

# State Policy Trends Challenging Major County Revenue Sources

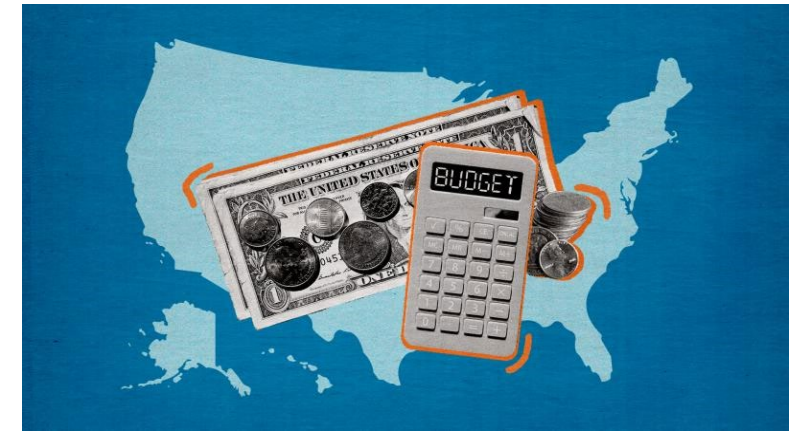
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Pew

# Introduction

- The Pew Charitable Trusts is a non-partisan, non-profit public policy research and advocacy organization
- For over a decade, Pew's fiscal policy group has helped policymakers develop and adopt evidence-based policies and practices
- Fiscal 50 is an online interactive platform that provides comprehensive 50-state data and analysis of fiscal, economic, and demographic trends



Fiscal Indicators for Colorado



**Tweaks lowering property taxes face opposition from local governments, schools**

Some States Are Looking to Abolish Property Taxes Entirely

## Property taxes in the tax reform spotlight



As Property Tax Bills Rise, States Look for Long-Term Solutions

**State lawmakers seek to limit property tax increases as home values soar**



Iowa's property tax reform law comes at a cost for local governments

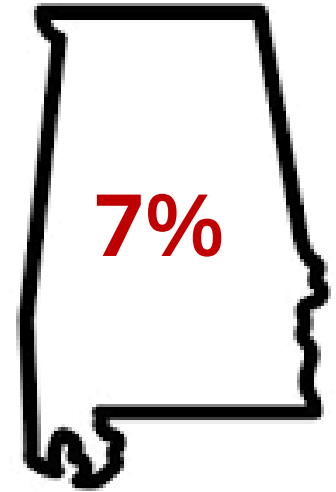
Property Tax Relief: Where We Are And What Comes Next

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# Property Tax Caps

## Types of property tax caps:

- **Assessment limits** cap the annual increase in the assessed value of properties
- **Rate limits** restrict overall property tax rates local governments can impose
- **Levy limits** place a hard cap on property tax revenue growth



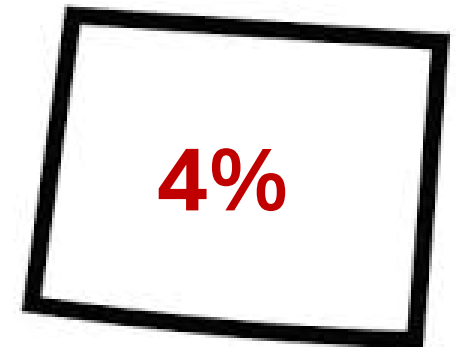
## Property tax cap legislation in 2024:

### *Alabama*

- 7% cap on assessed value increases (2024-2027)
- No reimbursement for local governments

### *Wyoming*

- 4% cap on annual residential property tax increases
- No reimbursement to local governments for lost revenue



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# Property Tax Exemptions are Expanding

## *Connecticut:*

- New homestead exemptions for disabled veterans
- No reimbursement to local governments for lost revenue

## *South Carolina:*

- Expanded property tax exemptions for disabled veterans
- No reimbursement to local governments for lost revenue

## *Wyoming:*

- Homestead Exemption Increase: Doubled from \$3,000 to \$6,000 for eligible veterans; state appropriated \$8.2 million to reimburse local governments
- Long-Term Homeowners Exemption: No reimbursement to local governments for lost revenue



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**How are counties impacted?** Those with larger populations of exempted groups may face revenue challenges.

# States Consider Major Property Tax Reforms

## *Colorado Senate Bill 233*

- **Statewide Property Tax Revenue Cap:**
  - 5.5% annual cap on statewide property tax revenue increases
  - Excludes home-rule jurisdictions and areas with existing revenue limits (TABOR)
- **Impact on school districts:**
  - Decouples assessment rates for school districts and other local governments
  - \$380 million drawn from education fund to backfill school districts
  - Only \$10 million allocated to reimburse rural districts with decreased property values
- **Revenue loss:**
  - Local governments face a \$400 million revenue loss in the first year

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# States Consider Major Property Tax Reforms

## *Kansas Senate Bill 1*

- **Residential Property Exemption:**
  - Exemption from statewide school levy nearly doubled from \$42,000 to \$75,000
  - Reduces property tax base available to local governments
- **Abolishment of Local Funds:**
  - Local ad valorem tax reduction fund and county/city revenue sharing fund abolished
  - Remaining funds transferred to the state general fund effective July 1, 2024

## *Nebraska Special Session*

- Governor's proposal to cut property taxes statewide by 40%
- Property tax cuts funded by increasing sales tax on over 70 new goods and services
- Proposed hard caps on property taxes for school districts and local governments.
- Exemptions added for public safety personnel, training, and equipment after pushback
- Final impact of caps and potential exceptions still uncertain

# 2024 Property Tax Ballot Measures



## *Virginia, Colorado, and New Mexico*

- **Disabled Veteran Exemptions:**

- Expanding eligibility requirements for disabled veteran property tax exemptions
- Additional measure in New Mexico to increase exemption from \$4,000 to \$10,000, with annual inflation adjustment

## *Georgia*

- **Constitutional Amendment:**

- Authorizes General Assembly to establish a statewide homestead property tax exemption
- General Assembly will determine how counties, municipalities, and school districts can opt out of the exemption

## *Florida*

- **Annual Inflation Adjustment Proposal:**

- Adjusts exempt assessed value annually for inflation
- Exempts school districts; impacts other local governments significantly
- Legislative analysis estimates a reduction of \$22.8 million in 2025-2026, growing to \$111.8 million by 2028-2029



# 2024 Property Tax Ballot Measures



## *Colorado*

- **Initiative 50:**

- Caps statewide property tax revenue growth at 4% above the previous year. Requires voter approval for increases exceeding 4%
- Potential \$115 million decrease in local property tax revenue in the first year, reaching \$1 billion by the third year

- **Initiative 108:**

- Reduces residential property tax rates from 7.15% to 5.7% and non-residential rates from 29% to 24%
- Mandates state reimbursement for local revenue losses
- Potential \$3 billion decrease in local property tax revenue in the first year, with increasing losses over time

## *North Dakota*

- **Eliminating Property Taxes:**

- Eliminates property taxes (excluding bond debt). Imposes debt limits on local governments
- State required to fully reimburse local governments for revenue losses
- Estimated \$2.46 billion cost to the state for 2023-2025, equivalent to 40.4% of North Dakota's general fund budget

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# Other Policy Trends Challenging County Revenue Sources

## *Arizona*

- New law effective Jan. 1, 2025, prohibits counties and municipalities from imposing rental taxes

## *Virginia*

- Gov. Youngkin vetoed bill allowing local governments to impose a 1% sales tax for school construction and modernization projects

## *California*

- Proposed Ballot Measure:
  - Sought to raise voter approval threshold for local tax increases from simple majority to two-thirds
  - Would have retroactively reversed most tax increases since Jan. 1, 2022
  - Estimated \$2 billion loss in existing fees and charges, plus \$2 billion in previously approved revenue
  - Measure removed from ballot by the California Supreme Court for significantly altering government framework

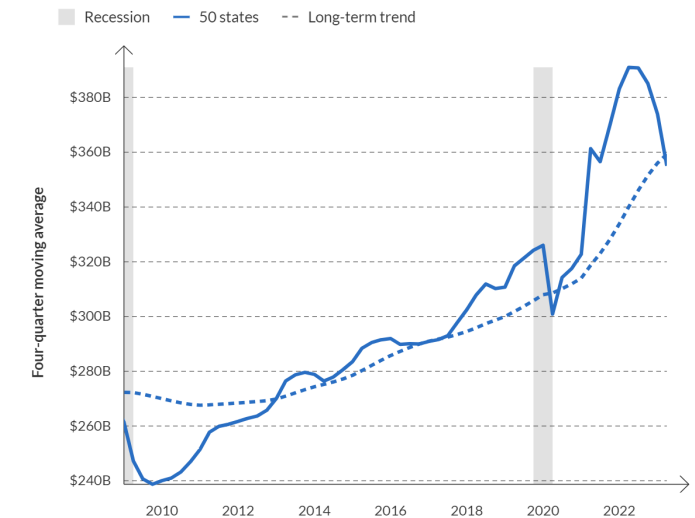
# Other Policy Trends Challenging County Revenue Sources

- State tax cuts (income, sales, corporate) can indirectly and directly impact county revenues
- Uncertainty over sustainability of recent tax cuts
- Decline in state tax revenue + weakening budget reserves + increasing spending pressures = tightening fiscal conditions
- These factors could lead to reduced state aid, increased local cost-shares, and unfunded mandates for local governments

Fiscal 50: State Trends And Analysis

## State Tax Revenue, Adjusted for Inflation and Seasonality

How quarterly receipts compare with their long-term trend through the same period, 50 states



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# Property Taxes Expected to Remain a Key Issue in 2025

## *Montana*

- **Proposed Legislation:**
  - New homestead exemptions
  - Introduction of a tiered system for residential property tax rates
  - Tax credit for renters, retirees, and lower/middle-income homeowners
- **Task Force Recommendations:**
  - Task force appointed by Gov. Greg Gianforte expected to release additional property tax policy recommendations

## *Kansas*

- **Future Developments:**
  - Lawmakers preparing for more substantial property tax relief measures

# Any questions?

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