

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1158 - Funding Summary

	Base Budget	Final Legislative Action	Comparison to Base Budget
State Tax Commissioner			
Operating expenses		\$1,500,000	\$1,500,000
Homestead tax credit		53,500,000	53,500,000
Primary residence credit		103,225,000	103,225,000
		<hr/>	<hr/>
Total all funds	\$0	\$158,225,000	\$158,225,000
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$0	\$158,225,000	\$158,225,000
FTE	0.00	0.00	0.00
Bill total			
Total all funds	\$0	\$158,225,000	\$158,225,000
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$0	\$158,225,000	\$158,225,000
FTE	0.00	0.00	0.00

House Bill No. 1158 - State Tax Commissioner - House Action

The House provided individual income tax relief by exempting taxable income in the first tax bracket from taxation and implementing a flat tax rate of 1.5 percent for all taxable income exceeding the first bracket. The income tax relief would result in a decrease in tax collections and would reduce general fund revenues by an estimated \$566.4 million for the 2023-25 biennium.

House Bill No. 1158 - State Tax Commissioner - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Homestead tax credit			\$80,000,000	\$80,000,000
			<hr/>	<hr/>
Total all funds	\$0	\$0	\$80,000,000	\$80,000,000
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$0	\$0	\$80,000,000	\$80,000,000
FTE	0.00	0.00	0.00	0.00

Department 127 - State Tax Commissioner - Detail of Senate Changes

	Adds Funding for the Homestead Tax Credit¹	Total Senate Changes
Operating expenses		
Homestead tax credit	\$80,000,000	\$80,000,000
Primary residence credit		
	<hr/>	<hr/>
Total all funds	\$80,000,000	\$80,000,000
Less estimated income	<u>0</u>	<u>0</u>
General fund	\$80,000,000	\$80,000,000
FTE	0.00	0.00

¹ Funding of \$80 million from the general fund is added by the Senate to expand the homestead tax credit. The House did not include funding for the homestead tax credit in this bill.

This amendment also:

- Provides individual income tax relief by exempting taxable income in the first tax bracket from taxation. The income tax relief would result in a decrease in tax collections and would reduce general fund revenues by an estimated \$288 million for the 2023-25 biennium.

- Provides \$203.1 million of property tax relief through K-12 integrated formula payments, including a reduction of 20 mills for residential, commercial, and agricultural property.
- Expands the homestead property tax credit by increasing both the income and taxable valuation levels.

House Bill No. 1158 - State Tax Commissioner - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Operating expenses			\$1,500,000	\$1,500,000		\$1,500,000
Homestead tax credit			53,500,000	53,500,000	\$80,000,000	(26,500,000)
Primary residence credit			103,225,000	103,225,000		103,225,000
Total all funds	\$0	\$0	\$158,225,000	\$158,225,000	\$80,000,000	\$78,225,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$158,225,000	\$158,225,000	\$80,000,000	\$78,225,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department 127 - State Tax Commissioner - Detail of Conference Committee Changes

	Adjusts Funding for Tax Relief Programs ¹	Total Conference Committee Changes
Operating expenses	\$1,500,000	\$1,500,000
Homestead tax credit	53,500,000	53,500,000
Primary residence credit	103,225,000	103,225,000
Total all funds	\$158,225,000	\$158,225,000
Less estimated income	0	0
General fund	\$158,225,000	\$158,225,000
FTE	0.00	0.00

¹ Funding from the general fund is adjusted as follows:

- \$53.5 million of ongoing funding for the homestead tax credit is added by the Conference Committee. The House did not provide funding for the homestead tax credit, but the Senate provided \$80 million.
- \$103,225,000 of ongoing funding for the newly created primary residence credit is added. Neither the House nor Senate included this funding.
- \$1.5 million of one-time funding for operating expenses related to the implementation of the primary residence credit is added. Neither the House nor Senate included this funding.

The Conference Committee amendment also:

- Provides individual income tax relief by exempting taxable income in the first bracket, consolidating the income tax brackets from five to three brackets, and reducing the income tax rates. As a result, individual income tax collections are estimated to decrease by \$358.3 million. The House provided individual income tax relief of \$566.4 million by exempting taxable income in the first bracket and implementing a flat tax rate of 1.5 percent. The Senate provided individual income tax relief of \$288 million by exempting taxable income in the first bracket.
- Creates a new primary residence credit program to provide \$500 of property tax relief per year for each primary residence. Neither the House nor Senate included a primary residence credit.
- Expands the homestead credit program by replacing the current six thresholds of varying income levels up to a maximum of \$42,000 with two thresholds, one for incomes up to \$40,000 and another for incomes between \$40,000 and \$70,000 and by increasing the taxable value exemption from the current limit of \$5,625 to \$9,000.