

HCS HB 2923 -- REAL PROPERTY TAX EXEMPTIONS FOR IMPROVEMENTS TO A HOMESTEAD

SPONSOR: Caton

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Special Committee on Tax Reform by a vote of 5 to 3.

The following is a summary of the House Committee Substitute for HB 2923.

This bill establishes the "Homestead Improvement Property Tax Relief Act".

For each year of the exemption period established in the bill, the improvement value of a qualifying improvement to a homestead property must be exempt from real property taxation, not to exceed \$75,000 in true value in money for any one homestead property. This exemption must not apply to the pre-improvement base value of the dwelling or the true value in money of the land.

To be eligible for the exemption, the property must be considered homestead property by the start date of construction of the qualifying improvement and on January 1st of each tax year the exemption is claimed. Additionally, the owner of the homestead property must file the necessary documentation.

The owner must file the Homestead Improvement Exemption intent form with the assessor prior to the issuance of a building permit or within 60 days after the start of construction, if no permit is required. The assessor must review the intent form and notify the owner in writing of their approval or denial for the exemption based on the intent form.

The owner must submit a Homestead Improvement Exemption form and supporting documentation to the assessor within 180 days after completion of the improvement.

Exemption denials must only occur if there is inadequate documentation or the form shows the estimated cost of the improvement is \$7,500 or less.

The exemption for qualifying improvements must attach to the homestead property, and it must apply for four consecutive tax years as long as:

- (1) The property remains a qualifying homestead property on January 1st of each year;
- (2) The qualifying improvement is not destroyed or removed (except by a catastrophic event); or
- (3) The owner does not provide voluntary written relinquishment of the exemption.

If such homestead property is damaged or destroyed by a catastrophic event, the true value in money of the improvements from before the catastrophic event must continue to be used as the pre-improvement base value during the tax year such event occurred.

If the owner replaces, reconstructs, or repairs the damaged dwelling on the same parcel of land within three years of the event, such replacements, reconstruction, or repairs must be treated as a qualifying improvement. The value of this improvement, not to exceed \$75,000 for an insured dwelling or \$200,000 for an uninsured dwelling, must be exempt for the four-year exemption period.

To determine the improvement value, the assessor must follow the procedures provided in the bill.

The State Tax Commission must adopt rules, regulations, procedures, and standard forms that are necessary to implement the provisions of this exemption.

This homestead improvement exemption must be in addition to other homestead, senior citizen, disability, or property tax relief programs.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that new assessments after home improvements often cause the tax liability to be higher than the actual cost of the improvement, which disincentivize homeowners from making repairs or improving their homes. Those in support of the bill say this bill relieves homeowners from paying this increased property tax liability for renovations for a period of time. Supporters state that Jackson County has had some issues with property taxes and the definition of "new construction", and

this bill helps to alleviate some the ambiguity about what counts as "new construction".

Testifying in person for the bill were Representative Caton; and Sean Smith.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.