

FISCAL NOTE

Bill #: HB561

Title: Revise personal property taxes

Primary

Sponsor: Trudi Schmidt

Status: Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	(65,911)	(84,925)
Revenue:		
General Fund	(556,766)	(1,701,790)
State Special Revenue 9- Mill	(17,933)	(53,848)
University 6-Mill	(35,164)	(107,481)
Net Impact on General Fund Balance:	(490,855)	(1,616,865)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
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:

Expenditures

- Under the proposal the Department of Revenue would process 25,925 fewer forms in fiscal year 2002. This reduction of the number of forms processed would reduce the number of FTE in CVR by an estimated 3 FTE which would save an estimated \$65,911 in expenditures in fiscal.
- The Department of Revenue would process 32,407 fewer forms in fiscal year 2003. This reduction of the number of forms processed would reduce the number of FTE in CVR by an estimated 4 FTE which would save an estimated \$84,925 in expenditures in fiscal 2003.

Revenue

- This proposal will affect tax year 2002 and beyond.
- The exemption for class 8 properties is \$15,000 for tax year 2002, \$25,000 for tax year 2003 and \$50,000 for tax year 2004 and beyond.
- A portion of class 8-property is not liened to real property. This portion of class 8-property pays taxes in May. In tax year 2002, this portion of property will have the first \$15,000 exempt; because of this the proposal will affect fiscal year 2002 revenues.

(continued)

6. It is estimated that the proposal will decrease taxable value of class 8-property below current law levels by \$5,860,699 in fiscal year 2002 and by \$17,913,582 in fiscal year 2003.
7. The statewide average mill levy for class 8 property is estimated to be 428.8 mills. Included in the average mill levy are the 95 mills for the general fund, the 6 mills for the university system, and 324.3 mills for local governments. There are 9 mills levied for the state assumption of welfare, however, only thirteen counties levy this mill.
8. The proposal will decrease general fund revenues of \$556,766 for FY2002 and \$1,701,790 in FY2003.
9. The university 6-mill account will see a decrease of \$35,164 for FY 2002 and \$107,481 in FY2003.
10. It is estimated that 33.4% of the decrease in taxable value is in the 13 counties that levy the 9-mills for state assumption. The 9-mill account for state assumption will see an increase of \$17,617 in fiscal year 2002 and \$53,848 in fiscal year 2003.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
FTE	(3.00)	(4.00)

Expenditures:

Personal Services	(60,472)	(80,937)
Operating Expenses	(5,439)	(3,988)
TOTAL	(65,911)	(84,925)

Funding:

General Fund (01)	(65,911)	(84,925)
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Revenues:

General Fund (01)	(556,766)	(1,701,790)
State Special Revenue 9- Mill (02)	(17,933)	(53,848)
University 6-Mill	(35,164)	(107,481)

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(490,855)	(1,616,865)
State Special Revenue 9- Mill (02)	(17,933)	(53,848)
University 6-Mill	(35,164)	(107,481)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments have the option of floating their mills to offset the reduction in taxable value. If local governments do not float their mills and hold their mills constant, it is estimated that local governments would see a decrease in property tax revenue of \$1,900,624 in fiscal year 2002 and \$5,809,374 in fiscal year 2003.

LONG-RANGE IMPACTS:

The impact of the proposal grows in FY04 and FY05 as the reduction in the taxable value of class 8 property is phased in. After the initial reductions in taxable value the proposal allows for growth in taxable value of class 8 properties. The proposal allows growth in taxable value by doing away with current law trigger for the reduction of the class 8 tax rate.