OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-THIRD OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 24, 2011

BILL NUMBER: HB 1293 **STATUS AND DATE OF BILL:** Introduced 01/07/2011

AUTHORS: House Derby Senate N/A

TAX TYPE (S): Ad Valorem **SUBJECT:** Exemption & Credit

PROPOSAL: Amendatory

Section 1

Modifies the income eligibility limit for additional homestead exemption purposes from gross household income not to exceed $20,000 to gross household income which does not exceed the greater of $22,000 or fifty percent of the median income[1] for the county in which the property of claimant exists.

Sections 2-4

Increases the income eligibility limit for purposes of the property tax relief credit from gross household income not to exceed $12,000 to gross household income not to exceed the greater of $22,000 or fifty percent of the median income[1] for the county in which the property of claimant exists and modifies the maximum credit/refund allowed providing that claims shall not exceed the greater of eight tenths of one percent of the median income[1] for the county in which the property of the claimant exists or Two Hundred Dollars.

EFFECTIVE DATE: January 1, 2012

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 12: None
FY 13: $560,000 decrease in income tax collections
$1,027,000 decrease in ad valorem revenues to local taxing jurisdictions

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 12: None

2/24/11 — DATE
DIVISION DIRECTOR — cjc

2/24/11 — DATE
REECE WOMACK, ECONOMIST

2/24/11 — DATE
FOR THE COMMISSION

1 United States Department of Housing and Urban Development (HUD median income)

ATTACHMENT TO FISCAL IMPACT HB 1293 –Introduced–Prepared February 24, 2011

Section 1

In 2010 there were 49,023 additional homesteads statewide representing $45,556,849 in net assessed value which resulted in $8,934,204 in tax dollars exempted. Under the proposal the current $20,000 threshold is changed to the greater of $22,000 or 50% of the Median Income. Based on HUD median income data, 50% or $24,800 of the statewide average median income is utilized for this impact.

Based on Census data it is estimated that an additional 11,275 homestead exemptions could be claimed as result of this measure representing $10,478,075 in assessed value. Applying the average weighted county millage yields a $1,027,434 decrease in revenue to local taxing jurisdictions.[2]

Sections 2-4

In 2009 there were 1,240 persons claiming the property tax relief credit equaling total credits of $200,549. Utilizing fifty percent of the statewide average median income in the amount of $24,800, it is estimated that 2,800 new applicants could claim the credit. Consistent with statewide calculations, the average amount of property tax paid of $988.00 on the average value of residential property of $103,000 would exceed 1% of the median income level of $24,800. [$988.00-$248=$740] Application of the proposed tax credit formula of 8/10 of 1% to $24,800 equals $198.00. Therefore, multiplying the greater of the credit amounts allowed of $200 to the 2,800 new applicants results in an estimated decrease in income tax collections of $560,000.

---

2 Due to the fact that the additional homestead claims have not been reimbursed by the Ad Valorem Reimbursement Fund since 2003, the provisions of this proposal will result in a loss in ad valorem tax revenues to local taxing jurisdictions.