

TESTIMONY OF

Joe Morrisette, Director, Office of Management and Budget

Good morning, Chairman Weber and members of the Senate Finance and Taxation Committee. I am Joe Morrisette, Director of the Office of Management and Budget, and I am here to testify in support of House Bill 1176 and explain the funding sources provided in this bill.

HB 1176 provides a sustainable plan for real property tax relief and reform. This is a plan we can afford now, that will grow to provide more relief over time and will not add to the state's General Fund ongoing expenditures.

Property Tax Relief – Primary Residence Credit

This bill provides the framework for a \$473 million property tax credit program, funded from both the General Fund and the Legacy Earnings Fund, to provide a total primary residence credit of \$1,450 per qualifying residence per year for the 2025-27 biennium.

Section 5 of the bill changes current law related to the Legacy Earnings Fund streams. This section eliminates the current allocation to the General Fund and creates an ongoing allocation to the Legacy Property Tax Relief Fund.

Current Allocations	Proposed Allocations
First \$102.6 million for debt service payments on outstanding legacy bonds.	First \$102.6 million for debt service payments on outstanding legacy bonds.
Next \$225 million to the general fund to offset the cost of previous tax relief.	
Next \$100 million to the Legacy Earnings Highway Distribution Fund.	Next \$100 million to the Legacy Earnings Highway Distribution Fund.
Remaining amounts split evenly between the General Fund and the Strategic Investment and Improvements Fund (SIIF).	Remaining amounts to Legacy Property Tax Relief Fund.

Although this change reduces ongoing general fund revenues by \$225 million per biennium, it ensures an additional \$225 million flows into the Legacy Property Tax Relief Fund and lowers the General Fund cost of the primary residence property tax credit. As the Legacy Earnings Fund allocations grow over time, the amount available in the Legacy Property Tax Relief Fund will grow. The amount in this fund to be used to provide property tax relief for the 2025-27 biennium is \$398 million. For the 2025-27 biennium, based on estimated eligible residences, the Legacy Fund portion of the credit will be approximately \$1,221; the General Fund portion will be \$229. In future

bienniums, contingent on legislative approval, the credit can continue to grow based on actual Legacy Fund earnings, with no ongoing General Fund cost.

Based on estimated future oil tax allocations to the Legacy Fund of between \$1.2 and \$1.5 billion per biennium and an assumed rate of return of 6.5% per year, the Legacy Property Tax Relief Fund credits could grow as shown below. Increases will depend upon actual oil tax allocations, actual Legacy Fund earnings and future policy decisions of the Legislative Assembly.

Biennium	Total Credit	Credit from General Fund	Credit from Legacy Earnings
2025-27	\$1,450	\$229	\$1,221
2027-29	\$1,635	\$0	\$1,635
2029-31	\$2,156	\$0	\$2,156
2031-33	\$2,613	\$0	\$2,613
2033-35	\$3,098	\$0	\$3,098
2035-37	\$3,619	\$0	\$3,619
2037-39	\$4,172	\$0	\$4,172

The fact that this proposal requires no general fund appropriation beyond the 2025-27 biennium is an important component to ensure sustainability and reduce our long-term General Fund ongoing expenditures.

Property Tax Relief – Homestead Tax Credit Program

Section 8 of the bill expands the existing homestead tax credit program to increase the annual income limit for the maximum credit from \$40,000 to \$50,000 and increase the overall annual income limit from \$70,000 to \$80,000. At household income of \$50,000 or below, the program continues the current exemption amount of 100% of the first \$200,000 of true and full value (\$9,000 taxable value). At income levels between \$50,001 and \$80,000, the program continues the current exemption of 50% of the first \$200,000 of true and full value (\$4,500 taxable value).

Section 9 of the bill increases the renter refund component of the Homestead Tax Credit Program from \$400 to \$600 per qualifying applicant. Funding for this program is included in the appropriation for the Homestead Tax Credit program.

Funding is included in section 26 of this bill as well as HB 1006, the budget for the Tax Commissioner. The total funding in the two bills for the Homestead Tax Credit program is \$66.1 million. For property owners eligible for the Homestead Tax Credit, that credit will be applied first, and any remaining property tax liability will be reduced by the primary residence credit.

Mr. Chairman and committee members, I ask for your support for HB 1176 and would be happy to answer any questions.