

FIRST DOLLAR CREDIT

The first dollar credit was created by the 2007 Legislature. The first payment will be made in the 2008/09 property tax year. The credit is funded by the state general fund.

Payment

The first dollar credit is paid to the owner of any real estate parcel on which at least one improvement owned by the land owner is located. The credit equals the school property tax on a certain amount of the value of the improvements. This "credit value" is calculated every year by the Department of Revenue, after taking into considering the estimated number of claims that are expected to be paid and school property tax rates (for K-8, Union High, and K-12 school districts).

The "credit value" is set at the level that distributes the available funds. If the value of the parcel exceeds the "credit value", a full credit is paid. However, if the value of the parcel is less than the "credit value", the credit is paid on the actual value of the parcel.

For the 2008/09 tax year payment, \$75 million is available for distribution under the credit. DOR has calculated that the "credit value" is \$3,900.

The first dollar credit is shown on property tax bills as a reduction of property taxes due. For taxpayers who pay their taxes in two or more installments, the credit is applied equally to each installment. The average credit on the December 2008 property tax bills for parcels eligible for the credit is about \$33.50. About 2,150,000 parcels (out of a statewide total of 3,450,000 real estate parcels) are anticipated to receive the credit. In comparison, an estimated 1,485,000 real estate parcels will qualify for the lottery credit (which is paid only on a primary residence).

The credit is paid to municipalities on the fourth Monday in July. The municipality treats the credit the same as general property tax collections paid by taxpayers.