

# FISCAL NOTE

September 24, 2018

<b>Bill No:</b>	HB 2329	<b>Printer's No:</b>	3505	<b>Sponsor:</b>	Hahn (R)
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### COST (\$millions)

<b>Fund (s)</b>	<b>2018-19</b>	<b>2019-20</b>
General Fund	\$6,151.3	\$1,598.0

**SUMMARY:** This bill imposes a 1.72% additional personal income tax to fund a 100% farmstead and homestead property tax exclusion for any school district which chooses to participate.

**ANALYSIS:** HB 2329 imposes an additional 1.72% personal income tax (PIT) for the purpose of funding a 100% farmstead and homestead property tax exclusion for any school district which chooses to participate. The money collected from this tax will go to a restricted account in the General Fund, from which it will be disbursed to participating school districts. Districts are required to notify residential property owners via first-class mail of their eligibility for the exclusion, the need to submit an application, and the application deadline. School districts must also notify the PDE annually of the dollar amount of the total forgone property tax revenue from residential properties which qualify for the exclusion. The district will receive a disbursement from the General Fund equaling the amount of excluded property tax revenue in the following distribution:

- 25% of the total amount on the fourth Thursday in July
- The balance of the amount in nine equal installments on the fourth Thursday of August, September, October, November, December, January, February, March, and April, respectively

PDE is responsible for promulgating the necessary regulations related to the administration of the tax this bill imposes and the disbursements of funds to participating districts.

**FISCAL IMPACT:** The revenue raised from the PIT imposed by HB 2329 will be less than the total forgone property tax revenue from residential properties, assuming all eligible property owners participate.

<b>Fiscal year</b>	<b>Revenue from new PIT (\$millions)</b>	<b>Forgone property tax revenue (\$millions)</b>	<b>Total cost (\$millions)</b>
2018-19	\$3,254.1*	\$9,405.4	\$6,151.3
2019-20	\$8,070.0	\$9,668.7	\$1,598.0
2020-21	\$8,327.2	\$9,939.5	\$1,612.3
2021-22	\$8,597.4	\$10,217.8	\$1,620.4

\*Bill effective halfway through fiscal year

The forgone property tax revenue in the above table is based on the estimate from PDE that in 2016-17, \$8.9 billion of real estate tax collections represent residential properties

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("homesteads" or "farmsteads"). This figure is then multiplied by an assumed property tax increase of 2.8% annually in all subsequent years (showing years 2018-19 to 2021-22).