

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1454

Amendment Number: H1

Bill Subtitle: TO AMEND THE DEFINITION OF A HOMESTEAD FOR PURPOSES OF PROPERTY TAXATION; AND TO PROVIDE THAT CERTAIN DWELLINGS OWNED BY A LIMITED LIABILITY COMPANY QUALIFY AS A HOMESTEAD.

Basic Change :

Sponsor: Rep. Ray

House Amendment No. 1 --- HB1454-H1 (engrossed H3/27/23) makes four changes to HB1454 as originally filed:

- Requires the LLC to provide a certificate of good standing from the Secretary of State to qualify for the property tax credit;
- Requires the members of the LLC to provide a signed attestation that they are not claiming the homestead credit on another parcel of land;
- Clarifies that the members of the LLC may only consist of a single natural person or a married couple to claim the homestead property tax credit; and
- Adjusts the effective date so that the bill will be effective for assessment years beginning on or after January 1, 2024.

Original Bill --- HB1454 allows a property that is owned by a limited liability company (LLC) to qualify for the homestead property tax credit. The homestead property tax credit reduces the amount of real property taxes due on a property owner's qualified homestead for each assessment year. To claim the credit, a property owner registers with the county assessor and provides proof of eligibility for the credit.

Currently, in order for a dwelling to qualify for the homestead property tax credit, it must be owned by:

- A person who uses the dwelling as their principal place of residence;
- A revocable or irrevocable trust if the dwelling is the principal place of residence of the creator of the trust; or
- An irrevocable trust if used by the beneficiary of the trust with proof of a signed, notarized, and file-marked copy of the trust.

HB1454 allows a dwelling owned by an LLC whose members are natural persons to qualify for the homestead property tax credit if a member of the LLC uses the dwelling as their principal residence.

HB1454 will be effective for assessment years beginning on or after January 1, 2023.

Revenue Impact :

None.

Taxpayer Impact :

An LLC that owns a dwelling that has at least one owner member that is a natural person and uses the dwelling as his or her principal residence may claim the homestead credit.

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Resources Required :

Assessors will need to develop additional methods to ensure the integrity of their homestead files. Revised forms and software will be needed along with standard procedures identifying that the applicant qualifies under the legislation.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

A taxpayer will be required to submit additional documentation to prove entitlement to the homestead tax credit.

Other Comments :

None.

Legal Analysis :

House Amendment No. 1 --- HB1454-H1 (engrossed H3/27/23) contains the drafting error noted below. On page 2, line 20, the word "principle" should likely be replaced with "principal."

Original Bill --- HB1454 appears to contain a drafting error. On page 2, line 6, the word "principle" should likely be replaced with "principal."