

FISCAL NOTE

| | FY 2025 | FY 2026 | FY 2027 |
|--|-----------------|-----------------|-----------------|
| NON-ADMINISTRATIVE IMPACT | | | |
| Anticipated Revenue increase/(decrease) | | | |
| SCHOOL FOUNDATION FUND (12 mills) | \$(40,500,000) | (\$80,300,000) | (\$82,700,000) |
| SCHOOL FOUNDATION FUND (31 mills) | \$(104,500,000) | (\$207,500,000) | (\$213,700,000) |
| AD VALOREM TAX (Local taxing entities) | \$(86,900,000) | (\$172,500,000) | (\$177,700,000) |
| PROPERTY TAX REDUCTION & REPLACEMENT ACCOUNT | \$479,600,000 | \$492,600,000 | \$509,200,000 |
| | FY 2025 | FY 2026 | FY 2027 |
| NON-ADMINISTRATIVE IMPACT | | | |
| Anticipated Expenditure increase | | | |
| PROPERTY TAX REDUCTION & REPLACEMENT ACCOUNT | \$231,900,000 | \$460,300,000 | \$474,100,000 |

Source of revenue increase and decrease and expenditure increase:

Beginning in tax year 2025 (paid in fiscal year (FY) 2026), this bill provides an exemption of \$1,000,000 of the fair market value of single family residential property. For tax year 2024 (paid in FY 2025) only, the exemption is \$200,000 of the fair market value of single family residential property. The bill also imposes an additional 2 percent statewide sales and use tax, the revenue from which is transferred to the property tax reduction and replacement account (Account) which the bill creates. Funds in the Account are distributed to county treasurers in the same manner property taxes are distributed, to reimburse each county and governmental entity for property tax revenue decreases from the exemption.

The bill is effective immediately, reducing property taxes beginning in tax year 2024 (FY 2025). The additional sales and use tax is effective July 1, 2024 increasing sales and use taxes beginning in FY 2025.

The Public School Foundation Program Fund (SFP) will experience both an entitlement expenditure increase and a recapture revenue decrease from the decrease in K-12 school district local revenues attributable to the 31 mills. The estimated impact attributable to the 31 mills is shown above as a revenue decrease to the SFP. Distributions from the newly created Account would reimburse this revenue decrease.

Any funds remaining in the Account after reimbursements have been paid shall be distributed upon application as a sales tax refund to any person who pays severance taxes and sales and use taxes. The amount refunded shall not exceed the amount of additional sales and use tax imposed by the bill or the amount of severance tax paid by the applicant in the preceding calendar year, whichever is less.

Assumptions:

The above property tax estimates are based on tax year 2023 residential fair market values and the statewide average 2023 mill levy. The tax year 2023 residential fair market values are adjusted by the forecast growth in the assessed value of non-mineral property found in Table 9 of the January 2024 Consensus Revenue Estimating Group (CREG) report.

Estimated sales and use tax collections are based on the January 2024 CREG forecast for General Fund sales and use tax collections and assume no reduction in consumption of sales-taxable goods under the new sales and use tax rate.

Based on the information above, this bill would decrease residential property taxes by an estimated \$231.9 million in tax year 2024 (FY 2025), an estimated \$460.3 million in tax year 2025 (FY 2026) and an estimated \$474.1 million in tax year 2026 (FY 2027). The revenue decreases to the SFP, K-12 school districts and local taxing entities are reimbursed from the proposed increase in sales and use tax revenue.

NOTICE-AGENCY ESTIMATE OF ADMINISTRATIVE IMPACT REQUESTED

This bill has administrative impact that appears to increase duties or responsibilities of one or more state agencies and may impact agency spending or staffing requirements. As introduced, the bill does not modify any state agency budget or current personnel authorizations.

The following state agencies will be asked to provide their estimate of the administrative fiscal impact prior to the first committee meeting held to consider the bill:

Department of Revenue

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