

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6592

BILL NUMBER: SB 493

DATE PREPARED: Dec 27, 1999

BILL AMENDED:

SUBJECT: Shelter allowance adjustment.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the State Board of Tax Commissioners may by rule provide for a shelter allowance adjustment to the valuation of owner-occupied housing. The bill also provides that a shelter allowance adjustment must ensure that the amount of property wealth attributable to an owner-occupied residence does not include the amount necessary to sustain life at a subsistence level.

Effective Date: July 1, 2000.

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. As explained below in Local Revenues, the shelter allowance would cause a tax shift from residential property owners to all taxpayers if adopted by the Tax Board. By reducing the tax burden on residential property, the state's expense for homestead credits would also be reduced. The amount of state expenditure reduction would depend on the amount of tax shift as described below in Local Revenues.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Current law requires the State Tax Board to promulgate rules governing the assessment of real property. The Tax Board is required to provide the basis for the classification of land and improvements within the rules. This bill would permit the Tax Board to include a "shelter allowance adjustment" as a part of the rules.

The shelter allowance adjustment would remove the value of the property that is attributable to providing basic shelter at a subsistence level from the measure of property wealth. This provision would allow the

inclusion of a rule that would reduce the assessed value (AV) of residential real property. This AV reduction would cause a shift of a portion of the property tax burden from owners of residential real property to all property owners of all types. The actual shift would depend on whether the Tax Board includes a shelter allowance in its rules and the amount of the allowance granted. Total local revenues would remain unchanged.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: County and Township Assessors.

Information Sources: