

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2645-01
Bill No.: SB 716
Subject: County Government; Cities, Towns and Villages; Elderly; Taxation and Revenue
- Property
Type: Original
Date: December 13, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue* **	\$0	(\$43,791,000)	(\$46,004,000)
Blind Pension	\$0	(\$219,000)	(\$230,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$44,010,000)	(\$46,234,000)

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

**Subject to appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Political subdivisions **	\$0	\$0	\$0
Local Government	\$0	\$0	\$0

**Offsetting costs from reduction of tax revenues, and state reimbursements.
 Numbers within parentheses: () indicate costs or losses.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission (TAX)** assume \$4 billion in property tax revenues is received on an annual basis. Hancock provides that political subdivisions can increase revenues by the CPI. Assuming a 3.5% CPI and a 1.5% increase in levies and 70.3% of residential properties are owner occupied would result in a cost in GR appropriations for fy -03 in the approximate amount of \$140 million. Depending on voted levy increases in the future this amount could be higher in subsequent years.

Oversight estimated possible losses as follows.

Residential Property Tax paid in 2000	\$1,725,846,000
Projected Tax 2001	\$1,915,689,000
Projected Increase	\$ 189,843,000
Percent elderly	x .269
Projected Increase for 64+ Occupied	\$ 51,068,000
Percent owner occupied	x .70
Projected Increase for 64+ owner-occupied	\$ 35,748,000

CY 2002: \$35,748,000 x 1.035 x 1.015 = \$37,554,000

Proposal would become effective for year beginning January 1, 2003, and **Oversight** assumes reimbursements for political subdivisions' calendar years would be from immediately following state fiscal years.

ASSUMPTION (continued)

CY 2003: \$37,554,000 x 1.11 x 1.035 x 1.015 = \$43,791,000

CY 2004: \$43,791,000 x 1.035 x 1.015 = \$46,004,000

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

In response to a similar proposal in the prior session, **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.

Oversight assumes the Foundation Formula issues, if any, would be addressed through the appropriation process.

Officials from the **Office of the State Auditor** indicated that the proposal would not affect their agency.

In response to a similar proposal in the prior session, officials from the **Department of Revenue** indicated that the proposal would not affect their agency, administratively.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		
GENERAL REVENUE			
<u>Cost</u> - Reimbursements to Political Subdivisions*	\$0	(\$43,791,000)	(\$46,004,000)
NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>(\$43,791,000)</u>	<u>(\$46,004,000)</u>

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

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
BLIND PENSION FUND			
<u>Loss</u> - Reduced Collections	\$0	(\$219,000)	(\$230,000)
NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$219,000)</u>	<u>(\$230,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
POLITICAL SUBDIVISIONS			
<u>Income</u> - Reimbursements from State*	\$0	\$43,791,000	\$46,004,000
<u>Loss</u> - Reduced Property Tax Collections	\$0	(\$43,791,000)	(\$46,004,000)
NET EFFECT ON POLITICAL SUBDIVISIONS*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*Does not include possible increased distributions to school districts.

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.

SOURCES OF INFORMATION

State Auditor's Office
State Tax Commission

NOT RESPONDING

Office of Administration
Department of Revenue

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
December 13, 2001