



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #350

Property Tax/Rent Credit Reestimate (General Fund Taxes)

CURRENT LAW

The property tax/rent credit (PTRC) is a nonrefundable credit against the state's individual income tax. The PTRC is equal to 12% of property taxes, or rent constituting property taxes, paid on a principal residence up to a maximum of \$2,500 in property taxes. The maximum credit is \$300. Rent constituting property taxes is defined as 25% of actual rent if payment for heat is not included in rent or 20% of actual rent if payment for heat is included in rent. The value of the PTRC under current law is estimated at \$367.2 million in 2003-04 and \$380.7 million in 2004-05. These values are reflected in estimated revenues from the individual income tax of \$5,410.0 million in 2003-04 and \$5,800.0 million in 2004-05.

GOVERNOR

The administration's estimate of the cost of the PTRC is based upon revenue projections prepared in January, 2003.

MODIFICATION

Reestimate the cost of the PTRC at \$370.0 million in 2003-04 and \$385.1 million in 2004-05. The reestimates would exceed the estimated costs under the bill by \$2.8 million in the first year and by \$4.4 million in the second year. The increased cost of the PTRC would be reflected in reduced estimates of revenues from the individual income tax. With the modification, individual income tax revenues would, therefore, be reestimated at \$5,407.2 million in 2003-04 and \$5,795.6 million in 2004-05.

Explanation: The estimated cost of the PTRC depends, in part, on assumptions about net residential property tax levies in the state. Based on the Governor's budget bill, it is

estimated that statewide net property tax levies would increase, on average, by 2.39% in 2003-04 and by 4.03% in 2004-05 over the increases projected under current law. The anticipated increase in net property taxes under the bill would result from provisions that would reduce the amount of shared revenue to municipalities and funding for schools to less than two-thirds of partial school revenues. A further revision of the estimated cost of the PTRC might be necessary if the Committee were to modify the provisions of the bill relating to local assistance and property taxes.

Modification	GPR
2003-05 REVENUE (Change to Bill)	- \$7,200,000

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