

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0345-01
Bill No.: SB 67
Subject: Taxation: Property, Real and Personal
Type: Original
Date: January 19, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	\$0	(\$17,983,675)	(\$18,971,665)
Blind Pension	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	(\$17,983,675)	(\$18,971,665)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	(UNKNOWN)	(UNKNOWN)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue** stated that this proposal would not affect that agency, administratively.

State Tax Commission (TAX) officials estimated possible loss of income. The 1990 census indicated that 26.6% of occupied housing units are occupied by persons 65 or older. The increase in property taxes on residences from 1997 to 1999 was \$1,656,991,958 (or about 11%). The projected increase from 1999 to 2001 would be \$182,269,115. Assuming over-64's account for 26.6% of residential units, that 70% are owner-occupied and 50% of seniors meet income requirements, the projected loss for FY 2002 would be \$16,969,250.

FY 2002: $\$182,269,115 \times .266 = \$48,483,585 \times .7 = \$33,938,509 \times .5 = \$16,969,250$.

FY 2004: $\$16,969,250 \times 1.11 = \$18,853,873$

FY 2003: $\$18,853,873 / 1.055 = \$17,853,908$

The Blind Pension Fund Tax, which is about .05% of total tax, would have lost about \$87,200 in FY 2002.

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 and collectors would have to collect and affirm additional information from persons applying for the exemption. It is not possible to estimate how much those costs would be until assessors could determine how many parcels would be affected and collectors determined how many persons would be requesting exemptions; therefore, unknown additional costs to county assessors and collectors 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:

ASSUMPTION (continued)

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 and FY 2004.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost</u> - Reimbursement to Political Subdivisions	\$0	(\$17,944,958)	(\$18,931,931)
<u>Cost</u> - State Tax Commission (TAX)			
Personal Service (1 FTE)	\$0	(\$21,538)	(\$22,076)
Fringe Benefits	\$0	(\$7,179)	(\$7,358)
Expense and Equipment	<u>\$0</u>	<u>(\$10,000)</u>	<u>(\$10,300)</u>
Administrative Cost to TAX	\$0	(\$38,717)	(\$39,734)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>(\$17,983,675)</u>	<u>(\$18,971,665)</u>

*Does not include possible costs to fully fund Foundation Formula

BLIND PENSION FUND			
<u>Income</u> - Payments in lieu of taxes	\$0	\$91,055	\$96,063
<u>Loss</u> - Reduced Property Tax	\$0	(\$91,055)	(\$96,063)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
POLITICAL SUBDIVISIONS			
<u>Income</u> - Reimbursements from State	\$0	\$17,944,958	\$18,931,931
<u>Costs</u> - Reduced Property Tax Collections and Payments in Lieu of Blind Pension Fund Taxes	\$0	(\$17,944,958)	(\$18,931,931)
<u>Costs</u> - Assessor and Collector Administrative Duties	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would authorize a homestead exemption for purposes of real property tax relief for persons who are at least sixty-five years of age, who own and reside on property which is used as a principal residence, and who have adjusted gross incomes not in excess of \$25,000 (\$50,000 on combined income tax returns).

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 sixty-five 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.

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
Department of Revenue
State Tax Commission



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Director
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