

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3552-01
Bill No.: HB 1576
Subject: Property, Real and Personal, State Tax Commission, Taxation and Revenue -
 General,
 Taxation and Revenue - Property
Type: Original
Date: February 18, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Blind Pension *	\$0	(Unknown)	(Unknown)
General Revenue **	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds * **	\$0	(Unknown)	(Unknown)

* expected to exceed \$100,000 per year.

** excludes Foundation Formula adjustments.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Political Subdivisions * **	(Unknown)	(Unknown)	(Unknown)
Local Government * **	(Unknown)	(Unknown)	(Unknown)

* expected to exceed \$100,000 per year.

** excludes Foundation Formula adjustments.

Numbers within parentheses: () indicate costs or losses.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **State Tax Commission** assume no new construction and improvements and using the base 2000 collections of 3.922 billion dollars with a 4% CPI. Additional assumptions include the increase in the per parcel amount paid to counties to rise from the current \$6.20 to \$7.00 as provided for in the states. This increase would cost the state \$3 million and political subdivisions \$150 million.

Currently the Commission has around 4,000 appeals, with the increase in assessed valuation as a result of the four year assessment cycle, the sticker shock would spawn property tax appeals to this agency to an anticipated 3% to 4% which relates to about 12,000 additional appeals. Timely disposition of these appeals would be severely hampered as a result of the current staffing compliment of hearing officers in this agency.

Officials from the **Office of Administration - Division of Budget and Planning** did not respond to this proposal.

ASSUMPTION (continued)

In response to a similar proposal, **Department of Elementary and Secondary Education** officials noted that the proposal would decrease assessed values compared to current law, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) “hold harmless” districts would recoup their losses through state payments, 2) state payments required by this proposal are not included in the Formula, thus allowing other districts a “double dip” consisting of reimbursements from the state and increased payments through a fully funded Formula, and 3) the effects of the proposal on the Formula should disappear after three or so years because reducing the guaranteed tax base reduces the inflationary adjustment in the Formula for districts to fund inflationary increases in expenses.

Oversight assumes that Foundation Formula issues, if any, would be addressed through the appropriation process.

Oversight assumes it is not possible to estimate the magnitude of tax losses to political subdivisions since tax collections are subject to revenue ceiling restraints and due to other factors which could vary from subdivision to subdivision. Losses, compared to current law, would be expected to exceed \$100,000 per year but would not occur until FY 2004. Oversight estimated possible losses as follows - an increase in taxes on real property of 11% per 2-year cycle of reassessment, 66% of taxes paid are on real estate, and an inflation rate of 3.5%.

Total property tax paid in 2000	\$	3,922,378,000
Percent real	x	.66
Real Property Tax paid in 2000	\$	2,588,769,000
Projected Real Tax 2002	\$	2,873,534,000
Projected Increase	\$	284,765,000

Projected Losses for FY 2003:

None

ASSUMPTION (continued)

Projected losses for FY 2004:

Projected Real Tax 2002	\$	2,873,534,000
Projected 11% valuation increase	\$	316,089,000
Projected inflation-adjusted value increase \$316,089,000 x 1.035 =	\$	327,152,000
Less effect of tax revenue ceiling restraints		Unknown

Net Effect = (Unknown)

Projected losses for FY 2005:

Net Effect = (Unknown)

Oversight estimates decreased income to the Blind Pension Fund would exceed \$100,000 per year beginning in FY 2004. The losses to the Blind Pension Fund would amount to a little more than ½ of 1% of the losses calculated for political subdivisions before the effect of tax rate ceilings, since the tax rate for the Blind Pension Fund is not subject to tax rate ceiling rollbacks.

Oversight also assumes there would be unknown increased costs to the county assessors, collectors, and clerks beginning in FY2003 to implement the requirements of this proposal for inspections, notifications, and hearings.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
BLIND PENSION FUND			
<u>Cost - reduced tax collections *</u>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND *	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

* expected to exceed \$100,000 per year.

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
POLITICAL SUBDIVISIONS			
<u>Loss</u> - reduced tax collections **	\$0	(Unknown)	(Unknown)
<u>Cost</u> - county assessor, clerk, and collector	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS * **	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

* excludes Foundation Formula adjustments.
** expected to exceed \$100,000 per year.

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would change various requirements for property assessments. The proposal would change periodic reassessment from every second year to every fourth year. The proposal would also allow property owners to request and interior inspection of property, would prohibit “drive-by” inspections for assessment purposes, and would require a board of equalization to consider unique characteristics of residential property.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
State tax Commission

NOT RESPONDING

Office of Administration
Division of Budget and Planning



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