COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2757-04
Bill No.: Perfected SS for SCS for SB 960
Subject: Taxation and Revenue - Property; Auditor, State; Counties; Political Subdivisions; Education, Elementary and Secondary
Type: Original
Date: March 17, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTIONS

SS for SCS for SB 960

Officials from the **Department of Revenue** assume the proposal would have no impact on their organization.

In response to a previous version of the proposal, officials from the **State Tax Commission** assumed the proposal would have no impact on their organization.

In response to a previous version of the proposal, officials from the **Office of the Cole County Assessor** (office) assumed there would be no fiscal impact to their organization from the proposal. They stated there would be a significant effect from programming and administrative costs to county collectors and clerks.

ASSUMPTIONS (continued)

Oversight assumes there could be significant cost to local governments as a result of this proposal, but that the local governments have the ability to choose whether or not they are subject to the proposal's requirements. Therefore, Oversight has indicated no cost to local governments.

Although they did not respond to our request for information, officials from the **Office of the Secretary of State**, the **Office of the State Auditor**, and the **Joint Committee on Administrative Rules,** in response to a previous version of the proposal, assumed the proposal would have no impact on their organizations.

Oversight assumes the rule-making requirement in the current version of the proposal would require rules to be promulgated by the Office of the State Auditor and published by the Office of the Secretary of State, but that those requirements could be met with existing resources. If the requirements are greater than anticipated or if additional similar proposals are passed, Oversight assumes those costs could be addressed through the appropriation process.

<u>Senate Amendment No. 1.</u>

In response to a similar proposal in the previous session, officials from the **Department of Revenue** assumed the proposal would have no fiscal impact on their organization.

In response to a similar proposal in the previous session, officials from the **State Tax Commission** assumed the proposed legislation would establish depreciable tangible person property as a subclass of tangible property, along with a depreciation table for such depreciation. A separate levy would be calculated for this new class, and a political subdivision would be able to adjust its levy with voter approval to make up for any revenue loss. If the levy is adjusted , there would not be a loss to the political subdivisions. If the levy is not adjusted, the State Tax Commission does not have any information available to determine if the fiscal impact to any local political subdivisions would be a revenue loss or gain.

The Commission must approve all forms the assessors will use to list such property, and must notify the appropriate county clerk of any appeals. The impact to the Commission should be minimal.

ASSUMPTIONS (continued)

In response to a similar proposal in the previous session, officials from the Office of the **Cole County Assessor** assume this proposal would result in a one time correction where substantial changes in business personal property values may change. The Cole County Assessor assumes those changes would have the net effect of an increase in the assessed value of business personal property in the amount of approximately $23,000,000 in 2004. This would result in additional revenue of approximately $1,210,000 to Cole County taxing jurisdictions in 2004, and approximately $6,000 of that additional revenue would be deposited into the assessment fund.

For the years 2005 and 2006, the correction in business personal property valuation will have taken place and no additional revenues, outside of normal growth, would be expected.

There would be no direct savings to the Cole County Assessor's office from this bill. It is estimated that one time programming fees in the range of $4000 would be needed to implement this bill in 2004. There would be no losses to the Cole County Assessor's office from this bill.

Oversight assumes the proposal would allow taxing authorities to adjust levy rates up to the maximum voter approved rate if such adjustment is needed to generate the same tax revenue as was provided the previous year from depreciable tangible personal property. Levy rate adjustments could be made in any subsequent year of general reassessment. Oversight assumes the intent of the proposal is to limit the taxing authorities to the same tax revenue as would have otherwise been provided, and has not shown any revenue impact on the taxing authorities.

Oversight assumes there would be significant but unknown additional costs to county assessors, county clerks, and taxing authority officials to implement this proposal, and has shown these costs in 2005 (FY 2006). Oversight assumes that any additional costs in subsequent years would be minimal. Oversight also assumes that any tax effect from this proposal would be in 2005 (FY 2006) since assessment for 2004 taxes (FY 2005) would be completed before the effective date of this proposal.

Oversight assumes there would be an unknown impact to the Blind Pension Fund, since the Blind Pension Fund levy rate would not be adjusted.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
BLIND PENSION FUND			
Increase (Decrease) in Tax Revenues as a result of changes in assessment.	$0	Unknown to (Unknown)	Unknown to (Unknown)
NET EFFECT ON BLIND PENSION FUND	**$0**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
POLITICAL SUBDIVISIONS			
Cost to counties			
Additional administrative cost to county assessor and clerk.	(Unknown)	$0	$0
Cost to other political subdivisions			
Additional administrative and reporting cost.	(Unknown)	$0	$0
NET EFFECT ON POLITICAL SUBDIVISIONS	**(Unknown)**	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

SS for SCS for SB 960

This proposal would make clarifications to the property assessment law. The inflationary growth factor for subclasses would be limited to the actual increase in assessments but no greater than the lesser of five percent or the change in the Consumer Price Index. Required property tax rate rollbacks would be allocated among the subclasses based on their relative assessed valuation. Political subdivisions could vote whether to be subject to these provisions or not. Tax rate worksheets used by the State Auditor's Office would be subject to review by the Joint Committee on Administrative Rules.

Senate Amendment No. 1.

This proposal would establish depreciable tangible personal property as a separate subclass of tangible personal property and define a methodology for assessment purposes. Depreciable tangible personal property would be assessed based on its installed fair market value as defined, applying the class life of property as set out in the federal tax code life tables, and a depreciation schedule included in the proposal.

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

Department of Revenue
State Tax Commission
Office of the Secretary of State
Office of the State Auditor
Joint Committee on Administrative Rules
Office of the Cole County Assessor

Mickey Wilson

Mickey Wilson, CPA
Director
March 17, 2004