

Subject: Cover Letter for HB581 Intent to Opt-Out Homestead Exemption Agenda Item

Dear Mayor and City Council,

This email serves as a cover letter for the HB581 opt-out agenda item that you will consider at the **January 13, 2025, Council Meeting**. I want to provide a simple overview to ensure everyone is prepared for the discussion and decision.

What is HB581?

HB581, also called the **Save Our Homes Act**, limits how much property taxes can increase each year for **homesteaded properties** (homes where the owner lives as their primary residence). The increase is capped at a small percentage based on inflation, using the Consumer Price Index (CPI).

For **non-homesteaded properties** (such as rental properties or businesses), these limits do not apply, meaning their taxes could increase more significantly over time.

Why Consider Opting Out?

If the City does not opt out, property taxes for homesteaded properties will grow more slowly, but this could limit the City's ability to generate revenue for essential services. Opting out allows the City to align revenue with rising costs and avoid shifting the tax burden to non-homesteaded property owners.

Examples Using Stonecrest's Tax Rate (1.257%)

If the City Does Not Opt Out (HB581 Applies):

- **Home Value:** \$100,000
- **Market Growth:** 10% increase (value becomes \$110,000)
- **CPI Cap:** 3% increase (assessed value for tax purposes becomes \$103,000)
- **Tax Rate:** 1.257%
- **Property Tax:** Increases from \$1,257 to \$1,294.71

If the City Opt's Out (HB581 Does Not Apply):

- **Home Value:** \$100,000
- **Market Growth:** 10% increase (value becomes \$110,000)
- **Assessed Value:** Matches market value at \$110,000

- **Tax Rate:** 1.257%
- **Property Tax:** Increases from \$1,257 to \$1,382.70

In this example, opting out allows the City to collect **\$87.99 more per homeowner**, which adds up across all properties and helps the City maintain services without shifting the tax burden unfairly.

What Happens at the January 13 Meeting?

At the meeting, the Council will decide whether to take formal action on the **intent to opt out of HB581**. If you choose to move forward, here's the process:

1. **Public Hearing Notifications:**
 - The City must publish notices for three public hearings in a local newspaper and on the City website at least one week before each hearing.
 2. **Public Hearings Schedule:**
 - **First Hearing:** January 27, 2025, at 6:00 PM
 - **Second Hearing:** February 10, 2025, at 6:00 PM
 - **Third Hearing:** February 24, 2025, at 6:00 PM
 3. **Final Vote:**
 - After the third public hearing on **February 24, 2025**, the Council will take final action to adopt the resolution to opt out.
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Things to Consider

- HB581 may appeal to homeowners as it limits how much their property taxes can increase.
- However, opting out ensures the City can collect enough revenue to meet its financial obligations and maintain services without overburdening non-homesteaded property owners.

Attached is the **comprehensive opt-out timeline schedule** for your review.

We will be available to support your discussion and answer questions during the January 13 meeting. Please feel free to reach out beforehand if you need additional information.

Best regards,

Michael McCoy
Deputy City Manager