Local Government Mandate Statement Kentucky Legislative Research Commission 2024 Regular Session

Part I: Measure Information

Bill Request #: 236
Bill #: HB 61
Document ID #: 323
Bill Title: AN ACT relating to the property tax homestead exemption.
Sponsor: Representative Ryan Dotson
Unit of Government: X City X County X Urban-County X Charter County X Consolidated Local X Government
Office(s) Impacted: Property Valuation Administrators, Local Government Entities
Requirement: X Mandatory Optional
Effect on Powers & Duties: X Modifies Existing Adds New Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 61 would amend KRS 132.810 to remove the requirement that the homestead exemption be construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972 and the cost-of-living indexing requirement. It would instead require the amount of the homestead exemption to be 50% of the first \$250,000 in assessed value for qualifying real property.

As shown in **Figure 1**, this would effectively decrease the property tax burden for qualifying real property valued more than \$92,700 (double the current exemption amount of \$46,350), but would increase the tax burden on property valued at less than \$92,700. According to the Fayette County Property Valuation Administrator (PVA), about 4% of qualifying properties in the county would receive a lower exemption amount and therefore a higher tax burden for the homeowner. For those at the lowest end of the property value spectrum such as mobile homes, the tax bills would double.



HB 61 would have no fiscal impact on property valuation administrators. PVAs use a computer program to calculate property tax bills each year, and already have to make adjustments to the system every two years when property values are recalculated. Adjusting to the new homestead exemption would not require any additional time or resources.

HB 61 would have a negative fiscal impact on local government entities that are funded by property tax revenues. The magnitude of this impact would vary depending on a number of factors.

The Fayette County PVA provided an example of how **HB 61** would impact exemption amounts. In 2023, the property value amount that was not taxed under the homestead exemption in Fayette County was \$1,096,651,300. Under **HB 61** this amount would increase by 122% to \$2,438,296,450, which means about \$1.34 billion in property value would no longer be subject to property tax. This represents about 3.6% of Fayette County's total real property tax basis in 2023 according to Kentucky Department of Revenue.

The median value of homes currently receiving the homestead exemption in Fayette County in 2023 was \$229,000. The fiscal impact in other counties would vary depending on the distribution of qualifying property values in each taxing district.

In addition to city and county governments, local property tax revenues fund school districts and special districts for public services such as libraries, fire protection, health, ambulance, watershed, agriculture, and soil conservation services. Property tax rates levied to fund these entities vary by taxing district.

Data Source(s): <u>Kentucky PVA Association; Fayette County PVA; Kentucky Department</u>

of Revenue; LRC Staff

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