Property Tax Bill—Version 2.0

As we reported last week, the chairs of the House and Senate Ways and Means Committees unveiled a revised version of their proposed changes to the property tax bill. While the new bills made some changes, one thing is a constant between version 1.0 and 2.0 -- limits on the ability to levy taxes for the management fund. As a reminder, here's what is being proposed:

What the Bill Says

Starting in FY 2028, a district can only levy 180% of the average of the previous three years' expenses paid from the fund minus the ending balance. Over a five-year period, this would decrease to 160%.

Why It's Included

Legislators are concerned about large management fund balances and assume it means districts are unnecessarily levying for the fund.

Call to Action

It's easier to focus your advocacy on one section of this bill since it is so large. Reach out to your legislators on the impact to your management fund.

While it may seem like districts have a large balance in their management fund, remind legislators what it's used for and why basing the allowable balance on previous years' expenditures doesn't work in this case.

The management fund is used for:

- Property/casualty insurance premiums and deductibles, which have both increased in recent years. Districts also can't predict when they'll have a claim, such as damage from a natural disaster.
- Legal settlements, which are unpredictable.
- Workers' Compensation.
- Early Retirement.

It's important to explain to legislators that districts may not see many expenses from the fund one year, while the next year requires large payments from the fund if they experience property damage.

It's also important to remind legislators that premium payments are due on July 1, prior to the tax collection in September. Additionally, these limits make it nearly impossible for districts to plan for early retirement programs.

IASB has developed a modeling tool to help you understand how the provisions of this bill may impact your ability to levy in future years. Download the tool **here** and **watch the video tutorial**.

Full Summary & IASB Modeling

SSB 1227 and HSB 328 make some changes to the original proposal. Here are the changes from the previous bill:

- The rollback is eliminated for the FY 2027 budget year. The prior proposal phased this out over 5 years.
- The homestead tax credit is increased to $50,000. For example, a $300,000 home currently has a taxable valuation of approximately $150,000 because of the rollback. When the rollback is eliminated, the new taxable valuation will be $250,000.
- The state will pick up the funding generated by the additional levy rate in FY 2027 and the uniform levy rate will be lowered to $2.97. Previously, this was accomplished over 5 years.
- Cities and counties are still limited to no more than 2% revenue growth over the prior year through their general levies but have the potential to receive additional growth in revenue based on the consumer price index.
- Smaller cities and counties will have a budget guarantee amount of ½%. This works much like the budget guarantee for school districts and will allow those smaller districts to levy additional funds.
- Schools' debt service levy, the board-approved, and voter-approved PPEL levies would no longer be subject to a 2% revenue growth over prior years. However, the bill reduces the maximum levy rate. This means a district can capture the full amount of taxable valuation, but the rate was lowered to "control" property taxes. The rate reduction also applies to any of these levies that were imposed before July 1, 2026. While there has always been an inequity in taxable valuation, the "looking back" provision could negatively impact districts that have bonded against their PPEL or have existing debt service levies.

IASB's analysis of the impact of these proposals can be found below:

- **Management Fund Modeling Tool**
- **FY 2026–27 Property Tax Levy Cost Calculator**
- **Estimated Property Tax Law Changes for Select Non-General Fund Levies**

For a copy of the summary and other timely advocacy updates, visit our **Advocacy in Action page**.

Questions? Contact IASB Associate Executive Director, Government Relations & School Finance Mike Guanci at **mguanci@ia-sb.org**, IASB Government Relations Director Michelle Johnson at **mjohnson@ia-sb.org** or IASB Lobbyist Emily Piper at **epiper@ia-sb.org**.