

taxable value of property to \$4,000. The exemption is phased in from 2003 to 2006 in the following increments:

- Tax Year prior to 2003– Exemption is \$2,000
- Tax Year 2003 – Exemption is \$2,500
- Tax Year 2004 – Exemption is \$3,000
- Tax Year 2005 – Exemption is \$3,500
- Tax Year 2006 – Exemption is \$4,000

SB 119 contains an emergency clause. Therefore, the provisions will apply to the current property tax-year.

FISCAL IMPLICATIONS

SB119 is enabling legislation for the constitutional amendment passed by voters in November 2002. This amendment will minimally impact property tax revenues to local taxing authorities and school districts. According to TRD:

Approximately 80,000 veterans currently qualify for the veterans exemption. They reduce the residential tax base by approximately \$160 million ($80,000 \times 2,000$) annually. This figure is approximately 1 percent of the current statewide \$17.1 billion total net taxable value of residential properties and .5 percent of the \$31.75 billion net taxable value of all properties. An increase of \$500 in the exemption annually will thus decrease statewide net taxable value by \$40 million, or $500 \times 80,000$ – roughly .126 percent of the current \$31.75 billion total net taxable value.

Since the exemption is to be increased gradually while total net taxable value grows by an average of perhaps 2 percent per year, the increase in net taxable value will, in most jurisdictions, exceed the loss in base due to expanding the current veterans exemption. As in the case of expanding eligibility for the disabled veteran exemption, the base reduction caused by increasing the \$2,000 exemption will result in slight increases in rates faced by all individuals that pay property taxes. As a result, the proposal will not impact revenues significantly.

SN/prr