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FISCAL IMPACT STATEMENT

LS 6677 **NOTE PREPARED:** Dec 27, 2005
BILL NUMBER: HB 1143 **BILL AMENDED:**

SUBJECT: Property Tax Abatement.

FIRST AUTHOR: Rep. Dodge **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill allows a designating body to grant a property tax abatement deduction to the owner of a building that is located in an economic revitalization area and has been vacant for at least 180 days, if the owner or a tenant of the owner occupies the building and uses the building for commercial or industrial purposes. It provides that the deduction may not be allowed for more than five years.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) must prescribe a form for the statement of benefits which must include a description of the eligible vacant building and an estimate of the number of individuals who will be employed by the property owner. The DLGF must also adopt rules to implement the provisions of the bill. The DLGF should be able to implement the above provisions given its existing resources and staff.

Explanation of State Revenues: The state levies a small 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.

If there is an increase in investment because of the changes in this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls.

Explanation of Local Expenditures: A property owner that desires to obtain the deduction must file an application with a statement of benefits with the county auditor. The county auditor must forward the application to the designating body. The designating body must determine whether a deduction should be allowed. The owner of an eligible vacant building located in an economic revitalization area is entitled to a deduction from the AV of the building if the property owner or tenant occupies the eligible vacant building and uses it for commercial or industrial purposes. The designating body must determine the number of years for which a property owner is entitled to a deduction. However, the deduction may not be allowed for more than five years.

The designating body must adopt a resolution for approved deductions. A certified copy of the resolution must be sent to the county auditor, who shall make the deduction. Before the county auditor acts, the county auditor may ask the township assessor to review the application.

A property owner may appeal a determination of the county auditor by requesting a preliminary conference with the county auditor.

The above provisions will add administrative expenses to the counties and townships. However, it is expected that the units will be able to cover any additional administrative expenses given their existing budgets.

Explanation of Local Revenues: The amount of the deduction the property owner is entitled to receive equals the AV of the building multiplied by the percentage set forth in the table below.

For deductions allowed over a one-year period:		
	YEAR OF DEDUCTION	**PERCENTAGE**
	1st	100%
For deductions allowed over a two-year period:		
	1st	100%
	2nd	50%
For deductions allowed over a three-year period:		
	1st	100%
	2nd	66%
	3rd	33%
For deductions allowed over a four-year period:		
	1st	100%
	2nd	75%
	3rd	50%
	4th	25%
For deductions allowed over a five-year period:		
	1st	100%
	2nd	80%
	3rd	60%
	4th	40%
	5th	20%

Additional deductions reduce the AV tax base. This reduction causes a shift of the property tax burden from taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The specific impact of the bill is indeterminable and will depend on the number and nature of approved deductions.

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: DLGF, State Fair, State Forestry.

Local Agencies Affected: Counties and townships.

Information Sources:

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