FISCAL NOTE

	FY 2025	FY 2026	FY 2027
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue (decrease)			
SCHOOL FOUNDATION FUND (12 mills)	$0	($41,600,000)	($41,800,000)
AD VALOREM TAX (Local taxing entities)	$0	($68,600,000)	($68,900,000)

	FY 2025	FY 2026	FY 2027
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase			
SCHOOL FOUNDATION FUND (31 mills)	$0	$107,400,000	$107,900,000

Source of revenue decrease and expenditure increase:

This bill establishes a property tax exemption to the fair market value of single family residential properties. The amount of the exemption is any fair market value of the property that is in excess of the prior year fair market value of the property plus 3 percent.

For tax year 2025, the prior year fair market value used to determine the exemption under this paragraph shall be the lesser of the actual fair market value of the property or the fair market value of the property in 2020 plus 3 percent for each tax year from 2020 to 2024.

The exemption is not applicable if the taxpayer acquired the property during the prior calendar year. The exemption shall first apply to the tax year beginning January 1, 2025, affecting property taxes paid to the Public School Foundation Program Fund (SFP), K-12 school districts, and other local taxing entities in fiscal year (FY) 2026.

The 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 from the revenue decrease attributable to the 31 mills is shown above as an expenditure increase from the SFP.

Assumptions:

The above estimates are based on tax year 2020 through tax year 2023 single family residential assessed values and average 2023 mill levies by county. Future assessed values are projected based on the forecast growth in the assessed value of non-mineral property found in Table 9 of the January 2024 Consensus Revenue Estimating Group report. It is unknown when and which properties are acquired by new taxpayers each year, but the annual proportion of residential and commercial properties sold each year is estimated from data from the Department of Revenue from 2013 to 2023 and is assumed to be independent of property values.

Based on the information above, this bill would decrease residential property taxes by an estimated $217.6 million in tax year 2025 (FY 2026) and an estimated $218.6 million in tax year 2026 (FY 2027). Of the estimated total impact, the decreased revenue from the 43 mills supporting the SFP is an estimated $149.0

million in tax year 2025 (FY 2026) and an estimated $149.7 million in tax year 2026 (FY 2027).

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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