HB 3712 A STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Beau Olen, Economist
Meeting Dates: 6/2, 6/9

WHAT THE MEASURE DOES:

Increases the household income limit for the Homestead Property Tax Deferral program from $60,000 (2025-26 tax year) to $70,000. 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 equity in homesteads, and report to the Legislature on the study by September 15, 2026. Applies to property tax years 2026-27 and after.

ISSUES DISCUSSED:

- Ability to stay in current homestead
- Demand on other public services
- Financial equity in homesteads

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Under the Homestead Property Tax Deferral Program, the Department of Revenue pays property taxes on behalf of qualifying homeowners who are 62 years of age or over or qualify for Social Security disability benefits. Taxes are paid from the Senior Property Tax Deferral Revolving Account. 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. The deferred taxes are due upon disqualification—when the homeowner moves, sells the homestead, or dies.

Claims for deferral can be filed by individuals or two or more individuals filing jointly. Household income must be less than $60,000 (2025-26 tax year) and household net worth must be less than $500,000, excluding the value of the homestead. The homestead real market value is capped at the greater of $294,000 (2025-26 tax year) or a value determined by the county median real market value and the number of years the homeowner has lived in the homestead. The homestead is required to be insured against fire and other casualties and the homeowner must have lived in the homestead the last five years. A surviving spouse or disabled heir may continue the deferral under certain conditions. Recertification must occur every two years. A deferral may not be granted after the 2032-33 tax year.