



Senate Bill 1 – Property Tax Reform  
Effects

April 21, 2025

Greg Wright, Controller

## WHAT'S HAPPENED AT THE STATEHOUSE SINCE LAST MEETING?

- The House Ways & Means Committee amended SB 1 and then it passed the House
- The Senate voted to concur with the House changes
- The Governor signed the amended bill on 4/15/2025



## WHAT'S IN THE AMENDED SENATE BILL 1?

- Phases out the Homestead Deduction and Supplemental Deduction system from 2026 - 2031
- Phases in new deductions – 2/3 for 1% property, 1/3 for 2% property
  - This will push up tax rates to achieve the same revenue stream
- Changes exemption level of business personal property – up to \$2M after 2 years; exempts all new BPP
  - This will also push up tax rates as it lowers overall assessed values
  - Both of these will contribute to increased tax cap losses – 2025 estimated at \$2.18M (10% of total levy)
- Eliminates current local income tax (LIT) system – except special rates (e.g. Jail LIT)
  - Max rate 2.9% - 1.2% County only, 1.2% City/Town, 0.4% optional Fire/EMS, 0.2% optional other units
  - The rates are stacked – people living in City/Town limits will likely pay higher income taxes in addition to higher property tax rates
  - Depending on the County's options chosen, there may be a higher income tax rate than current –  
Johnson County LIT rate is currently 1.4%
- Creates a tax bill credit of lesser of \$300 or 10% of final tax bill beginning 2026
  - This will definitely impact the City's property tax revenues as it will be a direct reduction in taxes collected, similar to the tax caps.
  - Awaiting guidance from the State and/or County on how large this number will be annually



## WHAT'S IN THE AMENDED SENATE BILL 1?

- Changes deductions for Over-65, Disabled and Disabled Veteran to bill credits – further reduction of levy
- Limits short term debt issuances
  - Will require either longer term bonds (more interest paid) or not doing some projects previously funded by del
- Eliminates the 3-year growth excess levy appeal
  - Any growth in excess of the State's MLGQ will have to be funded from other sources (most likely income taxes)
- Requires an additional budget public hearing – stand-alone meeting with nothing but the budget on the agenda
- Where does this leave us? The fiscal impacts have not been released yet, but we can expect:
  - New deductions and BPPT change = lower Net Assessed Value = higher tax rates
  - Fewer options to issue property tax backed bonds – after rates hit 3%, it would just be taking away from other funds
  - Lower percentage of levy collected – necessitates cuts or other revenue streams
  - If adopted, Local Income Tax required to be renewed by Council annually



## WILL THIS LOWER PROPERTY TAX BILLS?

- Senate Bill 1 will probably lower some tax bills – probably not by as much as people expect:
  - It's more likely that bills will increase, just not by as much as they would have without this bill
  - The MLGQ is set at 4% and AV will likely increase next year
  - More properties will hit circuit breakers with higher tax rates - especially for the 1% and 2% properties
  - Creates benefits for purchase of new business personal property – it will not be taxed at all
  - The biggest negative impacts will be felt by those with lower valued properties – they are likely under the cap now, but will be pushed to the cap (1% of their gross assessed value)
  - Essentially, this bill is designed to shift more of the tax burden from property to income
  - Income tax is volatile and quickly responds to economic shifts – in a recession environment, this will cause severe revenue shortfalls and necessitate immediate large cuts
  - Property tax is inherently stable and ensures continuity of services in economic uncertainty





## ANY UPDATES ON THE ROAD FUNDING BILL – HB 1461?

- This has been sent to the Governor, but not yet signed
- We are working with Legal to get clarification regarding some of the language tied to municipal wheel taxes
- Asking Council to table Ordinance 25-09 until after the Governor signs and we can clarify all of the impacts for Council's consideration
- I'll plan to provide Council with a full explanation of the bill prior to next meeting

