

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7166**

**BILL NUMBER: HB 1339**

**DATE PREPARED: Jan 6, 2000**

**BILL AMENDED:**

**SUBJECT:** Reassessment extension.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill extends the time for completing the next general reassessment by six months and changes the first year the new assessed values will be used as the basis for property taxes payable from 2002 to 2003. It changes the date for using 100% true tax value from March 1, 2001, to March 1, 2002. The bill provides a new schedule for completing the reassessment of parcels.

This bill also requires the State Board of Tax Commissioners to submit to the Property Tax Study Committee every six months a written report informing the committee of the status of the general reassessment. This bill continues the Property Tax Study Committee through 2002.

**Effective Date:** Upon passage; January 1, 2001.

**Explanation of State Expenditures:** The State pays homestead credits based on property tax billings for owner-occupied residential property. The homestead credit is equal to 10% of a homeowner's property tax liability through 2001 and 4% of the liability beginning in 2002. Reassessment generally shifts more of the tax burden onto residential property, thereby increasing the state's liability for homestead credits. A one year delay in the effective date of the current reassessment would also delay the state's increased homestead liability by one year. Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any change in Homestead credit expenditures would ultimately affect the General Fund.

The bill requires the State Tax Board to make a report to the Property Tax Study Committee on four occasions that would contain information regarding the status of the general reassessment. The report would have to contain the increases in real property assessments by property type, the number and percentage of parcels completed, and positive feedback as well as problems occurring in the reassessment. The reports would be due by June 1, 2000, November 1, 2000, April 1, 2001, and October 1, 2001.

This bill extends the expiration date of the Property Tax Study Committee from January 1, 1999 to January

1, 2003. Over the last several biennia, interim study committees have been allocated \$9,000 per interim for their work from funds appropriated to the Legislative Council.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The cost to local government to complete the 1989 reassessment was \$72.2 M. The cost to local government to complete the 1995 reassessment was estimated to be \$68.4 M. Under this proposal, some expenditures for performing the next general reassessment would be delayed or drawn out by six months. Reassessment expenditures are paid from the county Property Reassessment Fund. The bill allows the use of data already collected and analyses already performed in the delayed reassessment.

**Explanation of Local Revenues:** Under current law, the current general reassessment was scheduled to begin on July 1, 1999 and is to be completed by March 1, 2001 with tax billings first affected in CY 2002. This bill calls for the current reassessment be completed by September 1, 2001 and to first be effective with CY 2003 tax billings. Future reassessments would be unaffected by this bill.

Currently, one-fourth of the assessments are scheduled to be completed by each of the following dates: December 1, 1999, May 1, 2000, October 1, 2000, and March 1, 2001. This bill changes these dates to May 1, 2000, October 1, 2000, March 1, 2001, and September 1, 2001.

Personal property (business tangible property, inventory and individual personal property) is reported each year on forms prescribed by the State Tax Board. These forms, in effect, reassess personal property each year. Since real property is not reassessed each year, and its value generally increases, there is a shift of the property tax burden each year from real estate taxpayers to personal property taxpayers until reassessment. The length of the reassessment cycle has an effect on the reassessment "shock" that many real property taxpayers experience after a reassessment. After a short cycle, the increase in taxes (or realignment of the shift) due to reassessment is relatively smaller than after a longer cycle.

Local units would receive the same amount of revenue regardless of the effective date of the current general reassessment. It is the source of revenue that changes under reassessment. The only impact to local units would be to their bonding authority. Local units are bound by a constitutional 2% of AV debt limit. Delaying the effective date of the current reassessment would mean that local units would not receive an increase in bonding authority for an additional one year.

Under current law, assessed value (AV) is equal to one-third of true tax value through the March 1, 2000 assessment date. Assessed value is currently scheduled to be equal to 100% of true tax value beginning with March 1, 2001 assessments. This bill would delay the change to 100% for one year until the March 1, 2002 assessment date. This change has no effect on tax levies or tax billings since tax rates will be reduced by two-thirds as a result of the AV change.

**State Agencies Affected:** State Board of Tax Commissioners; Property Tax Study Committee.

**Local Agencies Affected:** County Assessors; Township Assessors; All local officials having reassessment duties; All local civil and school taxing units.

**Information Sources:**