

# Property Tax Credit Proposal

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# Statutory Charge, Act 183 of 2024, Sec. 21

On or before December 15, 2024, the Commissioner shall recommend administrative and policy improvements for property tax credit claims, including the use of an asset declaration. The report shall be submitted to the House Committee on Ways and Means and the Senate Committee on Finance.

Please check out the report!: [Act 183 Report](#)

The Tax Department is recommending that the education part of the income-based credit system be reconfigured as a homestead exemption tiered based on income, effective July 1, 2027

**Proposed Framework:**

Household Income	Exemption	Maximum Exemption
Up to \$47,000	60% with an additional 10% for seniors	\$200,000
\$47,000 to \$90,000	50%	\$200,000
\$90,000 to \$125,000	10%	\$50,000
Over \$125,000	Not eligible	Not eligible

The complexity of the current program gives rise to myths, misinformation, and tax surprises. With a homestead exemption, everyone in a town would pay the same property tax rate

**FY24 Current Law Education Taxpayer "Type" by Household Income Group**

Income Group	Count	Pay on Income	Pay on Income and Property	Pay on Property
\$0 to \$47,000	33,960	30,610 (90%)*	1,400 (4%)	1,950 (6%)**
\$47,000 to \$90,000	50,020	40,150 (80%)	3,810 (8%)	6,060 (12%)
\$90,000 to \$128,000	32,600	3,800 (12%)	20,430 (63%)	8,370 (26%)
Over \$128,000	56,420	N/A	N/A	56,420 (100%)
<b>All Homesteads</b>	173,00	74,560 (43%)	25,640 (15%)	72,800 (42%)

With a homestead exemption, it would be easy for a school board to show what different households in their district would pay based on a budget amount

**Projected FYXX Education Property Tax for Homesteads in Exampleville**



←-----Housesite Value-----→

<b>Income Group</b>	<b>\$75k</b>	<b>\$125k</b>	<b>\$175k</b>	<b>\$225k</b>	<b>\$275k</b>	<b>\$325k</b>	<b>\$375k</b>	<b>\$425k</b>	<b>\$475k</b>
Senior up to \$47k	\$338	\$563	\$788	\$1,013	\$1,238	\$1,875	\$2,625	\$3,375	\$4,125
Non-senior up to \$47k	\$450	\$750	\$1,050	\$1,350	\$1,650	\$1,950	\$2,625	\$3,375	\$4,125
\$47,001 to \$90,000	\$563	\$938	\$1,313	\$1,688	\$2,063	\$2,438	\$2,813	\$3,375	\$4,125
\$90,001 to \$125,000	\$1,013	\$1,688	\$2,363	\$3,038	\$3,713	\$4,388	\$5,063	\$5,738	\$6,413
Over \$125,000	\$1,125	\$1,875	\$2,625	\$3,375	\$4,125	\$4,875	\$5,625	\$6,375	\$7,125

## Other major advantages of a homestead exemption:

- › Would address the property value lag in the current system and would be sensitive to rate changes in the coming property tax year
- › More beneficial to people in lower value homes (usually smaller) and towns with lower property values
- › Similar progressivity with respect to income as current law, but more progressive with respect to property wealth
- › Makes it impossible to pay zero or negative for education tax
- › No payment from buyer to seller at closing
- › Easy to understand and very common in other states

## FY25 Example Tax impacts of a homestead exemption:

 <p style="text-align: center;"><b>Household 1</b></p>	 <p style="text-align: center;"><b>Household 2</b></p>
Value: \$400,000	Value: \$100,000
Household Income: \$50,000	Household Income: \$50,000
Current Law Education Tax: \$6,065 (taxes based on property value) - <u>\$4,580 (income-based credit)</u> = \$1,485 net education taxes	Current Law Education Tax: \$1,516 (taxes based on property value) - <u>\$31 (income-based credit)</u> = \$1,485 net education taxes
Homestead Exemption Tax: 3,032	Homestead Exemption Tax: \$758
<b>Increase of \$1,547 (+104%)</b>	<b>Decrease of \$727 (-49%)</b>

## Options for mitigating tax increases:

- › Education finance changes that happened at the same time and lowered everyone's property taxes
- › A reconfigured circuit breaker type credit that was paid out as an income tax refund
- › A "Deferral" program where property owners can defer some property taxes until the property is transferred, such as [Maine's](#) or [Minnesota's](#)