FISCAL NOTE

	FY 2026	FY 2027	FY 2028
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increase/(decrease)			
PROPERTY TAX REDUCTION AND REPLACEMENT ACCOUNT	$487,200,000	$500,700,000	$513,300,000
SCHOOL FOUNDATION FUND	($128,500,000)	($231,200,000)	($235,800,000)
AD VALOREM TAX	($76,200,000)	($137,100,000)	($139,800,000)

	FY 2026	FY 2027	FY 2028
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase			
PROPERY TAX REDUCTION AND REPLACEMENT ACCOUNT	$204,700,000	$368,300,000	$375,600,000

Source of revenue increase (decrease) and expenditure increase:

This bill creates a property tax exemption for property owners that reside in single family residential property not less than 6 months of the year. The exemption is on the first $200,000 of fair market value in tax year 2025 (paid in FY 2026) and on the first $1,000,000 of fair market value in tax year 2026 (paid in FY 2027) and each tax year thereafter. The amount of the exemption shall be inflated on an annual basis beginning in tax year 2027 from $1,000,000 by the rate of inflation determined by the Department of Revenue (DOR) using the Consumer Price Index or 2 percent, whichever is less. The exemption shall only apply to privately owned single family residential property, including a detached garage and associated residential improved land.

The estimated decreases in property tax revenues to the School Foundation Program (SFP) and to other local taxing entities are provided in the above table. The SFP will experience a revenue decrease from the 43 mills supporting K-12 public education, which include the statewide 12 mill levy, the school district 25 mill levy, and the countywide 6 mill levy. For purposes of this analysis, the decrease in property tax revenues to the SFP is shown as an absolute revenue decrease in lieu of estimating the school district recapture revenue decrease and school district entitlement expenditure increase separately.

The bill also imposes an additional statewide sales and use tax of 2 percent, beginning July 1, 2025. An amount equal to the proposed sales and use tax shall be transferred to the proposed Property Tax Reduction and Replacement Account (Account). An amount in the Account equal to the tax collected from January 1 through December 31 of each year will be 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 proposed property tax exemption. If the amount available to distribute is insufficient to fully reimburse all governmental entities, the amount provided shall be proportionately reduced based on the revenue available. The additional sales and use tax rate may be reduced in intervals of one-quarter of 1 percent if the Governor certifies to the DOR that the amount of the tax together with the funds in the Account are sufficient to provide all reimbursements to local governments.

Assumptions:

The above estimate is based on tax year 2024 residential data from the statewide Computer Assisted Mass Appraisal System (CAMA) and the tax year 2024 statewide average mill levy of 68.504 mills. The January 2025 Consensus Revenue Estimating Group (CREG) forecast projects a zero percent growth rate in the assessed valuation of non-mineral property for tax years 2025 through 2027 (FY 2026 through FY 2028). Based on the information above, this bill would decrease total property taxes by approximately $204.7 million in tax year 2025 (FY 2026), $368.3 million in tax year 2026 (FY 2027) and $375.6 million in tax year 2027 (FY 2028). Of the estimated total impact, the decreased revenue from the 43 mills supporting the SFP is approximately $128.5 million in tax year 2025 (FY 2026), $231.2 million in tax year 2026 (FY 2027) and $235.8 million in tax year 2027 (FY 2028). It is estimated that the revenue increases from the proposed 2 percent sales and use tax will offset the revenue decreases in tax years 2025 through 2027 (FY 2026 through FY 2028).

If 2025 Senate File 48, 2025 Senate file 49 or both are enacted into law, the DOR shall determine the reduction in revenues to local governments from 2025 Senate File 48 and 2025 Senate File 49. These revenue reductions shall be reimbursed to counties in the same manner as provided in this bill, to the extent funds are available.

Note: According to the DOR, this proposed exemption cannot be applied for the 2025 tax year due to the application process that will be required to confirm the owner-occupied residency requirement. The application process would need to be in place for an estimated 170,000 households and could not be administered for the 2025 tax year.

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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