

FISCAL NOTE

	FY 2027	FY 2028	FY 2029
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue (decrease)			
SCHOOL FOUNDATION FUND	\$0	(\$29,400,000)	(\$30,000,000)
Ad Valorem (Local Entity Share)	\$0	(\$13,600,000)	(\$13,900,000)

This legislation would repeal the 25% Homeowner's Property Tax Exemption if the People's Initiative on property tax passes the November 2026 General Election. The People's Initiative would exempt 50% of the assessed value of a property on the dwelling only. Generally speaking, the 25% Homeowner's Property Tax Exemption is a 25% reduction of the fair market value of a single-family residential structure and the associated improved land.

The repeal of the 25% Homeowner's Property Tax Exemption would be an increase in residential property tax revenue. However, it is only repealed if the People's Initiative with the 50% residential property tax exemption on the dwelling is passed by the voters. The overall result of the property tax revenue addition from the repeal of the 25% Homeowner's Property Tax Exemption and the property tax revenue reduction from the 50% People's Initiative on property tax is an overall reduction in residential property taxes paid. The reduction is estimated at \$43 million for FY2028 and an estimated \$43.9 million for FY29.

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 an estimated 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 Ad Valorem (Local Entity Share) consists of the county, municipal, and special district mill levies. In FY 2025, the county levy accounted for 17.2 percent of total property tax collections, the municipal levy accounted for 2.0 percent, and special district levies collectively accounted for 8.5 percent. Total property taxes for education, discussed above, accounted for 72.2% in FY25.

Special districts vary widely in both purpose and structure, resulting in differing levels of reliance on property tax mill levy revenue. For example, hospital districts and airports are funded primarily through service charges, while senior citizen centers and cemetery districts rely more heavily on property tax revenues.

Assumptions:

Based on the information above, this bill would decrease total property taxes by approximately \$43 million in tax year 2027 (FY 2028) and approximately \$43.9 million in tax year 2028 (FY 2029). Of the estimated total impact, the decreased

Property tax exemptions-effect of people's initiative.

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revenue from the 43 mills supporting the SFP is approximately \$29.4 million in tax year 2027 (FY 2028) and approximately \$30 million in tax year 2028 (FY 2029).

The property tax estimate provided above was prepared using current law and 2025 tax year data from the CAMA system. The estimate started with the adjusted valuation from all exemptions and the 25% Homeowner's Property Tax Exemption was re-applied to the calculation. Then, the impact of the People's Initiative on residential property tax revenues was estimated by reducing the new dwelling assessed valuations by 50 percent. The estimate was also adjusted by the projected two percent non-mineral property assessed value growth from the October 2025 Consensus Revenue Estimating Group (CREG) forecast. The estimates used the average mill levy by county as opposed to using the statewide average mill levy.

This bill may require the Legislature to appropriate additional funds from the SFP for increased entitlement payments to ensure sufficient funding is available to offset the reduction in revenue generated by the school district 25 mill levy and countywide 6 mill levy.

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HB0147