

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6744

BILL NUMBER: HB 1154

DATE PREPARED: Dec 15, 1998

BILL AMENDED:

SUBJECT: Property tax deductions for the elderly.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases the property tax deduction for qualifying individuals who are at least 65 years of age from \$1,000 to \$2,000. It makes a conforming amendment to the version of the statute that will become effective March 1, 2001, when the definition of assessed value will change from 33 1/3% of true tax value to 100% of true tax value.

Effective Date: July 1, 1999; January 1, 2000; January 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a one cent tax rate for State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The provisions of this bill would reduce this amount by about \$10,800 annually.

Explanation of Local Expenditures:

Explanation of Local Revenues: For 1997 pay 1998, the "Age 65" deduction totaled \$108 million in assessed valuation (AV) statewide. By increasing the deduction from \$1,000 to \$2,000, the amount of deduction will increase by nearly 100% or \$108 million. (The deduction may not be greater than one-half of the assessed valuation of the real property).

Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. A \$108 million reduction in assessed value would cause a \$0.02 increase in the statewide average gross property tax rate for an estimated tax burden shift of \$11.2 million in CY 2000.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative

funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: State Fair Board, Department of Natural Resources.

Local Agencies Affected: County Auditor Offices.

Information Sources: Local Government Database.