Testimony of the Office of State Tax Commissioner Before The Government Services Committee October 11, 2012

Chairman Delzer, members of the Government Services Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner. I am here today to present information on the Homestead Credit and Disabled Veterans' Property Tax Credit programs.

Homestead Credit - 2011-2013 Appropriation = $8,792,788

- **Homeowners' credit**:
  - Taxable value of the homestead may be reduced by up to 100 percent, maximum of $4,500.
  - That equals $100,000 true and full value.
  - A 20% to100% reduction is available, based on income from all sources, maximum income of $26,000 after deduction of unreimbursed medical expenses.
  - An applicant must be at least age 65 or certified permanently and totally disabled.
  - Assets cannot exceed $75,000 excluding first unencumbered $100,000 of homestead.
  - Application is filed annually with the local assessor or tax director.
  - Applicant's tax statement shows the reduced taxable value.
  - The state reimburses counties for homeowner credits allowed.
- **Renter's property tax refund**:
  - If 20% of rent exceeds 4% of income, the difference is the refund, maximum $400.
  - Same income, age, and disability requirements as for homeowners' credit.
  - No asset test for renters.
  - Property being rented must be subject to property tax or payments in lieu of taxes.
  - An application is filed annually with the Tax Commissioner.
  - A refund check is sent to a qualifying renter.
- **Homestead credit for special assessments**:
  - A homeowner who qualifies for homestead credit may apply for homestead credit for special assessments for the installment that becomes due for the same year. The credit allowed plus interest in the amount of 9 percent per year creates a lien in favor of the state, which must be satisfied before the property is transferred.

- **Deficiency appropriation:** None is requested for the 2011-2013 biennium.
- **Estimated funding needed for the 2013-2015 biennium:**
  - Based on historical information and anticipated growth, we are requesting an appropriation of $10,685,000 to fund the homestead credit program in the 2013-2015 biennium. This request reflects anticipated growth over total expected expenditures in the 2011-2013 biennium. It is based on existing statutory provisions and does not include any proposed changes to the program.

It is difficult to estimate the number of applicants who will qualify for either the homeowners' or renters' program. There are newly eligible applicants every year. Some former applicants pass away or move into nursing homes every year. There are always new applicants who say they never knew about the program and would have qualified before. Homeowners may file applications for abatement.

Only a small percent of persons who appear to be eligible, based on figures from AARP and the U. S. census, apply each year. We try to request an appropriation that will be sufficient or a little more than what is needed.

There is no provision for prorating or otherwise adjusting payments for either homeowners or renters. If we run out of funds, eligible applicants and/or counties will not receive payments to which they are entitled. If funds are left over, they will be returned to the state general fund.

DISABLED VETERANS' CREDIT – 2011-2013 APPROPRIATION = $4,243,920

- **Requirements:**
  - Credit is applied to the first $5,400 of taxable value ($120,000 true and full value).
  - Applies to fixtures, buildings, and improvements of the homestead.
  - The homestead must be owned and occupied by the disabled veteran or unremarried surviving spouse.
  - The veteran must have at least 50 percent certified disability.
  - The veteran must have been honorably discharged or retired from U.S. armed forces.
- **Calculation of the credit:**
  - The veteran's disability percentage is multiplied by the taxable value, up to $5,400.
  - A disabled veteran who has an extra-schedular rating to include unemployability that brings the total disability rating to 100 percent receives 100 percent credit.

- An unremarried surviving spouse receiving dependency and indemnity compensation receives 100 percent credit.
- The applicant's tax statement shows the reduced taxable value.
- The state reimburses counties for disabled veterans' credits allowed.

- **Deficiency appropriation:**
  - We have already spent more than half of the 2011-2013 appropriation. FY 2012 payments increased by 15 percent over FY 2011 payments. With many disabled veterans returning home after service in Afghanistan, we anticipate a 25 percent increase in FY 2013. We are requesting a deficiency appropriation of $981,855.
- **Estimated funding needed for the 2013-2015 biennium:**
  - Based on historical information and anticipated growth, we are requesting an appropriation of $7,178,000 to fund the disabled veterans' credit program in the 2013-2015 biennium. This request reflects anticipated growth over total expected expenditures in the 2011-2013 biennium. It is based on existing statutory provisions and does not include any proposed changes to the program.

It is difficult to know what the disability percentages will be, how many of the returning veterans will be homeowners, and how many of their homesteads will qualify for the maximum taxable value reduction. The majority of currently qualifying disabled veterans live in cities where many homes have a taxable value of more than $5,400. The only variable is the individual veteran's disability percentage.

There is no provision for prorating or otherwise adjusting payments for qualifying disabled veterans' credits. If we run out of funds, some counties that have approved credits will not be reimbursed. If funds are left over, they will be returned to the general fund.

That concludes my prepared testimony. I will try to answer any questions.