

**DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement**

1. **Patron** John A. Cosgrove

3. **Committee** House Finance

4. **Title** Real Estate Tax; Reduction of Tax Rate

2. **Bill Number** HB 1780

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require a locality that wants to adopt a real estate tax rate that would generate more than 101% of the prior year's revenue to follow a two-step process. It must first adopt the rate that would generate no more than 101% of last year's revenue, then it must wait at least 30 days before holding a hearing to increase the rate, and the advertised notice of the hearing must describe the amount of the increase from the recently adopted rate.

The effective date of this bill is not specified.

6. **No Fiscal Impact or Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. Fiscal implications:

There would be no state revenue impact associated with this bill.

9. Specific agency or political subdivisions affected:

All localities.

10. **Technical amendment necessary:** No.

11. Other comments:

Background on Real Estate Tax Rates

Currently, when an annual assessment, biennial assessment or general reassessment of real property by a locality would result in an increase of one percent or more in the total real property tax levied, the locality must reduce its real estate tax rate so as to produce no more than 101 percent of the previous year's total real property tax revenues. Additional assessments or reassessments due to the construction of new or other

improvements are excluded from this calculation. As an alternative to lowering the tax rate to the calculated rate, the governing body of the locality may, after holding a public hearing, vote to set the real estate tax rate at a different rate, which may be higher or lower than the calculated rate. State law does not limit this rate.

Proposal

This bill would require a locality that wants to adopt a real estate tax rate that would generate more than 101% of the prior year's revenue to follow a two-step process. It must first adopt the rate that would generate no more than 101% of last year's revenue, then it must wait at least 30 days before holding a hearing to increase the rate, and the advertised notice of the hearing must describe the amount of the increase from the recently adopted rate.

Similar Legislation

House Bill 1706 would generally provide that no locality may approve a real estate tax rate that would increase its total real estate tax levies by more than three percent from the previous year.

House Bill 1888 would mandate that the total tax revenue in a locality not exceed 105% of the total tax revenue in the locality in the immediately prior year unless approved by at least a two-thirds majority vote of the local governing body.

House Bill 2127 would require that a notice be mailed to each real estate taxpayer 10 days before a hearing on a rate increase.

cc : Secretary of Finance

Date: 1/26/2007 AMS
HB1780F161