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FISCAL IMPACT STATEMENT

LS 7141

BILL NUMBER: SB 575

NOTE PREPARED: Jan 20, 2007

BILL AMENDED:

SUBJECT: Property tax credits.

FIRST AUTHOR: Sen. Skinner

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the Homestead Credit does not apply to the extent that the assessed value of the homestead exceeds \$300,000. It limits the application of the State Property Tax Replacement Credit with respect to taxes imposed by civil taxing units on residential, commercial, and industrial real property parcels with high assessed valuations. The bill directs the Department of Local Government Finance to determine the savings to the state Property Tax Replacement Fund resulting from those changes, and to apply the savings to increase Property Tax Replacement Credit payments to school corporations.

Effective Date: Upon passage.

Explanation of State Expenditures: Beginning with property taxes payable in CY 2007, this bill would restrict the assessed value to which the 20% PTRC and Homestead credits would apply. All properties would continue to receive the School General Fund PTRC (currently 60%, but increased by this bill).

The 20% PTRC and HSC payments would be limited based on gross assessed value (GAV) as follows:

1. Homesteads: The first 300,000 of gross assessed value, less deductions, would qualify for HSC.
2. Single-family residences: The first \$300,000 GAV, less deductions, would qualify for 20% PTRC.
3. Two-family residences: The first \$400,000 GAV, less deductions, would qualify for 20% PTRC.
4. Three-family residences: The first \$500,000 GAV, less deductions, would qualify for 20% PTRC.
5. Four-family residences: The first \$600,000 GAV, less deductions, would qualify for 20% PTRC.
6. Agricultural Property: All net AV qualifies for the 20% PTRC.
7. Commercial (except apartments) and industrial: Only parcels with total GAV equal to \$3 M or less qualify for 20% PTRC.

The bill would also change the 20% PTRC credit percentage for commercial apartments based on GAV as follows:

1. GAV not exceeding \$300,000, less deductions: Would qualify for 20% PTRC.
2. GAV over \$300,000 but not exceeding \$1.2 M, less deductions: Would qualify for 15% PTRC.
3. GAV over \$1.2 M but not exceeding \$2.1 M, less deductions: Would qualify for 10% PTRC.
4. GAV over \$2.1 M but not exceeding \$3 M, less deductions: Would qualify for 5% PTRC.
5. GAV over \$3 M: would not qualify for any part of the 20% PTRC.

PTRC/HSC savings were calculated by estimating, for CY 2007, the gross AV, gross levy, current credits, and estimated credits under this proposal using parcel-level property tax data. Subject to appropriation, the state would save an estimated \$35 M in HSC and an estimated \$101 M, in PTRC for a total of \$136 M in CY 2007 in regular 20% PTRC and homestead credits.

Subject to appropriation, the \$136 M would be used to provide additional school general fund relief by increasing the school general fund 60% PTRC amount. The credit would be increased by an estimated 7% to a total of 67%. The school general fund PTRC applies to both real and personal property.

The DLGF would be required to calculate the PTRC/HSC expenditure savings and determine the additional school general fund PTRC percentage to be paid. There would be no change in overall PTRC/HSC expenditures.

Explanation of State Revenues:

Explanation of Local Expenditures: The county homestead credits funded from the County Option Income Tax (COIT) are calculated on the same homestead net tax base as the state homestead credit. The limitation of the AV base for state homestead credits under this proposal would also reduce the cost of the county credits funded from the County Option Income Tax (COIT). The cost reduction for CY 2007 is estimated at \$7 M. COIT proceeds that are not used for homestead credits are distributed to civil taxing units in the county. County homestead credits that are funded from the County Economic Development Income Tax (CEDIT) would not be affected.

Counties would incur additional programming costs to apply the proper amount of PTRC and HSC to properties under this proposal.

Explanation of Local Revenues: Total local revenues would be unaffected by this proposal.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County auditors.

Information Sources: County parcel-level tax data; County auditor abstracts; Local Government Database.

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