HOUSE RESEARCH

Bill Summary

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Subject: Valuation exclusion for improvements to homestead and business property

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Overview

H.F. 414 reauthorizes and makes permanent the "this old house" program of valuation exclusion for improvements to homes more than 30 years old, and creates a parallel program for improvements to commercial-industrial property. Under the two programs, value attributable to an improvement is fully excluded in determining the property's taxable valuation for 10 years, and then phased in after that.

Section

1 **Valuation exclusion for certain improvements.** Permanently authorizes valuation exclusions for "this old house" improvements to homes that are at least 30 years old. Valuation exclusions for these types of improvements had been available for improvements made between 1993 and 2003, but have not been available since then. Some properties that received valuation exclusions because of improvements made in that time frame are still benefitting from the exclusion now because the exclusion runs fully for 10 years, and then phases out for a period of two or five years after that. H.F. 414 renews the program leaving all program parameters the same, except that it reduces the minimum age for a house with an improvement to qualify from 45 years to 30 years.

2 **Valuation exclusion for certain improvements.** Creates a new valuation exclusion program for improvements to commercial-industrial properties with a building or buildings at least 30 years old, similar to the program for homesteads reinstated in section 1. The

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program is structured almost identically to the program for homestead property, with these differences:

- The valuation limit for an eligible property is $2 million, compared to $400,000 for homesteads;
- The improvement is required to add at least 12% to the property's value, compared to the $5,000 minimum improvement requirement for homes;
- The maximum amount of excluded value is $250,000, compared to a $50,000 maximum for homesteads (as with homes, the limit is halved when the property is less than 70 years old); and
- The phaseout is extended to five years rather than two years if the valuation reduction is greater than $40,000, compared to a $10,000 threshold for homes.