

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.      3017-01  
BILL NO.     SB 764  
SUBJECT:    Taxation and Revenue: Real Property; Elderly  
TYPE:        Original  
DATE:        January 28, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Blind Pension	\$0	(\$237,000)	(\$265,000)
General Revenue	\$0	(\$46,500,000)	(\$52,000,000)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>(\$46,737,000)</b>	<b>(\$52,265,000)</b>

<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>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 4 pages.

**FISCAL ANALYSIS**

**ASSUMPTION**

**State Tax Commission (TAX)** officials estimated possible loss of income based on assumptions that: increase in assessed value of residential property would be 12% in reassessment years (or about \$3,100,000,000 affecting FY 2002), 25% of residential property owners are over 64, and an average tax rate of \$5.87 per \$100 assessed valuation. Losses would be about \$46,500,000 for FY 2002 and \$52,000,000 for FY 2003. Losses to the Blind Pension Fund (tax rate is \$.03 per \$100 assessed valuation) would be \$237,000 in FY 2002 and \$265,00 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 note 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.

Officials of the **State Auditor** indicated that the duties required of their office could be accomplished by .1 FTE (Senior Auditor) at a cost of \$5,189 in FY 2002, \$5,448 in FY 2003. They noted that their office could absorb those costs.

**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) "on the formula" 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 would be partially offset by the lower base figure for the cost of living adjustment in the formula and the effects would disappear after three or so years.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(6 Mo.)		
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Increased Transfers to State School Money Fund	\$0	\$0	(Unknown)

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2001 (6 Mo.)	FY 2002	FY 2003
<u>Cost</u> - Reimbursements to Political Subdivisions	\$0	(\$46,500,000)	(\$52,000,000)
 <u>State Tax Commission (TAX)</u>			
Personal Service (1 FTE)	\$0	\$ 21,012	\$ 21,538
Fringe Benefits	0	6,461	6,623
Expense and Equipment	<u>0</u>	<u>10,000</u>	<u>10,300</u>
Administrative Cost to TAX	\$0	(\$ 37,473)	(\$ 38,461)
 <b>NET EFFECT ON GENERAL REVENUE FUND*</b>	 <b><u>\$0 (\$46,537,473) (\$52,038,461)</u></b>		

**\*Does not include possible increased cost to fully fund Foundation Formula.**

**BLIND PENSION FUND**

<u>Loss</u> - Reduced Property Tax Collections	\$0	(\$237,000)	(\$265,000)
 <b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	 <b><u>\$0 (\$237,000) (\$265,000)</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	\$46,500,000	\$52,000,000
 <u>Costs</u> - Reduced Property Tax Collections	 \$0	 (\$46,500,000)	 (\$52,000,000)
 <b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	 <b><u>\$0 \$0 \$0</u></b>		

FISCAL IMPACT - Small Business

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

DESCRIPTION

GB:LR:OD:005 (9-94)

L.R. NO. 3017-01  
BILL NO. SB 764  
PAGE 4 OF 4  
January 28, 2000

The proposal would freeze assessed value of residential property owned by persons sixty-five or older who have resided on the property five years or more.

This proposal has an effective date of January 1, 2001.

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 affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
State Auditor  
State Tax Commission



Jeanne Jarrett, CPA  
Director  
January 28, 2000