

HB 3194 -1, -3 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Beau Olen, Economist

Meeting Dates: 2/16, 3/14, 4/26

WHAT THE MEASURE DOES:

Changes thresholds to determine whether real property improvements constitute "minor construction" for property taxation purposes. Replaces current thresholds of \$10,000 per assessment year or \$25,000 over five years with new thresholds of ten percent of real market value of property per assessment year or twenty percent over three assessment years. Applies to assessment years beginning on or after January 1, 2024. Takes effect on 91st day after sine die.

ISSUES DISCUSSED:

- Adjustment of minor construction thresholds to account for current costs of construction
- Value thresholds and incentives/disincentive for upgrades, including mechanical systems of higher value
- Regressiveness/progressiveness of value thresholds set as a percent of the real market value
- Property tax and local government budgets

EFFECT OF AMENDMENT:

-1 Maintains current thresholds to define minor construction for commercial property. For noncommercial residential property, uses value thresholds from introduced HB 3194 to define minor construction.

-3 Deletes current thresholds and establishes new thresholds of \$18,200 per assessment year or \$45,000 over five assessment years, based on inflation adjustment since status quo became law in 1997. These thresholds are then adjusted for inflation annually.

BACKGROUND:

Minor construction is an improvement to real property that does not result in any change to the property's maximum assessed value. It does not include general maintenance and repairs.