



504-Plus Plan

HOUSE REPUBLICAN PROPOSAL FOR SCHOOL PROPERTY TAX REFORM

OCTOBER 28, 2019

504-Plus School Property Tax Reform Plan

- 1% Personal Income Tax Increase to Lower Millage Rates
- 1% Sale & Use Tax Increase for Homestead & Farmstead Exclusions
- Require School Districts to Levy Minimum Local Earned Income Tax of 1% if They Haven't to Date*
- Expand Tax Deferral Program to Protect Seniors from Loss of Home



1% Personal Income Tax, PIT, Increase to 4.07%

1% PIT = \$4.913 Billion
New Revenues

\$4.913 Distributed Pro
Rata for Millage Rate
Reductions*

30% Average Local
School Tax Decrease
for ALL Properties

***Note: As millage rates decrease a new maximum millage rate floor is established, prohibited from increasing in the future without a voter referendum.**

Driving Out PIT Dollars to School Districts



$\text{EIT Base} \times \% \text{ EIT Not Levied} = \text{EIT Adjustment}$
 $\text{EIT Adjustment} / \text{Total SD Prop. Taxes} = \text{EIT Multiplier}$



$\text{EIT Multiplier} \times 30\% \text{ Eq. Mill Rate} = \text{EIT Reduction}$
 $\text{Prior } 30\% \text{ Eq. Mill Rate} - \text{EIT Reduction} = \text{Adjusted Rate}$



$\text{Adjusted Rate} / 1000 = \text{New Eq. Mill Multiplier}$
 $\text{Eq. Mill Multiplier} * \text{Tot. Prop. Market Value} = \text{Reduction}$

1% Sales & Use Tax, SUT, Increase to 7%

1% SUT = \$2.026 Billion
New Revenues

\$2.026 Distributed via
Revised Homestead /
Farmstead Program

20% Appoximate School
Property Tax Reduction*
for Homestead &
Farmsteads

***Note: Of the \$16.195 billion local school property taxes collected for 2021/2022, IFO estimates Homestead / Farmstead would account for \$8.745 billion. The \$2.026 billion SUT generated represents approximately 20% of the \$8.745 billion.**

Driving Out SUT to Homestead & Farmstead Exclusions

New HS/FS Restricted Fund



Revised Formula to Account for Changing Property Values



Reduction of Assessed HS/FS Value via a approximate 20% value
exclusion covered with Additional 1% SUT

Equalize Local Earned Income Tax / EIT

1% Allowable EIT =
\$1.681 Billion New
Revenues

\$1.681 Property Tax
Reduction on Properties
in School Districts with EIT
Below 1%

Equalized EIT Rate Levels
Yields Varying
Decreases Via Existing
Tax Shift Option

Expansion of Property Tax/Rent Rebate

Increase Dedicated Funding to PTRR Program

- Designate .33% of PIT Increase to PTRR Fund
- Designate 3% of SUT Increase to PTRR Fund
- Utilize approximate \$75 million to expand income threshold
- Seniors aided by local property taxes reduced through 504+ proposal would free up existing PTRR dollars for additional seniors.

Property Tax/ Rent Rebate Program



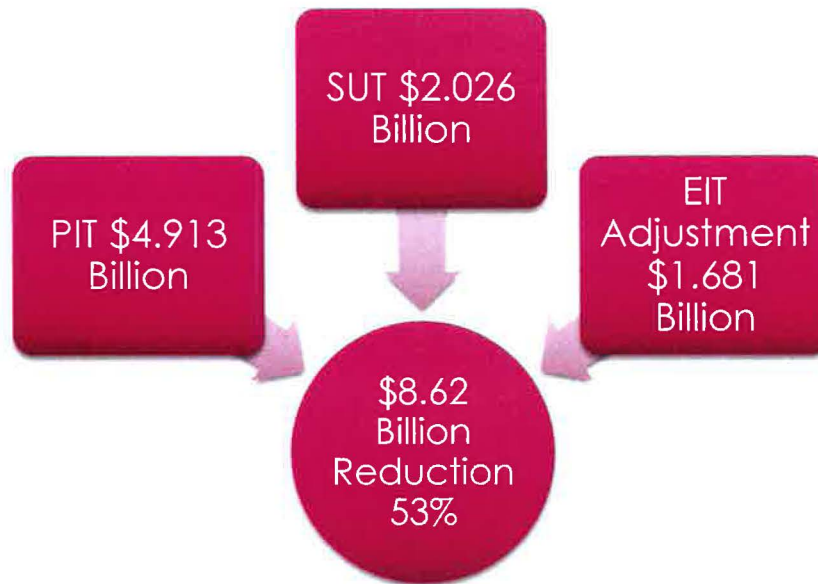
Expand Senior Safety Net Deferred Property Tax Program

Senior Deferred Local School Property Tax Program Expansion

- 65 Years of Age or Older
- \$85 or Lower Household Income
- Defaulted School Property Taxes Results in a Lien Placed Against Property to be Recovered Upon the Sale or Transfer



Reducing \$16.195 Local Property Tax Burden



Economy Downturn.....



If PIT collections drop revenues from additional 1% SUT would be transferred to to the Millage Rate Reduction Fund to cover prior year's millage rate reduction. Properties would realize a lower percentage of Homestead/Farmstead exclusion.