Legislative Analysis

HOUSE FISCAL AGENCY

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ADDITIONAL LIMITATION ON INCREASE IN TAXABLE VALUE OF PROPERTY

House Joint Resolution G
Sponsor: Rep. Pete Lund
Committee: Government Operations

Complete to 2-23-09

A SUMMARY OF HOUSE JOINT RESOLUTION G AS INTRODUCED 2-4-09

The joint resolution would amend Article IX, Section 3 of the State Constitution to require the Legislature to provide that:

(1) if the ***assessed value*** of a parcel of property increases from one year to the next by less than both inflation and five percent, then its ***taxable value*** would increase by the same percentage as the percentage change in ***assessed value***.

(2) if a property's ***assessed value*** has decreased, the property's ***taxable value*** would remain the same as in the immediately preceding year. (As is the case now, however, taxable value could never exceed SEV.)

This would apply for taxes levied after 2008.

The joint resolution, if approved the Legislature, would be submitted to the state's voters at the next general election (November 2010).

Taxable value is the factor that determines how much a property owner pays in property taxes (taxable value times the tax rate). ***Assessed value or state equalized value (SEV)*** is based on the property's market value and is supposed to equal 50 percent of market value. Currently, the taxable value of a parcel of property held by the same owner cannot increase from one year to the next by more than the greater of the rate of inflation or five percent. This is known as the assessment cap. (When property is sold, with some exceptions, the cap comes off and taxable value "pops up" to the SEV.)

The assessment cap, over time, can lead to the taxable value being far lower than the SEV on a parcel of property if a homeowner stays in the home. That gap between the two values also means, however, that taxable value can increase from one year to the next by a larger percentage than the increase in SEV, and it means that taxable value can increase even in a year when the market-based SEV has decreased. (But taxable value can never exceed SEV.)

Under House Joint Resolution G, for taxes levied after 2008, taxable value would increase based on the increase in SEV; that is, if the SEV of a property had increased by less than both inflation and five percent, then the taxable value would increase by the

same percentage as the increase in SEV. IF SEV did not increase, then taxable value could not increase.

(Thus, in a year in which inflation is four percent, if SEV increased by ten percent, taxable value would increase by four percent; if SEV increased by three percent, taxable value would increase by three percent, but if SEV declined by three percent, taxable value would remain frozen.)

FISCAL IMPACT:

House Joint Resolution G would reduce State Education Tax revenue and local property tax revenue (including the local 18-mill non-homestead assessment earmarked to local schools) by an unknown amount.

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