

HB 3712 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Beau Olen, Economist

Meeting Dates: 3/18, 4/29, 5/6, 5/8

WHAT THE MEASURE DOES:

Increases the household income limit for the Homestead Property Tax Deferral Program from \$60,000 (2025-26 tax year) to \$80,000. Reduces the residency requirement from five years to three years. Increases the homestead real market value limit for each county, except for owners who have lived in the homestead for less than seven years or more than 22 years. Applies to property tax years 2026-27 and after.

ISSUES DISCUSSED:

- Inflation
- Interest rates
- Public awareness of deferral program

EFFECT OF AMENDMENT:

-1 Increases the household income limit for the Homestead Property Tax Deferral program from \$60,000 (2025-26 tax year) to \$70,000. Deletes the change to the years of residency requirement. Increases the homestead real market value limit to 150 percent of the county median real market value for homeowners who have residency of less than 15 years. Requires the Legislative Revenue Officer to conduct a study of the Homestead Property Tax Deferral program, which focuses on homestead equity, and submit a report to the Legislature by September 15, 2026.

BACKGROUND:

Under the Homestead Property Tax Deferral Program, the state pays property taxes on behalf of qualifying homeowners who are disabled or are 62 years of age and over. The deferred taxes are due upon disqualification—when the homeowner moves, sells the homestead, or dies. Taxes are paid from a revolving account administered by the Department of Revenue. A lien is obtained on the homestead for the tax, accrued interest, and fees, at a rate of six percent per year. The lien is like a reverse mortgage where the homeowner relinquishes homestead equity in exchange for property tax payments.

Claims can be filed by individuals, or two or more individuals filing jointly. Homeowners must recertify every two years. The household income limit, which is indexed to inflation, is \$60,000 for 2025-26. The homestead RMV limit is also indexed to inflation and capped at the greater of \$294,000 for 2025-26 or a value determined by the county median RMV and the number of years the homeowner has lived in the homestead. Households must have a net worth of less than \$500,000, not including the value of the homestead. Homeowners are also required to insure the homestead against fire and other casualties, and to have owned and lived in the homestead the last five years. A surviving spouse or disabled heir may continue the deferral under certain conditions. New deferrals may not be granted after the 2032-33 tax year.