



March 5<sup>th</sup>, 2024

## Legislative Revenue Office

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# SB 1545 A — Special Assessment for Rebuilt Homesteads Destroyed by September 2020 Wildfires

## Policy

Authorizes a county to allow those that had their homesteads destroyed by the September 2020 wildfires and have had the homestead rebuilt on the same lot, receive a specially assessed value equal to the destroyed homestead's real market value in the 2020-21 tax year, up to the square footage of the destroyed homestead.

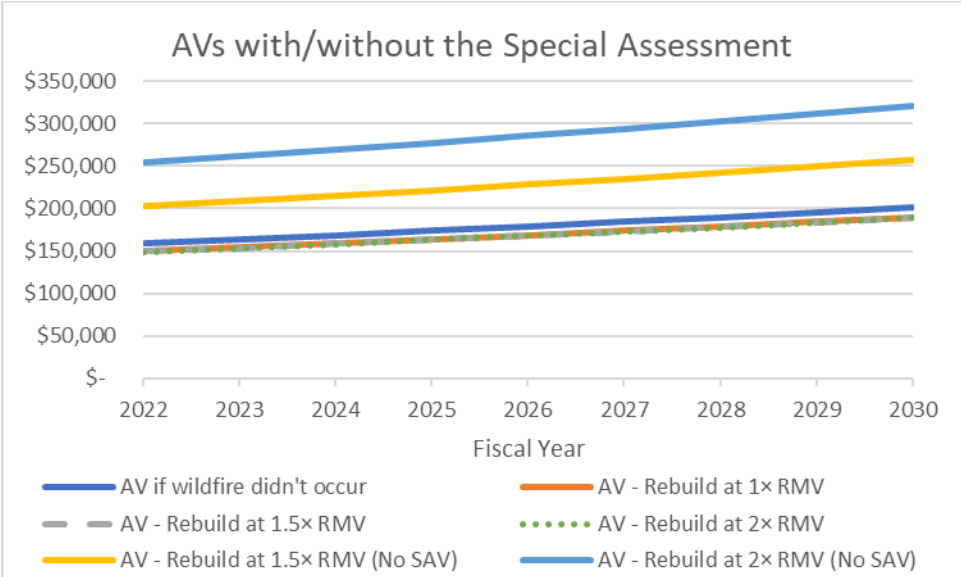
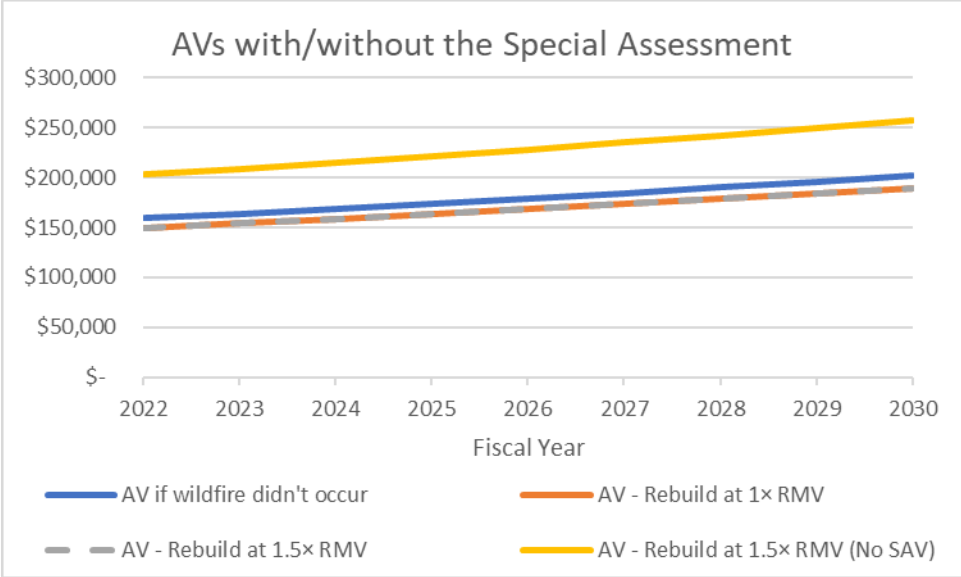
## Guardrails

- "Homesteads" are owner-occupied principal dwellings.
- "Destroyed homesteads" were destroyed by wildfire between Sep. 1, 2020, and Sep. 30, 2020.
- "Eligible property" cannot exceed the total square footage of the destroyed homestead.
- "Rebuilt homesteads" replace a destroyed homestead by the same owner on the same lot.
- Disqualifies properties at the earliest of when the rebuilt homestead is:
  - No longer the owner's principal dwelling
  - Rented to another person for any duration
  - Transferred to new ownership

## Impacts of Special Assessment

If wildfire didn't occur, the assessed value (AV) of the property increases by about 3 percent per year (dark blue line). Without the special assessment, if the rebuilt homestead has a higher real market value (RMV) than the homestead it replaces, the AV will be higher (yellow and light blue lines). That increase in AV, for a homestead of the same square footage, can be due to inflation in construction costs and quality improvements.

In the first example below, the RMV of the rebuilt homestead is 1.5× the RMV of the homestead it replaces (\$300,000). The second example below is the same as the first example, except the new improvement RMV in 2022-23 has been increased to 2× the RMV of the homestead it replaces (\$400,000). With the special assessment (orange, dotted gray, and dotted green lines), the AV of the rebuild is similar to what it was if wildfire didn't occur (given the assumptions listed below), regardless of whether the rebuilt homestead has a higher RMV than the homestead it replaces.



The above examples are based on the following assumptions:

- Improvement RMV of \$200,000 in 2020-21.
- Land RMV of \$90,000 in 2020-21.
- Total RMV of \$290,000 in 2020-21.
- Homestead is rebuilt by January 1, 2022.
- New improvement RMV in 2022-23 of \$200,000 (1x), \$300,000 (2x) or \$400,000 (3x).
- No disqualifying events for the specially assessed property.
- Area changed property ratio of 51 percent for residential property in Marion County.