



2021 SUMMARY OF LEGISLATIVE CHANGES TO PROPERTY TAX

This note is intended to outline the changes in property tax administration related to HB 389. Many of the features of this bill are retroactive to January 1, 2021 and are to be implemented immediately. Others, as noted, are effective beginning in 2022. All years referred to are tax years.

With regard to calculating and applying the new preliminary levy rates to new construction and annexation values, please note that the Tax Commission is in the process of developing spreadsheets to assist counties and taxing districts.

Assessment and Exemption Changes (2021)

1. Maximum Homeowner's Exemption: The maximum is 50% of the eligible property value up to a maximum exemption of \$125,000. (January 1, 2021)

Computer Arts changes:

HOE Control – table that maintains maximum. No changes required.

2. New Construction Roll Limitations:

- a. Change of land use can only be included on the new construction roll if “associated with the new construction.” In a later subsection of the statute, there is further definition of this new construction as “new structure....” We interpret this as meaning that some sort of building or improvement must be occurring on the land, evidenced by a taxable improvement value; merely a land category change will not result in additional new construction roll value. Land value increases due to category changes can therefore be included once there is a taxable building or structure. If category change based land value changes without such improvements have been included on the 2021 new construction roll you are currently preparing, these should be removed. Corrections are allowed up until the 4th Monday in July.

Computer Arts changes:

Change of Use – records are written as ‘Pending’ for user to approve for New Construction Roll. This is a business rule change that will need to be reviewed by the county.

- b. In addition to adjusting the new construction roll for the change of land use limitation, only 90% of new construction (all types that are eligible for inclusion) can be included on the 2021 (and future) new construction rolls. For all counties with Tax Commission supported software, the new construction roll report will do this calculation automatically, so continue to

enter values as you have previously.

Computer Arts changes:

Program change to reduce the New Construction Value to 90%. Any positive values will be adjusted to 90%, negative values will not be adjusted. Counties should not reduce values from the report since it will already be done programmatically.

- c. For dissolving or de-annexing urban renewal revenue allocation areas, only 80% of the difference between the most recent increment and the 2006 increment value can be included on the 2021 (and future) new construction rolls. This will be accomplished by providing the necessary increment value to the Tax Commission, which will then make appropriate new construction roll adjustments.

Computer Arts changes:

No software change - Tax Commission will be making adjustments.

Assessment and Exemption Changes (2021) (continued)

3. Site Improvement Exemption loss: This exemption is now lost only on completion of improvements, not just beginning of improvements (prior law). This is effective as of January 1, 2021, so any repealed site improvement exemption for which improvements have not been completed may be restored or the owner given an opportunity to reapply for the exemption.

Computer Arts changes:

No software change – this is a business rule change. The counties will make the decision whether to use the New Construction Status on characteristics, which gives the exemption.

4. Property Tax Reduction (circuit breaker) brackets: Benefit brackets are being adjusted upwards so that the lowest bracket (ie: highest income still eligible) claimants will receive up to \$250 while the highest bracket claimants will receive up to \$1,500 through the normal tax credit process. New bracket information will be sent shortly. This is in effect for 2021 benefits. The additional benefit for 100% service connected disabled veterans is also adjusted to \$1,500.

Computer Arts changes:

No software changes - brackets are not maintained in Property Tax software.

5. Tax Deferral Applications: The deadline has been extended to the first Monday in September, 2021. Claims need to be sent to the Tax Commission by the 3rd Monday in September.

Computer Arts changes:

No software changes – this is a business rule change.

6. Urban Renewal Effects: The additional homeowner's exemption amounts should be subtracted from the base value of such parcels within a revenue allocation area. If there is insufficient base value, then the increment must be reduced for that parcel as well.

Computer Arts changes:

No software changes – HOE already adjusted off BASE first, then INCR.