

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1449**

**Bill Subtitle: TO AMEND THE DEFINITION OF "HOMESTEAD" AS USED IN AMENDMENT 79 OF THE ARKANSAS CONSTITUTION FOR PROPERTY TAX PURPOSES TO INCLUDE THE DWELLING OF A BENEFICIARY OF AN IRREVOCABLE TRUST.**

---

### **Basic Change :**

**Sponsor: Rep. Sullivan**

The bill amends the definition of "homestead" for purposes of the provisions of Arkansas Constitutional Amendment 79 that provides for the Homestead Property Tax Credit program. Under current law, "homestead" means the dwelling of a person that is used as his or her principal place of residence with the contiguous land, excluding all land valued as agricultural land, pasture land, or timberland. A homestead also includes a dwelling that is owned by a revocable or irrevocable trust and used as the principal place of residence of the person who formed the trust. The bill would provide that a "homestead" includes a dwelling owned by an irrevocable trust when used as the principal place of residence of a beneficiary of the trust.

The act would be effective for assessment years beginning on and after January 1, 2019.

### **Revenue Impact :**

No impact on State General Revenues. Additional property tax credits authorized by a County Assessor would be reimbursed from the Property Tax Relief Trust Fund.

### **Taxpayer Impact :**

Homestead properties owned by an irrevocable trust used as the principal place of residence by a beneficiary of the trust will be eligible for the \$350.00 property tax credit.

### **Resources Required :**

None.

### **Time Required :**

None.

### **Procedural Changes :**

None.

### **Other Comments :**

None.

### **Legal Analysis :**

HB1449 amends § 26-26-1122 to expand the eligibility for the Homestead Property Tax Credit effective

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1449**

**Bill Subtitle: TO AMEND THE DEFINITION OF "HOMESTEAD" AS USED IN AMENDMENT 79 OF THE ARKANSAS CONSTITUTION FOR PROPERTY TAX PURPOSES TO INCLUDE THE DWELLING OF A BENEFICIARY OF AN IRREVOCABLE TRUST.**

---

for assessment years beginning on or after January 1, 2019.

The Homestead Property Tax Credit reduces the amount of real property taxes due on a property owner's qualified homestead in each assessment year. To claim the credit, a property owner registers with the county assessor and provides proof of eligibility for the credit. Under § 26-26-1122, qualified homesteads include dwellings owned by individuals and used as their principal place of residence, and dwellings owned by revocable or irrevocable trusts and used as the principal place of residence of the person who formed the trust. HB1449 amends the definition of homestead to include dwellings owned by an irrevocable trust and used as the principal place of residence of a beneficiary of the trust. A beneficiary of an irrevocable trust who uses a dwelling owned by the trust as their principal place of residence would need to provide proof of eligibility for the credit to the county assessor as required by § 26-26-1118.

The expansion of the eligibility may increase the number of claimed homesteads that will require payment from the Property Tax Relief Trust Fund and could accelerate the diminution of any amount of balance in the corpus of the Trust Fund that ensures that the monthly payments to the counties continue uninterrupted.