

The following analysis should be used as a way to compare alternative approaches and not as forecasts of anticipated revenue. *This modeling was previously presented to the Senate Committee on Finance in April 2022.*

**Table 1 - Comparison of alternative property tax adjustment calculation changes**

Column number	Modeled scenario	Income threshold	Maximum value of housesite that can be substituted by tax on income		Maximum income eligible for property tax adjustment	Percentage of homeowners receiving a property tax adjustment	Additional cost
			For households with incomes below the threshold:	For households with incomes above the threshold:			
1.	2022 Current Law	\$90,000	\$400,000	\$225,000	\$135,000	63%	-
2.	Cost of living increase of 5%	\$95,000	\$420,000	\$236,000	\$142,000	64%	\$6.5 million
3.	20% increase in income threshold and housesite cap increase in second group only	\$108,000	\$400,000	\$270,000	\$162,000	68%	\$19 million
4.	20% increase in income threshold and housesite caps for both groups	\$108,000	\$480,000	\$270,000	\$162,000	68%	\$22 million
5.	Increase second group to a maximum income of \$200,000 (95th percentile)	\$108,000	\$400,000	\$335,000	\$200,000	71%	\$31 million
6.	Housesite cap of \$480 first group and a maximum income of \$200,000 (95th percentile)	\$108,000	\$480,000	\$335,000	\$200,000	71%	\$34.4 million
7.	Housesite cap set at \$400,000 for all incomes	-	\$400,000		\$240,000	72%	\$40 million

The following caveats should be considered when interpreting the analysis:

- a) The credit being estimated would be applied to the following year’s tax bill. Generally, the consensus estimates are only prepared for the next year.
- b) The credit is based on household income. People don’t file household income unless they expect to receive a credit. To estimate the household income of higher-income homeowners, JFO used tax data for 2019 AGI and inflated it using consensus inflation rates and equations to 2022.
- c) The yields have not been set for FY23. For this analysis, the yields were assumed to be the administration’s recommended yields from the December 1 letter.
- d) The consensus estimates for inflation and income growth anticipate larger increases in both than what has been observed in the recent past. As a result, the cost of the property tax adjustment would be lower in FY24 than in FY22. For the same reason, the number of homeowners receiving the credit would decrease.
- e) The number of homeowners was held constant for the analysis.