

# Act 183 of 2024: Property Tax Credit Asset Declaration Report

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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.

## The Tax Department does not recommend including an asset declaration

- › An asset declaration would impose an additional administrative hurdle for the roughly 125,000 homesteads who apply for income-based property tax relief each year
- › There is no established process for taxpayers to value their assets and there is no established process for the tax department to confirm asset values
- › If the asset declaration was used to deny the claims of some filers over a certain threshold, it would function as another arbitrary “cliff” in the benefit structure of the program

**Administrative and Policy Improvements:** The Tax Department recommends the education part of the income-based credit system be reconfigured as a homestead exemption tiered based on income

**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

With a homestead exemption, all homesteads in a town would pay the same property tax rate. Complexity of current law gives rise to myths, misinformation, and misinformed decisions

**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 would pay

**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
- › Makes it impossible to pay zero or negative for education
- › 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:

- › An education finance change that happened at the same time and lowered everyone's property taxes
- › A reconfigured circuit breaker type credit that was paid out as income tax refund
- › A "Deferral" program where property owners can defer some property taxes until the property is transferred