

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>23-4282/1</b>	<b>Introduction Number</b> <b>SB-0456</b>
------------------------------------	---

**Description**  
 expanding the homestead income tax credit

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs	<b>5. Types of Local Government Units Affected</b>	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.835(2)(c)

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	10/6/2023

Fiscal Estimate Narratives

DOR 10/6/2023

LRB Number	23-4282/1	Introduction Number	SB-0456	Estimate Type	Original
<b>Description</b> expanding the homestead income tax credit					

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, low-income homeowners and renters may qualify for the refundable homestead credit, an individual income tax credit based on household income and property tax or rent constituting property tax. If household income is \$8,060 or less, the credit is 80% of property tax up to \$1,460; thus, the maximum credit is \$1,168. If household income exceeds \$8,060 but is no more than \$24,680, the credit is 80% of the amount by which property tax exceeds 8.785% of household income in excess of \$8,060.

Effective for claims filed for tax year 2023, this bill increases the maximum eligible income from \$24,680 to \$35,000. Moreover, the bill indexes the homestead tax credit parameters for inflation beginning with claims filed for 2023.

In fiscal year 2023, the total homestead credit was \$48.8 million, down from a high of \$133.9 million in fiscal year 2011. The homestead credit appropriation in 2023 Act 19 anticipates further decreases in the credit to \$42.2 million in fiscal year 2024 and \$37.7 million in fiscal year 2025.

Based on a simulation using tax year 2019 credit claims, adjusted for changes in income, DOR expects the bill to increase costs by approximately \$31.0 million in fiscal year 2024, \$34.9 million in fiscal year 2025, \$39.1 million in fiscal year 2026, and increasing amounts annually thereafter. Annual increases in the fiscal effect will depend on the consumer price index (CPI). To the extent that the CPI increases rapidly/slowly indexing will have a greater/smaller fiscal impact.

According to the American Rescue Plan Act (ARPA) Net Tax Reduction Calculation Update memo released by the Department of Administration on 8/28/2023, the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$113 million for fiscal year 2024 and \$319 million for fiscal year 2025. This bill would reduce these margins by the amount of fiscal effect.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>23-4282/1</b>	<b>Introduction Number</b> <b>SB-0456</b>	
<b>Description</b> expanding the homestead income tax credit		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs      Decreased Costs	
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	10/6/2023