

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1480 PCS Increase Homestead Exemption

SHORT TITLE: Increase Homestead Exemption

SPONSOR(S): Rep. Miller

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(\$ Millions)				
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
General Fund		(9.0)	(9.0)	(9.0)	(9.0)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: County and City Governments and the North Carolina Department of Revenue, Property Tax Division.					
EFFECTIVE DATE: July 1, 2000.					

BILL SUMMARY: The legislation increases both the income eligibility and the exemption amount of the Homestead exemption to property taxes. The bill increases the income threshold to \$25,000 and the exemption level to \$25,000. Currently the income level is \$15,000 with \$20,000 of property exempted for those that qualify. The State will reimburse county and city governments for 100% of the loss associated with this change.

ASSUMPTIONS AND METHODOLOGY: The Homestead Exemption is a partial exemption from property taxes for the residence of a person who is aged 65 or older, or totally disabled, and who has an income of less than \$15,000. The exemption amount was last increased in 1996, when it was increased from \$15,000 to \$20,000 effective July 1, 1997. Before then the exemption was last increased in 1993 from \$12,000 to \$15,000. The income eligibility amount was last increased in 1996, when it was increased from \$11,000 to \$15,000. Before then the income threshold had last been increased in 1987, when it was increased from \$10,000 to \$11,000.

The bill increase the Homestead Property Tax Exemption amount for the elderly and disabled from \$20,000 to \$25,000 and increase the income eligibility threshold from \$15,000 to \$25,000. It also directs the Department of Revenue to reimburse the counties for 50% of the resulting loss. As a result, half of the cost is borne by the State, while local governments pay the balance.

The current annual cost of the Homestead Exemption program is approximately \$27 million. That cost is divided between the state and the counties. History indicates that approximately 80% of the total cost is related to the property exemption and 20% is related to the income requirement. The proposed act increases the value of exempt property 25% and increases the income threshold 66.7%. If 80% of the cost or \$21.6 million is devoted to exempt property, then a 25% increase in the exemption equals \$(5.4) million. If 20% of the cost of the program is devoted to the income threshold or \$5.4 million, then a 66.7% increase in the threshold equals (\$3.6) million. Thus the total cost of the bill is \$9 million. The State will reimburse the counties for all of the resulting loss, or \$9.0 million.

FISCAL RESEARCH DIVISION 733-4910

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