

2019-2020 BUDGET QUESTION
Response to Request for Information

DEPARTMENT(S): Financial Services

REQUEST NO.: 8

REQUESTED BY: Tovo

DATE REQUESTED: 8/5/19

DATE POSTED: 8/13/19

REQUEST: What is the estimated additional revenue the City would realize by repealing the General Homestead Exemption in FY 2019-20? How much additional revenue would be realized if the General Homestead Exemption were set to 2%, 5%, and 8%? Please provide the number of homesteads at various bracketed levels of taxable valuation.

RESPONSE:

Per State law, changes to the General Homestead Exemption must be made prior to June 30 of a given tax year. This means that the General Homestead Exemption may no longer be changed such that it would have an effect on fiscal year 2019-20 property tax revenue.

Looking ahead to future years, reducing or repealing the General Homestead exemption would not meaningfully affect the amount of property tax revenue collected at the rollback rate. Repealing the exemption would increase the amount of property value on the City's tax roll, but this increase in value would serve to drive the overall rollback tax rate lower, resulting in the City collecting approximately the same amount of property tax revenue in either situation.

Although it would not result in increased General Fund property tax revenue, reducing or repealing the General Homestead Exemption would have the effect of shifting the property tax burden. Commercial, industrial, multifamily properties would pay less while residential properties would pay more. For instance, fiscal year 2018-19, approximately \$5.6 billion in property value was exempted as a result of the General Homestead Exemption. If this value had not been exempted, the property tax rate necessary to balance the General Fund would have been about 1.6 cents less than the approved rate of 44.03 cents per \$100 of taxable value, and residential homeowners would have paid approximately \$23.8 million more in property taxes, while in the aggregate, the City's other property owners would have paid approximately \$23.8 million less.