

## **SB 387 -7 STAFF MEASURE SUMMARY**

### **Senate Committee On Finance and Revenue**

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**Prepared By:** Beau Olen, Economist

**Meeting Dates:** 4/9, 4/28, 5/28

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#### **WHAT THE MEASURE DOES:**

Increases a current property tax exemption amount for the homestead or personal property of certain disabled veterans or certain surviving spouses of veterans from \$25,537 of assessed value (2024-25 tax year) to \$60,000. Increases another current exemption amount, for qualifying veterans who have service-connected disabilities of at least 40 percent and less than 100 percent, from \$30,464 of assessed value (2024-25 tax year) to \$65,000. Creates a new exemption amount for \$150,000 of assessed value for qualifying veterans who have service-connected disabilities of 100 percent. Creates another new exemption amount for 90 percent of assessed value for qualifying veterans who have service-connected disabilities of 100 percent and property taxes which exceed 14 percent of the resident's taxable income (circuit breaker). Increases both new exemption amounts by three percent per year. Requires a means test to qualify for any of the four exemption amounts, where a resident's taxable income in the prior year cannot exceed \$120,000 (separate return) or \$240,000 (joint return). Requires the taxable income limits for the means test to be adjusted annually for inflation. Applies to property tax years 2026-27 and after.

#### **ISSUES DISCUSSED:**

- Circuit breaker
- Means test
- State and local revenue impacts
- Inflation
- Veteran mental health

#### **EFFECT OF AMENDMENT:**

-7 Clarifies that a qualification for the new 90 percent exemption amount is based on the U.S. Department of Veteran Affairs (USDVA) criteria for “individual unemployability” under 38 CFR 4.16. Clarifies that taxable income is defined as state taxable income for the last full income tax year preceding the current property tax year. Clarifies that the means test is based on state taxable income. Clarifies that the Department of Revenue (DOR) may disclose claimants’ income tax returns to county assessors for purposes of the circuit breaker and means test, and these returns may not otherwise be disclosed except under certain circumstances. Clarifies that DOR must index the taxable income limits to inflation and pay counties for the two new partial exemption amounts. Appropriates an unspecified amount of State General Fund to DOR for the 2025-27 biennium to pay county treasurers for forgone property tax revenue due to the two new partial exemption amounts.

#### **BACKGROUND:**

A veteran who has a disability rating of at least 40 percent certified by USDVA or U.S. Armed Forces may have \$15,000 of the assessed value of their homestead or personal property exempt from property tax (\$25,537 for 2024-25). A veteran who has a disability rating certified by a physician must have income that is no more than 185 percent of federal poverty guidelines. A veteran who has a service-connected disability rating of at least 40 percent certified by USDVA or U.S. Armed Forces may have \$18,000 of assessed value exempt from property tax (\$30,464 for 2024-25). Both exemption amounts increase by three percent per year. The surviving spouse of a veteran who has not remarried may also qualify for either exemption amount under certain circumstances.