

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0479-01  
Bill No.: SB 173  
Subject: Cities and Counties: Taxation and Revenue - Property  
Type: Original  
Date: December 20, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Blind Pension	\$0	(\$0 to \$390,000)	(\$0 to \$403,000)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>(\$0 to \$390,000)</b>	<b>(\$0 to \$403,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<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 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>(\$0 to \$18,850,000)</b>	<b>(\$0 to \$19,430,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

---

## FISCAL ANALYSIS

### ASSUMPTION

Officials of the **State Tax Commission (TAX)**, the **Department of Elementary and Secondary Education (DESE)**, and the **Department of Revenue (DOR)** stated that the proposal would not affect their agencies, administratively.

DESE officials did note that the proposal could, by potentially lowering total assessed value, initially increase the amount of money required to totally fund the Foundation Formula. (They also note that decreasing total assessed value also decreases the amount of the cost-of-living adjustment in the formula. This would, after a few years offset, the increase needed due to reduced assessed values.)

DOR officials noted that the proposal would not eliminate property tax on residences; therefore, the taxpayers would continue to be eligible for circuit breaker credits. (The credits might be smaller than they would be under current law.)

TAX officials noted that the Census Bureau reports that 26.6% of housing units are occupied by homeowners who are over sixty-four years of age. They also note that residential property tax accounted for \$1,657,000,000 during tax year 1999 and that city and county property taxes constitute about twenty-five percent (25%) of property taxes.

**Oversight** notes that the Current Population Survey (for calendar year 1997) reported that forty-seven percent (47%) of householders 65 years of age or over had money incomes of \$20,000 or less.

Assuming 1) residential property tax increases 3% per year, 2) city and county taxes continue to account for 25% of property tax rates, 3) seniors account for 26.6% of residential property tax, 4) 47% of seniors would be eligible, 5) an average value of \$75,000 for affected residences, and 6) tax year 2002 would be the first year of exemptions which would affect FY 2003 collections then total **possible** loss of property tax would be:

$\$1.657 \text{ million} \times 1.03 \times 1.03 \times 1.03 = \$1.811 \text{ million residential tax for 2002;}$

$\$1.811 \text{ million} \times .25 = \$453,000,000 \text{ potential county and city residential property tax for calendar 2002;}$

$\$453,000,000 \times .266 = \$120,500,000 \text{ from senior households;}$

$\$120,500,000 \times .47 = \$56,600,000 \text{ from senior households eligible for exemption.}$

ASSUMPTION (continued)

\$56,600,000/3 = \$18,850,000 possible loss to cities and counties.

(Maximum possible loss to the Blind Pension Fund would be about 2% of the above losses or \$390,000.)

Oversight notes that there would be no losses unless a city or county adopted the exemption and also notes that those cities and counties which were not taxing at their tax rate ceilings could offset some of the losses by raising their tax rates on all property; therefore losses are shown as a range of \$0 to the maximum computed.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>BLIND PENSION FUND</b>			
<u>Loss</u> - Decreased Collections	\$0	(\$0 to \$390,000)	(\$0 to \$403,000)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(\$0 to \$390,000)</u></b>	<b><u>(\$0 to \$403,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>COUNTIES AND CITIES</b>			
<u>Loss</u> - Decreased Property Tax Collections	\$0	(\$0 to \$18,850,000)	(\$0 to \$19,430,000)
<b>ESTIMATED NET EFFECT ON COUNTIES AND CITIES</b>	<b><u>\$0</u></b>	<b><u>(\$0 to \$18,850,000)</u></b>	<b><u>(\$0 to 19,430,000)</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 act allow the governing authority of any municipality or county to adopt an ordinance to allow a homestead exemption of up to \$25,000 for senior citizens whose household income did not exceed \$20,000 (adjusted for inflation after January 1, 2002). The taxpayer claiming the exemption would submit a statement of household income to the assessor by March 1 of each year.. The governing authority would submit a copy of the ordinance to the local assessor by December 1 of the year prior to the year the exemption would take effect. If the

DESCRIPTION (continued)

ordinance were repealed the governing authority would notify the assessor of that no later than December 1 of the year prior to the expiration of the exemption. Persons receiving the circuit breaker tax credit are still eligible for the homestead exemption.

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Revenue  
State Tax Commission  
Statistical Abstract of the United States: 1999



Jeanne Jarrett, CPA  
Director  
December 20, 2000