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FISCAL IMPACT STATEMENT

LS 6800 | **NOTE PREPARED:** Jan 21, 2009
BILL NUMBER: SB 213 | **BILL AMENDED:**

SUBJECT: Assessment of Real Property.

FIRST AUTHOR: Sen. Randolph | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: ___**GENERAL** | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: Beginning with the general reassessment of real property that takes effect for the assessment date in 2011, this bill provides that general reassessments occur every nine years instead of every five years. The bill provides that real property assessment adjustments done annually under current law will occur every three years between general reassessments. It also corrects internal references.

Effective Date: January 1, 2009 (retroactive); July 1, 2009.

Explanation of State Expenditures: Beginning in 2009 under current law, the Department of Local Government Finance (DLGF) must conduct all ratio studies required for annual adjustments. The change to triennial adjustments could reduce the DLGF's expense for conducting the studies. The amount of savings is currently unknown as the DLGF's cost to perform the studies hasn't yet been established.

Explanation of State Revenues:

Explanation of Local Expenditures: Under current law, real property is fully reassessed every five years. The next general reassessment takes effect with taxes payable in 2012. Annual adjustments to real property values are applied each year in which a general reassessment does not take effect.

Under this bill, general reassessments would occur every nine years rather than every five years. The nine-year cycle would begin with the currently scheduled reassessment for taxes payable in 2012. Additionally, the interim valuation adjustments would be applied each third year without a general reassessment rather than in every year. In each nine-year period, there would be one general reassessment and two triennial adjustments.

Cost: This bill would eliminate two-thirds of adjustments. All of the data collection and verification would continue. But the time spent to conduct the final analysis of the data, calculation of sales factors, and updates of assessments would be reduced by up to two-thirds. This could result in substantial cost savings for counties whether these functions are performed in-house or under contract.

Assessment and Billing Schedule: The change to a nine-year reassessment cycle and triennial adjustments would likely allow those counties that currently struggle to complete annual adjustments to catch up and complete their assessment work on time. Timely assessments would encourage on-time property tax billings and could reduce the need for short-term borrowing.

Property Tax Levies: Property tax levies would be unaffected by the change to triennial adjustments. Tax rates are recalculated to account for any change in the assessed value (AV) base due to adjustments.

Tax Shifts: Less frequent adjustments would result in tax shifts between property classes and within property classes. The amount and direction of these tax shifts depend on the direction of change in assessment factors by location.

For instance, if home values are growing faster than commercial values, an annual assessment would shift taxes to homeowners each year, but the triennial adjustment would eliminate that shift in the non-adjustment years. Likewise, if home values are growing slower than commercial values, an annual assessment would shift taxes to commercial property owners each year, but the triennial adjustment would eliminate that shift in the non-adjustment years.

If real property values are on the rise, then the bill would also eliminate the shift from real property to personal property in the non-adjustment years. Conversely, if real property values are in decline, then the bill would eliminate the shift from personal property to real property in the non-adjustment years.

Whatever the direction of the shifts, taxpayers would experience a smaller year-to-year tax change in the non-adjustment years and a larger year-to-year tax change in the adjustment years.

Circuit Breaker Credits: Under current law, each property tax bill is capped at a percentage of gross AV, specific to the type of property. If values are on the rise, then the taxpayer's tax cap amount also increases. If values are in decline, then the taxpayer's tax cap amount is reduced. The change to triennial adjustments would delay the change in each taxpayer's net tax cap in each year without an adjustment. The year-to-year change in the tax cap would be larger in the adjustment years.

Explanation of Local Revenues:

State Agencies Affected: DLGF.

Local Agencies Affected: Township and county assessors; all local civil taxing units and school corporations.

Information Sources:

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