30,000, or 45% of the median household income for the county.
- Income threshold 2 is the greater of \$35,000, or 55% of the median household income for the county.
- Income threshold 3 is the greater of \$40,000, or 65% of the median household income for the county.

Each threshold is adjusted every five years, with the next adjustment taking place on March 1, 2024, for taxes levied for collection in 2025.

Currently the income threshold necessary to qualify in the senior citizens and veterans and individuals with disabilities property tax deferral program (deferral program) is as follows:

- \$45,000 or 75% of the median household income for the county, whichever is greater.

The law requires the Department of Revenue (department) to update the income thresholds beginning August 1, 2019, and by March 1st every five years thereafter.

Beginning with the March 1, 2024, adjustment and every second adjustment thereafter, if the income threshold in a county is not adjusted based on percentage of county median income, then the income threshold must adjust based on the growth of the consumer price index for all urban consumers (CPI-U) for the prior 12-month period as published by the United States Bureau of Labor Statistics. In no case may the adjustment be greater than 1%.

The exemption requires the "principal place of residence" claimed must be occupied for more than six months each calendar year by the applicant.

#### PROPOSAL:

Beginning with taxes collected in 2020 through 2023 and 2025, and thereafter, the income thresholds necessary to qualify in the exemption program are amended as follows:

- Income threshold 1 is the greater of \$30,000, or 45% of the median household income for the county.
- Income threshold 2 is the greater of \$35,000, or 55% of the median household income for the county.
- Income threshold 3 is the greater of \$40,000, or 65% of the median household income for the county.

The bill requires the department to update the income thresholds beginning August 1, 2024, and by August 1st every three years after.

For taxes collected in 2024, the income thresholds necessary to qualify in the exemption program are as follows:

- Income threshold 1 from the previous year, plus 10%.
- Income threshold 2 from the previous year, plus 10%.
- Income threshold 3 from the previous year, plus 10%.

Beginning with the August 1, 2024, adjustment, and every second adjustment after, if the income threshold in a county is not adjusted based on percentage of county median income, then the income threshold must adjust based on the growth of the consumer price index for all urban consumers (CPI-U) for the prior 12-month period as published by the United States Bureau of Labor Statistics. In no case may the adjustment be greater than 1%.

Income thresholds cannot be less than any previous year's set threshold.

The tax preference provisions do not apply to this act.

Subject to availability of funds, the bill requires the department to establish a grant program to support local assessors and requirements under current law.

The department must assemble a process and improvement workgroup to examine best practices regarding service-connected disabled veterans and senior citizens property tax exemption programs. The department appoints work group members with consultation from the Washington state association of county assessors and Washington association of county officials. The group must convene by October 1, 2023, and submit a final report to the governor and the appropriate committees of the legislature by December 1, 2024.

The requirement for a workgroup in section 5 expires December 1, 2025.

#### EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session.

## II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

#### ASSUMPTIONS

- Taxes collected in 2025 use the income thresholds from the previous year plus 1%, or the designated threshold percentage of median household income for a county. As stated in current law, income adjustments cannot be negative (RCW 84.36.385(8) and RCW 84.36.385(9)).
- Each year the Department analyzes local regular levies and how close each district is to their statutory tax rate maximum. Based on that analysis a new property tax exemption would result in 90% of local property taxes impacted by the exemption to be shifted to non-exempt property owners. Local taxing districts would experience a loss equal to 10% of local property taxes impacted by the exemption. Based on five years of state property tax collections, 52.36% of state property tax collections occur in April and 47.64% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenues shifts and losses follow this trend.
- Median household income by county, as obtained from Office of Financial Management website and income growth over the forecasted period obtained from the Economic Forecast Council, 2022 forecast of income growth. These income estimates calculate the income threshold changes in accordance with the bill.
- Approximately 15,000 additional households will receive the senior, veteran, and disabled property tax exemption beginning in tax year 2024.

#### DATA SOURCES

- Census Bureau, American Community Survey 2016-2020
- Department of Revenue, State Property Tax Model
- Economic and Revenue Forecast Council, 2022 forecast of income growth
- Office of Financial Management (OFM) - Median Household Income Estimates by County: 1989 to 2019; Preliminary

estimates for 2020 and Projections for 2021

- US Department of Veteran Affairs

#### REVENUE ESTIMATES

The Economic and Revenue Forecast Council predicts the state property tax levy remains below the \$3.60 limit throughout the 2027-29 biennium. A new exemption results in a shift and no loss to the state levy.

#### PROPERTY TAX SHIFTS

This legislation results in a state levy shift to other taxpayers of an estimated \$4.9 million for fiscal year 2024 and \$6.1 million in fiscal year 2025, the first full fiscal year.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): None

Local Government, if applicable (cash basis, \$000):

FY 2024 - (\$ 600)

FY 2025 - (\$ 800)

FY 2026 - (\$ 500)

FY 2027 - (\$ 500)

FY 2028 - (\$ 800)

FY 2029 - (\$ 1,000)

#### DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

State Government, Impact on Revenues (\$000): None

State Government, (\$000), Shift of Tax Burden:

CY 2024 - \$ 9,300

CY 2025 - \$ 3,200

CY 2026 - \$ 3,200

CY 2027 - \$ 3,000

CY 2028 - \$ 6,900

CY 2029 - \$ 7,000

Local Government, Impact on Revenues (\$000) :

CY 2024 - (\$ 1,200)

CY 2025 - (\$ 400)

CY 2026 - (\$ 500)

CY 2027 - (\$ 500)

CY 2028 - (\$ 1,000)

CY 2029 - (\$ 1,100)

Local Government, (\$000), Shift of Tax Burden:

CY 2024 - \$ 28,800

CY 2025 - \$ 10,200

CY 2026 - \$ 10,200

CY 2027 - \$ 9,800

CY 2028 - \$ 23,600

CY 2029 - \$ 25,000

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## II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

### ASSUMPTIONS:

- This bill affects senior citizens, people with disabilities, and disabled veterans as well as county assessor and other organizations that assist and educate these individuals regarding the property tax exemption program for individuals.
- Subject to appropriated funds, the department establishes and administers a grant program to assist county assessors in advertising the property tax exemption program.
- Subject to appropriated funds, the department convenes a work group to study best practices and improvement opportunities for the property tax exemption program. A final report will include budgetary, administrative policy, and legislative recommendations.

### FIRST YEAR COSTS:

The department will incur total costs of \$996,600 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 2.9 FTEs.

- Recruitment of an outside vendor to establish and assist the work group with a study and report.
- Participate in the work group.
- Provide analytic and subject matter support to the work group.
- Calculate updated income thresholds.
- Establish and administer a grant program.

Object Costs - \$623,200.

- Reimbursement to counties for the cost of the deferrals and benefits for additional qualified recipients in the amount of \$157,000.
- Purchase one additional software license for statistical reports.
- Train new and current staff on software.
- Travel for events and conferences related to software usage.
- Personal services contract for economic analysis, research and assisting in preparation of proposals, presentations, and reports.

### SECOND YEAR COSTS:

The department will incur total costs of \$488,700 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 2.7 FTEs.

- Continue administration of the grant program.
- Complete the work group facilitation and prepare and present a final report.
- Contribute drafting assistance for the report due to the Legislature.

Object Costs - \$161,000.

- Reimbursement to counties for the cost of the deferrals and benefits for additional qualified recipients in the amount of \$157,000.
- Renew one additional software license for statistical reports.
- Train new and current staff on software.
- Travel for events and conferences related to software usage.

### ONGOING COSTS:

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Ongoing costs for the 2025-27 biennium equal \$776,000 and include similar activities described in the second-year costs. Time and effort equate to 1.9 FTEs per year.

Reimbursement to counties for the cost of the deferrals and benefits for additional qualified recipients:

- FY 2026 - \$157,000
- FY 2027 - \$157,000
- FY 2028 - \$157,000
- FY 2029 - \$157,000

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.9	2.7	2.8	1.9	1.9
A-Salaries and Wages	228,000	213,600	441,600	291,200	291,200
B-Employee Benefits	75,300	70,500	145,800	96,200	96,200
C-Professional Service Contracts	460,000		460,000		
E-Goods and Other Services	48,900	32,000	80,900	41,400	41,400
G-Travel	7,200	7,200	14,400	11,400	11,400
J-Capital Outlays	20,200	8,400	28,600	11,800	11,800
N-Grants, Benefits & Client Services	157,000	157,000	314,000	314,000	314,000
<b>Total \$</b>	<b>\$996,600</b>	<b>\$488,700</b>	<b>\$1,485,300</b>	<b>\$766,000</b>	<b>\$766,000</b>

III. B - Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
CONTRACTS SPECIALIST 3	71,520	0.1		0.1		
EMS BAND 4	126,619	0.0		0.0		
MGMT ANALYST4	73,260	0.0		0.0		
PROPERTY AND ACQUISITION SI	73,260	1.6	1.6	1.6	1.6	1.6
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.8	0.8	0.8		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 2	94,669	0.3	0.3	0.3	0.3	0.3
WMS BAND 3	107,685	0.0		0.0		
<b>Total FTEs</b>		<b>2.9</b>	<b>2.7</b>	<b>2.8</b>	<b>1.9</b>	<b>1.9</b>

#### III. C - Expenditures By Program (optional)

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

#### IV. B - Expenditures by Object Or Purpose

NONE



#### **IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

#### **Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the department will use the expedited process to amend  
WAC 458-16A-100, titled: "Senior citizen, disabled person, and disabled veteran exemption-Definitions."  
WAC 458-16A-130, titled: "Senior citizen, disabled person, and disabled veteran exemption-Qualifications for exemption."  
WAC 458-18-010, titled: "Deferral of special assessments and/or property taxes-Definitions."

Persons affected by this rulemaking would include individuals who may qualify for a property tax exemption or deferral.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1560 HB	<b>Title:</b> Property tax exemptions	<b>Agency:</b> 305-Department of Veterans Affairs
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Rachele Harris	Phone: 360-786-7137	Date: 01/24/2023
Agency Preparation: Chony Culley	Phone: 3604808127	Date: 01/27/2023
Agency Approval: Yacob Zekarias	Phone: 253-545-1942	Date: 01/27/2023
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 01/29/2023

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

No fiscal impact.

Section 5(2)(c) requires the Department of Revenue to appoint the WA State Department of Veterans Affairs (WDVA) as a member of a working group examining best practices regarding service-connected disabled veterans and senior citizens property tax exemption programs. WDVA assumes it can absorb this additional requirement within existing resources.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

### III. B - Expenditures by Object Or Purpose

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 1560 HB	<b>Title:</b> Property tax exemptions
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**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- Cities: decrease in property tax revenue, tax shift
- Counties: same as above
- Special Districts: same as above
- Specific jurisdictions only:
- Variance occurs due to:

**Part II: Estimates**

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: membership and participation on the workgroup, details of the grant program, potential grant amounts

**Estimated revenue impacts to:**

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	(178,699)	(238,265)	(416,964)	(297,832)	(536,096)
County	(219,667)	(292,890)	(512,557)	(366,112)	(659,002)
Special District	(201,634)	(268,845)	(470,479)	(336,056)	(604,902)
<b>TOTAL \$</b>	(600,000)	(800,000)	(1,400,000)	(1,000,000)	(1,800,000)
<b>GRAND TOTAL \$</b>					(4,200,000)

**Estimated expenditure impacts to:**

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**Part III: Preparation and Approval**

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/06/2023
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 01/24/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/06/2023

## Part IV: Analysis

### A. SUMMARY OF BILL

*Description of the bill with an emphasis on how it impacts local government.*

This bill would:

- Increase income thresholds for the senior citizen, disabled individuals, and qualifying veterans property tax relief program (SPTE) by 10 percent for taxes collected in 2024
- Require adjustments to income thresholds for property tax relief programs every three years
- Establish a grant program and work group for the senior citizen, disabled individuals, and qualifying veterans property tax relief program

### B. SUMMARY OF EXPENDITURE IMPACTS

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill would require the Department of Revenue (DOR) to convene an SPTE process and improvement work group. The group must examine best practices regarding the SPTE. The DOR must consult with the Washington State Association of County Assessors, Washington Association of County Officials to appoint members to the work group. Appointed members must include, but are not limited to representation for cities, counties, assessors, the Washington State Department of Veterans Affairs, and the American Association of retired Persons Washington. The first meeting of the work group must convene by October 1, 2023. The DOR must submit a final report to the governor and legislature by December 1, 2025, that includes budgetary, administrative policy, and legislative recommendations to improve the SPTE.

It is unknown who would be selected to participate in this workgroup or the level of participation that would be required. For local governments participating, there would be indeterminate costs for staff time and possibly travel expenses.

### C. SUMMARY OF REVENUE IMPACTS

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This bill would establish a grant program, subject to the availability of funds appropriated for this specific purpose, the department must establish a grant program to support the requirements on local assessors in RCW 84.36.385(6.) The details of the grant program are unknown, therefore impact on local government revenue is indeterminate.

This bill would also expand the qualifications for the SPTE, causing a decrease in local government property tax revenue and creating a shift of the tax burden.

According to the Department of Revenue (DOR) this bill would result in a state levy shift to other taxpayers of an estimated \$4.9 million for fiscal year 2024 and \$6.1 million in fiscal year 2025, the first full fiscal year. It would also decrease local government revenue by \$600,000 for fiscal year 2024 and \$800,000 in fiscal year 2025. Please see the DOR fiscal note for their assumptions and data sources.

#### REVENUE CHANGE BREAKDOWN

##### COUNTIES

FY 2024	-\$219,667
FY 2025	-\$292,890
FY 2026	-\$183,056
FY 2027	-\$183,056
FY 2028	-\$292,890
FY 2029	-\$366,112

CITIES

FY 2024	-\$178,699
FY 2025	-\$238,265
FY 2026	-\$148,916
FY 2027	-\$148,916
FY 2028	-\$238,265
FY 2029	-\$297,831

SPECIAL DISTRICTS

FY 2024	-\$201,634
FY 2025	-\$268,845
FY 2026	-\$168,028
FY 2027	-\$168,028
FY 2028	-\$268,845
FY 2029	-\$336,057

TAX SHIFT BREAKDOWN

COUNTIES

CY 2024	\$5,738,903
CY 2025	\$2,032,528
CY 2026	\$2,032,528
CY 2027	\$1,952,821
CY 2028	\$4,702,712
CY 2029	\$4,981,687

CITIES

CY 2024	\$4,634,558
CY 2025	\$1,641,406
CY 2026	\$1,641,406
CY 2027	\$1,577,037
CY 2028	\$3,797,763
CY 2029	\$4,023,054

SPECIAL DISTRICTS

CY 2024	\$18,426,538
CY 2025	\$6,526,066
CY 2026	\$6,526,066
CY 2027	\$6,270,142
CY 2028	\$15,099,525
CY 2029	\$15,995,259

ASSUMPTIONS AND METHODOLOGY:

Tax Shift and Revenue Loss:

Tax exemptions lower the taxable value against which taxing districts levy their taxes. When exemptions are enacted, taxing districts may compensate for the loss in taxable value by increasing the tax rate for taxpayers who are not eligible

for the exemptions. Consequently, taxpayers who do not benefit from the exemption would pay a higher tax. This higher tax results in a tax shift from the exempt taxpayers to the non-exempt taxpayers. However, when a taxing district is restricted from increasing the tax rate due to a levy limit, the taxing district incurs a revenue loss. Local government revenue losses were computed by taking the DOR fiscal note data and multiplying the result by the property tax distribution for counties, cities and special districts. These percentages are derived from DOR Property Tax Statistics for 2022.

#### Calendar Year versus Fiscal Year:

Note that a tax shift is presented by calendar year (CY) and a revenue loss is presented by fiscal year (FY). Taxes are assessed and collected by the counties on a calendar-year basis. When a tax shift occurs, it is computed for the calendar year. Because revenue and expenditures are reported on a fiscal year basis, the revenue loss is also for a fiscal year. Tax shift figures for special districts include school districts; school districts do not experience a revenue loss.

#### SOURCES:

Department of Revenue fiscal note, HB 1560 (2023)

Department of Revenue Property Tax Statistics 2022

House Bill Analysis, HB 1560, Finance Committee

Local Government Fiscal Note “Tax Shift and Revenue Loss Model” (2023)