

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 1404, as Amended
SHORT TITLE: Expand Homestead Exemption
SPONSOR(S): Representative Allred

FISCAL IMPACT: **Expenditures:** **Increase (x)** **Decrease ()**
 Revenues: **Increase ()** **Decrease (X)**

FUND AFFECTED: **General Fund (X)** **Highway Fund ()** **Local Govt. ()**

BILL SUMMARY:

The proposed act increases the Homestead Property Tax Exemption for the elderly and disabled from \$15,000 to \$25,000 and increases the income eligibility threshold from \$11,000 to \$15,000. The act provides for a 100% State reimbursement of the revenue loss to counties and cities through Fiscal Year 1997-98. After Fiscal Year 1997-98 the reimbursement is frozen at the Fiscal year 1997-98 amount.

EFFECTIVE DATE: Tax years beginning on or after July 1, 1997

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:

Counties and cities that levy a property tax
 Department of Revenue, Property Tax Division

(\$ Million)
FISCAL IMPACT

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01
REVENUES:					
State GF	\$(12.12)	(12.12)	(12.12)	(12.12)	
	(12.12)				

ASSUMPTIONS AND METHODOLOGY:

The total cost of the Homestead Exemption is \$20 million. The 50% share in FY 90-91 was \$16 million. In 1993, the property exemption was increased from \$12,000 to \$15,000 at a cost of \$4 million to local governments; the 50/50 share was frozen at FY 90-91 amounts. Approximately 80% of the total \$20 million cost of the program is related to exempt property while 20% of the cost is identified with the income threshold. The proposed act increases the value of exempt property 67% and increases the income threshold 36%. If 80% of the cost or \$16 million is devoted to exempt property then a 67% increase in the exemption equals (\$10.667) million. If 20% of the cost of the program is devoted to the income threshold or \$4 million then a 36% increase in the threshold equals (\$1.45) million; the sum of these two numbers is (\$12.12) million.

SOURCES OF DATA:

Department of Revenue
 Fiscal Research Division

FISCAL RESEARCH DIVISION

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APPROVED BY: Tom L. Covington

DATE: June 18, 1996

The total cost of the Homestead Exemption is \$20 million. The 50% share in FY 90-91 was \$16 million; \$8 million for the State and \$8 million for the locals. In 1993, the property exemption was increased from \$12,000 to \$15,000 at a cost of \$4 million to local governments. Approximately 80% of the total \$20 million cost is related to exempt property while 20% of the cost is identified with the income threshold. The proposed act increases the value of the exempt property 20% and increases the income threshold 36%. If 80% of the cost or \$16 million is devoted to the exemption, then a 20% increase equals (\$3.2) million. If 20% of the cost of the program is devoted to the income threshold or \$4 million, then a 36% increase in the threshold equals (\$1.45) million; the sum of these two numbers is (\$4.65) million.



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