

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7133
BILL NUMBER: SB 465

DATE PREPARED: Jan 12, 1999
BILL AMENDED:

SUBJECT: Assessed value deduction for elderly.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases the assessed value deduction for the elderly from \$1,000 to \$10,000. It also increases the income level to qualify for the deduction from \$20,000 to \$40,000.

Effective Date: January 1, 1999 (retroactive); July 1, 1999; March 2, 2001.

Explanation of State Expenditures: The state's expense for property tax replacement credits (PTRC) would not be affected by this bill.

Explanation of State Revenues: The State levies a one cent tax rate for State fair and State forestry. Any reduction in the assessed value (AV) base will reduce the property tax revenue for these two funds. The provisions of this bill would reduce this amount by about \$116,000 each in CY 2000 and CY 2001 and \$126,000 annually after CY 2001.

Explanation of Local Expenditures:

Explanation of Local Revenues: For 1997 pay 1998, the "Age 65" deduction totaled \$108 million in AV statewide. By increasing the deduction from \$1,000 to \$10,000 with a limit of one-half of the property's AV and increasing the income limit from \$20,000 to \$40,000, the amount of deduction will increase by an estimated \$1.16 billion AV in CY 2000 and CY 2001 and \$1.26 billion AV thereafter.

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. The above reductions in assessed value would cause a \$0.19 increase in the statewide average net property tax rate in CY 2000 and CY 2001 for estimated net tax burden shifts of \$103 million in CY 2000 and \$106 million in CY 2001. After CY 2001, the net rate increase is estimated at about \$0.16 with net tax shifts of \$105 million in CY 2002 and \$107 million in CY 2003. The increased deduction amount after CY 2001 is based on an

assumption that a general reassessment of real property will be effective for the 2001 Pay 2002 tax year.

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: Consumer Expenditure Survey, U.S. Bureau of Labor and Statistics, Local Government Database.