

COMMITTEE ON LEGISLATIVE RESEARCH  
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0345-02  
Bill No.: SCS for SB's 67 and 40  
Subject: Taxation: Property, Real and Personal  
Type: Original  
Date: February 12, 2001

FISCAL SUMMARY

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	\$0	(\$35,889,916)	(\$37,863,862)
Blind Pension	\$0	\$0	\$0
<b>Total Estimated Net Effect on All State Funds*</b>	<b>\$0</b>	<b>(\$35,889,916)</b>	<b>(\$37,863,862)</b>

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

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

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

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 for FY 2002 would be \$33,938,509.

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

FY 2004:  $\$33,938,509 \times 1.11 = \$37,671,746$

FY 2003:  $\$37,671,746 / 1.055 = \$35,707,816$

The Blind Pension Fund Tax, which is about .05% of total tax, would have lost about \$174,400 in FY 2002.

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

	FY 2002	FY 2003	FY 2004
<u>FISCAL IMPACT - State Government</u>	(6 Mo.)		
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Reimbursement to Political Subdivisions	\$0	(\$35,889,916)	(\$37,863,862)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b><u>\$0</u></b>	<b><u>(\$35,889,916)</u></b>	<b><u>(\$37,863,862)</u></b>
*Does not include possible costs to fully fund Foundation Formula			
<b>BLIND PENSION FUND</b>			
<u>Income</u> - Payments in lieu of taxes	\$0	\$182,110	\$192,126
<u>Loss</u> - Reduced Property Tax	\$0	(\$182,110)	(\$192,126)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

	FY 2002	FY 2003	FY 2004
<u>FISCAL IMPACT - Local Government</u>	(6 Mo.)		
<b>POLITICAL SUBDIVISIONS</b>			
<u>Income</u> - Reimbursements from State	\$0	\$35,889,916	\$37,863,862
<u>Loss</u> - Reduced Property Tax Collections and Payments in Lieu of Blind Pension Fund Taxes	\$0	(\$35,889,916)	(\$37,863,862)
<u>Costs</u> - Assessor and Collector Administrative Duties	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>

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.

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.

DESCRIPTION (continued)

Provisions are included to allow political subdivisions to recoup any loss in revenue as a result of the proposal and to protect income to the Blind Pension Fund.

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 not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Revenue  
State Tax Commission



Jeanne Jarrett, CPA  
Director  
February 12, 2001