FISCAL NOTE

Bill #: HB 367

Title: Revise assessment and taxation of newly constructed improvements.

Primary Sponsor: Tom Facey

Status: Introduced

____
Sponsor signature Date

____
Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	**FY2003 Difference**
Expenditures:		
General Fund	$1,820,124	$1,490,876
Revenue:		
General Fund	$1,004,116	$1,042,552
State Special Revenue (University System)	$63,418	$65,845
State Special Revenue (State Assumption of Welfare)	$54,144	$56,216
Net Impact on General Fund Balance:	**($816,008)**	**($448,324)**

Yes	No		Yes	No	
x		Significant Local Gov. Impact	x		Technical Concerns
	x	Included in the Executive Budget	x		Significant Long-Term Impacts
	x	Dedicated Revenue Form Attached		x	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Revenue

1. This proposal requires that a special assessment by the DOR take place for improvements constructed during a tax year that were not assessed or taxable as of the preceding January 1. The improvements are to be assessed and taxed as of the date of completion, occupation, or use. For this analysis, it is assumed that the tax base for the proposal is composed of new residential and commercial real improvements, and new utility real improvement property.
2. New residential and commercial improvement properties not assessed as of January 1, 2000 have a projected fiscal year 2001 taxable value of $38,308,381 (DOR). Projected growth of residential and commercial improvement properties is 3.9% per year. The estimated fiscal year 2002 taxable value of new

residential and commercial improvements is calculated by applying the estimated growth rate of 3.9% to the estimated fiscal year 2001 taxable value, resulting in a projected fiscal year 2002 taxable value of $39,802,408 ($38,308,381 x 103.9%) and a projected fiscal year 2003 taxable value of $41,354,701 ($39,802,408 x 103.9%).

3. The statewide average mill levy for residential and commercial improvements is approximately 405.19. Applying the estimated statewide average mill to the projected FY ’02 and FY ’03 taxable values of new residential and commercial improvements produces an estimated statewide change in revenues generated from new residential and commercial improvements of $16,127,538 ($39,802,408 x .40519) for FY ‘02, and $16,756,512 ($41,354,701 x .40519) for FY ’03.
4. For purposes of this fiscal note, it is assumed that 75% of new residential and commercial improvements fit the proposal’s criteria of being completed, used, or occupied during the year. It is assumed that the average completion date for new residential and commercial improvements is September 1, an average estimated assessment period of four months, or one third of the year.
5. Applying the aforementioned assumptions, estimated statewide revenues generated from completed, used, or occupied new real residential and commercial improvements not assessed or taxable as of the preceding January 1 is $4,027,853 ($16,127,538 x 75% x 33.3%) for FY ’02, and $4,184,939 ($16,756,512 x 75% x 33.3%) for FY ’03.
6. New utility real improvement properties not assessed as of January 1, 2000 have a projected fiscal year 2001 taxable value of $2,480,959 (DOR). Projected growth of new utility real improvement properties is 2.7% per year. The estimated fiscal year 2002 taxable value of new utility improvements is calculated by applying the estimated growth rate of 2.7% to the estimated fiscal year 2001 taxable value, resulting in a projected fiscal year 2002 taxable value of $2,547,945 ($2,480,959 x 102.7%) and a projected fiscal year 2003 taxable value of $2,616,740 ($2,547,945 x 102.7%).
7. The statewide average mill levy for residential and commercial improvements is approximately 377.70. Applying the estimated statewide average mill to the projected FY02 and FY03 taxable values of new utility improvements produces an statewide change in revenues generated from new utility improvements of $962,359 ($2,547,945 x .37770) for FY ‘02, and $988,343 ($2,616,740 x .37770) for FY ’03.
8. For purposes of this fiscal note, it is assumed that 75% of new utility improvements fit the proposal’s criteria of being completed, used, or occupied during the year. It is assumed that the average completion date for new utility improvements is September 1, which is an average estimated assessment period of four months, or one third of the year on new utility improvements completed, used, or occupied during the year.
9. Applying the aforementioned assumptions, estimated statewide revenues generated from completed, used, or occupied new real utility improvements not assessed or taxable as of the preceding January 1 is $240,349 ($962,359 x 75% x 33.3%) for FY ’02, and $246,839 ($988,343 x 75% x 33.3%) for FY ’03.
10. Total revenues generated from assessing and taxing improvements upon completion, use, or occupation are estimated to be $4,268,202 ($4,027,853 + $240,349) for FY’02, and $4,431,778 ($4,184,939 + $246,839)
11. The distribution of estimated revenues for FY02 from a special assessment on improvements completed during a tax year that were not assessed or taxable as of the preceding January 1 is $1,004,116 to the state general fund, $63,418 to the university system 6 mill, $54,144 to the state assumption of welfare 9 mill, and $3,146,524 to local governments. The distribution of estimated revenues for FY03 from a special assessment for improvements completed during a tax year that were not assessed or taxable as of the preceding January 1 is $1,042,552 to the state general fund, $65,843 to the university system 6 mill, $56216 to the state assumption of welfare 9 mill, and $3,267,165 to local governments.

Expenditures

12. For purposes of this fiscal note, it is assumed that 60,000 parcels will have new construction associated with them each year, requiring an average of two additional visits each year to each parcel to determine when it is completed, used, or occupied.
13. It is estimated that it will take one half hour to make a visit to each of the 60,000 completed, used, or occupied improvements and finish an appraisal, this equates to an estimated 60,000 (120,000 visits x 0.5) hours of employee time to accomplish appraisals each year on new improvements.
14. It is estimated that there are 1,760 employee-effective hours each year per employee.
15. To calculate the estimated number of Full Time Equivalents (FTE) needed to comply with the proposal and appraise completed, used, or occupied new improvements, the estimated hours of employee time needed to accomplish appraisals is divided by the estimated employee effective hours in a year, which calculates to be 34 FTE (60,000 / 1,760).
16. Estimated expenditures for FTE is the product of salary and benefits per employee. FTE expenditures associated with the proposal are estimated to be $1,279,064, or $37,620 per FTE for FY02, and $1,283,546, or $37,751 per FTE for FY03.
17. Operating expenses associated with appraising the completed, used, or occupied new improvements, which includes contract services, travel costs, and postage for special assessment notices are estimated to be $113,730 in FY02, and $113,730 FY03.
18. Changes to the Department of Revenue's computer system requires an estimated 1,080 contracted programming hours, at an estimated average cost per hour of $125.00, calculates to be $135,000 (1,080 x 125.00) in estimated set up operating expenses.
19. Equipment costs, which include motor vehicles, office equipment, and computer equipment are estimated to be $292,330 for FY '02, and $93,600 for FY '03.
20. Estimated total costs as specified in the proposal to send special assessment notices and appraise completed, used, or occupied new improvements not assessable as of the preceding January 1 are projected to be $1,820,124 ($1,279,064 + $113,730 + $135,000 + $292,330) for FY '02, and $1,490,876 ($1,283,546 + $113,730 + $93,600) for FY '03.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
FTE	34.00	34.00
Expenditures:		
Personal Services	$1,279,064	$1,283,546
Operating Expenses	248,730	113,730
Equipment	292,330	93,600
TOTAL	$1,820,124	$1,490,876
Funding:		
General Fund (01)	$1,820,124	$1,490,876

Revenues:

General Fund (01)	$1,004,116	$1,042,552
State Special Revenue (02) (University System)	63,418	65,845
State Special Revenue (02) (State Assumption of Welfare)	54,144	56,216

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	($816,008)	($448,324)
State Special Revenue (02) (University System)	63,418	65,845
State Special Revenue (02) (State Assumption of Welfare)	54,144	56,216

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

It is estimated that the proposal would result in an increase in revenue to local governments of $3,146,524 in FY02, and $3,267,165 in FY03.

TECHNICAL NOTES:

1. Current law, or the proposal, does not have language that sets criteria for he Department or Revenue to determine when an improvement is considered completed or used.