

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0714-01
Bill No.: SB 204
Subject: Taxation and Revenue - Property: Elderly
Type: Original
Date: January 25, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	(\$35,708,858)	(\$37,672,845)
Blind Pension	\$0	(\$182,115)	(\$191,132)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$35,890,973)	(\$37,863,977)

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	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

State Tax Commission (TAX) officials assumed that: increase in taxes on residential property would be 11% per 2-year cycle of reassessment, an inflation rate of 3.5%, 70% of residential property is owner occupied, 26.6% of residential property owners are over 64. **Oversight** estimated possible losses as follows.

Residential Property Tax paid in 1999	\$1,656,991,958
Projected Tax 2001	\$1,839,261,073
Projected Increase	\$ 182,269,115
	x .266
Projected Increase for 64+ Occupied	\$ 48,483,584
	x .70
Projected Increase for 64+ owner-occupied	\$ 33,938,500

FY 2004: \$33,939,500 x 1.11 = \$37,672,845

FY 2003: \$37,672,845/1.055 = \$35,708,858

There would also be losses to the Blind Pension fund of a little more than ½ of 1% of the losses to political subdivisions.

TAX officials also note that they would have to provide technological and instructional assistance to county officials, but would request additional resources as needed through budget decision items.

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) “hold harmless” 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 should disappear after three or so years because reducing the guaranteed tax base reduces the inflationary adjustment in the Formula for districts to fund inflationary increases in expenses.

Officials of the **State Auditor** indicated that their office could perform duties required by this proposal with existing resources.

ASSUMPTION (continued)

Officials of the **Department of Revenue** indicated that the proposal would not affect their

agency, administratively.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE			
<u>Cost</u> - Reimbursements	\$0	(\$35,708,858)	(\$37,672,845)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$35,708,858)</u>	<u>(\$37,672,845)</u>

BLIND PENSION FUND			
<u>Loss</u> - Reduced Tax Collections	\$0	(\$182,115)	(\$191,132)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$182,115)</u>	<u>(\$191,132)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
POLITICAL SUBDIVISIONS			
<u>Income</u> - Reimbursements	\$0	\$35,708,858	\$37,672,845
<u>Loss</u> - Reduced Tax Collections	\$0	(\$35,708,858)	(\$37,672,845)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 exempt residential property persons over sixty-four years of age from increases in their property tax due to either increases in assessed values or increases in tax rates.

The state would reimburse political subdivisions for tax losses.

This proposal would apply to tax years beginning on and after 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. The proposal would affect Total State Revenue.

SOURCES OF INFORMATION

State Tax Commission

GVB:LR:OD (12/00)

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Department of Elementary and Secondary Education
Department of Revenue
State Auditor

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with some loops and flourishes.

Jeanne Jarrett, CPA
Director
January 25, 2001