

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7047

BILL NUMBER: HB 1941

DATE PREPARED: Feb 6, 2001

BILL AMENDED: Feb 5, 2001

SUBJECT: Property Tax Assessments of Certain Utilities.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: X

X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill permits a public utility company that is a general district corporation and its members that are local district corporations to elect annually to have their unit values for property tax purposes determined on a consolidated basis. It permits the same election for a not-for-profit corporation whose members are local district corporations and for the members of the corporation. The bill establishes procedures for the elections to first apply to the assessment for the March 1, 2000, assessment date.

Effective Date: Upon passage; March 1, 2000 (retroactive).

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. Under this bill these revenues would be reduced by an estimated \$2,000 per year.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Currently, one general district public utility company, one not-for-profit corporation, and their local district members would qualify under this bill for consolidation of their local unit values for property tax assessment purposes. Most likely, only one of the two utilities would benefit from an election under this bill.

The consolidation method would allow the local members to take advantage of the general district company's depreciation that falls below the 30% floor. The members of the identified utility that would benefit from this bill would experience a combined assessed value reduction of about \$19.7 M. The property tax associated with the \$19.7 M AV is approximately \$1.5 M.

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 \$1.5 M referenced above would be shifted from the utility members to all other taxpayers in the counties that contain the property. 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.

This bill is retroactive to the March 1, 2000, assessment date for taxes payable in CY 2001. The identified member taxpayers filed their March 1, 1999, and March 1, 2000, property tax returns on a consolidated basis. The taxpayers' consolidations were rejected by taxing authorities and the assessments are now under court review. Since they are contested assessments, the assessed value base used to compute tax rates probably does not include the questioned value. Therefore, the retroactivity of this bill would not cause a hardship on local government.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: Counties with subject property.

Information Sources: Kurt Barrow, Assessment Division Director, State Board of Tax Commissioners.