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FISCAL IMPACT STATEMENT

LS 6414

BILL NUMBER: HB 1190

NOTE PREPARED: Jan 23, 2012

BILL AMENDED:

SUBJECT: Real Property Reassessment.

FIRST AUTHOR: Rep. Crouch

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Cyclical Reassessment:* This bill requires the county assessor of each county to, before 2014, prepare and submit to the Department of Local Government Finance (DLGF) a reassessment plan for the county that first applies for the assessment date in 2016. It specifies that the reassessment plan is subject to approval by the DLGF. The bill provides that the reassessment plan must divide all parcels of real property in the county into four different groups of parcels. It requires that each group of parcels must contain at least 25% of the parcels within each class of real property in the county, and it requires a county to reassess at least 25% of the parcels in the county in one year, and to reassess all parcels in the county every four years.

Reassessment Petitions: The bill establishes procedures for taxpayers to petition the DLGF for reassessment of parcels in a group and a schedule for completion of reassessment of parcels in a group.

This bill also makes technical corrections and changes population parameters to reflect the population count determined under the 2010 decennial census.

Effective Date: July 1, 2012; January 1, 2013.

Explanation of State Expenditures: *Reassessment Petitions:* This provision would allow a group of taxpayers to petition the DLGF for the reassessment of a real property group under the reassessment plan. The petition could be filed up to 45 days after notice of assessment and must be signed by the lesser of (1) 100 real property owners in the group or (2) 5% of the real property owners in the group. The DLGF could order or conduct a reassessment upon petition. The county would be responsible for paying claims from appraisal firms hired by the DLGF to conduct a county's assessment or reassessment.

Explanation of State Revenues:

Explanation of Local Expenditures: *Cyclical Reassessment:* Under a four-year cyclical reassessment schedule, expenditures for reassessment in a county would be spread from a two-year period within each five-year span to a period of up to four years. The overall reassessment period would be reduced from five years to four years. Over time, property would be physically inspected more often under this bill than under current law. On one hand, the increased frequency could add to the overall cost of performing physical inspections over a long period of time. On the other hand, counties may be able to perform more reassessment work in-house using current resources under the cyclical schedule, thereby reducing costs. The cyclical schedule could also result in lower professional appraisal costs if less overtime work is needed to meet the new deadlines.

Explanation of Local Revenues: *Cyclical Reassessment:* Under current law, real property is fully reassessed every five years. The general reassessment currently under way takes effect with taxes payable in 2013. Annual adjustments to real property values are applied each year in which a general reassessment does not take effect.

Under this bill, counties would submit a reassessment plan to the DLGF by December 31, 2013. The plan must divide the parcels in the county into four groups that contain approximately 25% of the parcels in each property class. Beginning with March 1, 2016, assessments, each county would reassess one group each year rather than conduct a general reassessment once every five years. However, a county could submit a plan to reassess more than 25% (up to 100%) of the parcels in any one year. Parcels that are not reassessed in a year would still be subject to annual adjustments.

Assuming that all property is currently assessed in accordance with the assessment and trending rules, general reassessments under current law should result in only modest one-year changes to most assessments. The general reassessment also picks up physical changes in property not previously noted. The change to cyclical reassessments would have the same overall effect. Since annual adjustments would continue for non-reassessed property, there should be no discernable change in overall assessment levels.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors.

Information Sources:

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