

Subject Homestead credit refund co-pays reduced; tax compliance program authorized

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Overview

H.F. 4974 makes two changes related to property tax refunds and income tax enforcement. First, the bill reduces co-pay percentages for the homestead credit refund by five percentage points for all income ranges currently eligible for the credit. The change is effective for refunds payable in 2027. Second, the bill appropriates \$5,000,000 in fiscal year 2026 (FY 26) and \$15,000,000 in FY 2027 for income tax compliance focused on individual income taxpayers with taxable incomes greater than \$500,000.

Summary

Section Description

1 Homeowners; homestead credit refund.

Reduces the co-pay percentages for the homestead-credit refund for all taxpayers. The table below shows the copay percentages for 2026 refunds payable in 2027 under current law and as proposed in the bill.

Table 1: Co-Pay Percentages, Current Law and H.F. 4974
Refunds payable in 2027

Income Range	Co-Pay Percentage, Current Law	Co-Pay Percentage, H.F. 4974
\$0 to \$2,239	12%	7%
\$2,240 to \$4,459	12%	7%
\$4,460 to \$6,749	12%	7%
\$6,750 to \$9,009	17%	12%
\$9,010 to \$11,239	17%	12%
\$11,240 to \$15,739	17%	12%
\$15,740 to \$17,959	17%	12%

Section Description

\$17,960 to \$20,229	17%	12%
\$20,230 to \$22,469	17%	12%
\$22,470 to \$24,699	22%	17%
\$24,700 to \$31,469	22%	17%
\$31,470 to \$33,709	27%	22%
\$33,710 to \$38,219	27%	22%
\$38,220 to \$53,919	32%	27%
\$53,920 to \$78,629	32%	27%
\$78,630 to \$89,869	37%	32%
\$89,870 to \$101,109	37%	32%
\$101,110 to \$112,339	37%	32%
\$112,340 to \$123,579	37%	32%
\$123,580 to \$130,329	42%	37%
\$130,330 to \$134,849	42%	37%
\$134,850 to \$140,289	47%	42%
\$140,290 to \$145,739	47%	42%
\$145,740 and above	Not eligible	

Effective for 2026 refunds payable in 2027, based on property taxes payable in 2027.

2 Inflation adjustment.

Rebases the year for the homestead credit refund inflation adjustment.

Effective for 2026 refunds payable in 2027, based on property taxes payable in 2027.

3 Tax compliance; tax analytics and business intelligence.

Permits the Department of Revenue (DOR) to establish a program of tax compliance, including the use of advanced tax analytics and business intelligence tools to prioritize taxpayers for higher rates of audit and collection activities.

Requires DOR to prioritize compliance for corporations, complex pass-through entities, individual income taxpayers with \$500,000 or greater in taxable income, and businesses subject to the sales and use tax.

Effective the day following final enactment.

Section	Description
4	<p data-bbox="316 262 1429 294">Appropriation; tax compliance, tax analytics, and business intelligence tools.</p> <p data-bbox="316 304 1429 451">Appropriates \$5,000,000 in FY 26 and \$15,000,000 in FY 27 for the tax compliance initiative under section 3. Estimates that the initiative will raise general fund revenues \$20,000,000 in the 2026-2027 biennium and \$120,000,000 in the 2028-2029 biennium.</p> <p data-bbox="316 493 1429 531">Effective the day following final enactment.</p>



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