

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO. 2720-01  
BILL NO. HB 1298  
SUBJECT: Property, Real and Personal: Elderly  
TYPE: Original  
DATE: January 31, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Blind Pension	\$0	\$0	\$0
General Revenue	\$0	\$0	(\$21,144,461)
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$21,144,461)</b>

\*Does not include costs to fully fund the Foundation Formula.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 5 pages.

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**FISCAL ANALYSIS**

ASSUMPTION

**State Tax Commission (TAX)** officials estimated possible loss of income. The 1990 census indicated that 11.2% of occupied housing units are occupied by persons 75 or older. For purposes of this fiscal note, it is assumed that 10% of units are occupied by persons 80 or older. Recent increases in assessments for residential properties have been 12% in reassessment years (or about \$3,100,000,000 affecting FY 2002). Assuming over-79's account for 10% of the increase and an average tax rate of \$5.87 per \$100 assessed valuation, the possible loss computes to about \$21,000,000 for FY 2003. The Blind Pension Fund Tax, which is \$.03 per \$100 assessed valuation, reimbursement would be about \$106,000 in FY 2003.

TAX officials would also request one audit clerk to receive and analyze requests for payments from approximately 2,500 political subdivisions and certify for payment by Office of Administration.

TAX officials and the Cole County Assessor noted that assessors would have to maintain two sets of assessments for exempt parcels. It is not possible to estimate how much those costs would be until assessors could determine how many parcels would be affected; therefore, unknown additional costs to county assessors are reflected in the fiscal impact to local governments.

**Department of Elementary and Secondary Education** officials note that the proposal would decrease tax collections, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) "on the formula" districts would recoup their losses through state payments, and 2) "hold harmless" districts would not recover losses through additional payments through the Foundation Formula.

**Oversight** assumes that:

1) the state will reimburse political subdivisions for their payments in lieu of Blind Pension taxes from the General Revenue Fund;

2) there will be sufficient general revenue funds to allow payments to political subdivisions in FY 2003;

(Oversight notes that there could be a savings to the General Revenue Fund since the circuit breaker property tax credit is a refund of property taxes paid by an individual. Since the proposal would limit the amount of property taxes paid, some circuit breaker payments would be less than under current law. It is unknown how many individuals would claim this property tax

ASSUMPTION (continued)

exemption, or how much payments would be reduced. Oversight assumes the effect would not be material.)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Reimbursements to Political Subdivisions</u>	\$0	\$0	(\$21,106,000)
<u>State Tax Commission (TAX)</u>			
Personal Service (1 FTE)	\$0	\$0	\$ 21,538
Fringe Benefits	0	0	6,623
Expense and Equipment	<u>0</u>	<u>0</u>	<u>10,300</u>
Administrative Cost to TAX	\$0	\$0	(\$ 38,461)
<u>Department of Elementary and Secondary Education</u>			
Increase cost to fund Foundation Formula	\$0	\$0	(Unknown)
<b>NET EFFECT ON GENERAL REVENUE FUND*</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>(\$21,144,461)</u></b>

**\*Does not include increased costs to fully fund the Foundation Formula.**

**BLIND PENSION FUND**

<u>Income - Payments In Lieu of Taxes</u>	\$0	\$0	\$106,000
<u>Loss - Reduced Property Tax Collections</u>	\$0	\$0	(\$106,000)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
<b>POLITICAL SUBDIVISIONS</b>			
<u>Income</u> - Reimbursements from State	\$0	\$0	\$21,106,000
<u>Costs</u> - Reduced Property Tax Collections and Payments in Lieu of Blind Pension Fund Taxes	\$0	\$0	(\$21,106,000)
<u>Cost</u> - Assessor costs to keep two sets of books	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>\$0 (Unknown) (Unknown)</u></b>		

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FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill authorizes a homestead exemption for purposes of real property tax relief for persons who are at least eighty years of age and who own and reside on property which qualifies as a homestead.

The exemption would be for the part of the assessed value of the homestead which exceeds the assessed value of the homestead in the year in which the owner reaches eighty or on the effective date of the proposal, whichever is later.

Provisions are included to allow political subdivisions to recoup any loss in revenue as a result of the proposal, to protect income to the Blind Pension Fund and to allow a moratorium on the homestead exemption if the General Assembly determines that total state revenues are insufficient in any year.

This proposal has an effective date of January 1, 2002.

DESCRIPTION (continued)

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
State Tax Commission  
Cole County Assessor



Jeanne Jarrett, CPA  
Director  
January 31, 2000