

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3120-01  
Bill No.: SB 844  
Subject: Taxation & Revenue—Property; County Government; Cities, Towns & Villages  
Type: Original  
Date: January 14, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Blind Pension	0	(\$1,040,000)	\$195,000
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>(\$1,040,000)</b>	<b>\$195,000</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<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 2003	FY 2004	FY 2005
Political Subdivisions	0	(\$208,100,000)	\$38,900,000
<b>Local Government</b>	<b>\$0</b>	<b>(\$208,100,000)</b>	<b>\$38,900,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Revenue** assume no administrative impact to their organization.

Officials from the **State Tax Commission** assume total assessed valuation for 2002 is \$68 billion. They assume a six percent increase in valuation for the 2003 reassessment, resulting in \$4 billion of additional valuation, and \$240 million increased revenues for political subdivisions at an average \$6 tax rate. The State Tax Commission assumes a statewide average of six percent property ownership change, which would result in an average 15% increase in value for those properties. Acquisition-based reassessment would result in \$40 million in increased revenues to local political subdivisions, and the loss of \$240 million in potential revenue, for a net \$200 million statewide loss for local governments.

**Oversight** assumes there would also be losses to the Blind Pension Fund as a result of this proposal. Oversight also assumes the first year affected by the proposal would be calendar year 2003 taxes collected in FY 2004. Further there would be increasing fluctuation in assessed valuation changes because of the cumulative effect of deferred reassessment. Residential properties reassessed after several years would have large increases in assessed valuation when ownership changes.

**Oversight** calculates the fiscal impact of this proposal as follows:

Assessed valuation for 2002	\$68,000,000,000
Estimated local tax collections lost for 2003 without reassessment 6% of \$68 Billion x \$6 per hundred	(\$244,800,000)
Estimated 2003 local tax collections increased due to ownership change 6% of 15% of \$68 Billion x \$6 per hundred	\$36,700,000
Net local tax loss in 2003 (\$244,800,000 less \$36,700,000)	(\$208,100,000)
Local tax gain in 2004 (\$36,700,000 plus 6%)	\$38,900,000

ASSUMPTION (continued)

Estimated Blind Pension Fund tax collections lost for 2003 without reassessment  
 (6% of \$68 Billion x 3 cents per hundred) (\$1,224,000)

Estimated 2003 Blind Pension Fund tax collections increased due to ownership change  
 (6% of 15% of \$68 Billion x 3 cents per hundred) \$184,000

Net Blind Pension Fund tax loss in 2003  
 (\$1,224,000 less \$183,600) (\$1,040,000)

Blind Pension Fund tax gain in 2004  
 (\$184,000 plus 6%) \$195,000

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>BLIND PENSION FUND</b>			
<u>Loss - Reduced Property Tax</u>	<u>\$0</u>	<u>(\$1,040,000)</u>	<u>\$195,000</u>
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(\$1,040,000)</u></b>	<b><u>\$195,000</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>POLITICAL SUBDIVISIONS</b>			
<u>Loss - Reduced Property Tax</u>	<u>\$0</u>	<u>(\$208,100,000)</u>	<u>\$38,900,000</u>
<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>(\$208,100,000)</u></b>	<b><u>\$38,900,000</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 prohibit reassessment of previously assessed real property and improvements until a transfer of ownership occurs.

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 Revenue  
State Tax Commission

NOT RESPONDING

Office of Administration  
Division of Budget and Planning



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Acting Director  
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