DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement

1. Patron Salvatore R. Iaquinto

2. Bill Number HB 483

House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
__X__ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. Committee Senate Finance

4. Title Real Property Tax; Exception for the Collection of Omitted or Under-Assessed Taxes

5. Summary/Purpose:

This bill would limit a local commissioner of the revenue or tax assessing officer's ability to change an erroneous tax assessment or add an omitted tax assessment for any of the three preceding tax years. The bill would provide that for real property taxes where the validity of the valuation is at issue, localities may impose a new assessment or change the assessment only if the error or omission resulted from 1) fraud on the part of the taxpayer or 2) new construction, construction of any improvements on the property, or a change in the use of tax-exempt property that nullifies the exemption.

Under current law, if the local commissioner of the revenue or tax-assessing officer discovers that a local tax was never assessed or assessed at an incorrect rate for any of the three preceding tax years, the commissioner or local assessor may assess the tax at the rate prescribed for the year in question, and, where applicable, may add penalty and interest.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

This bill would have no impact on state revenues. To the extent that local commissioners of the revenue and other assessing officials would be limited in their ability to assess previously omitted taxes or increase the rate of taxes that were erroneously assessed at less than the law required, the bill would result in a decrease in local real property tax revenues, the magnitude of which is unknown.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Local commissioners of the revenue of counties and cities and tax-assessing officers of towns are authorized to assess taxes as far back as the three preceding tax years if they discover that a local tax was never assessed or was assessed at less than the law required. Penalty and interest can be added to the assessment from the first day following the due date in the year when the taxes should have been paid, and accrue from that date until payment. If the assessment was required through no fault of the taxpayer, the penalty and interest accrue after 30 days from the date of assessment until payment.

Proposal

The bill would provide that for real property taxes where the validity of the valuation is at issue, local commissioners of the revenue and local taxing officials may impose a new assessment or change the assessment for the three preceding tax years only if the error or omission resulted from 1) fraud on the part of the taxpayer or 2) new construction, construction of any improvements on the property, or a change in the use of tax-exempt property that nullifies the exemption.

The effective date of this bill is not specified.

Similar Legislation

House Bill 80 would require the local assessing official to separately assess the fair market value of wetlands on real property, if requested by the property owner.

House Bill 81 would prohibit local assessing officials from considering prior, discontinued uses of property in determining its current use for land use valuation purposes.

House Bill 1073 and **Senate Bill 73** (identical) would require that in appeals of real property assessments for residential rental apartments in excess of four units, the board of equalization must consider: 1) the actual gross income generated from the real property and any resultant loss in income attributable to vacancies, collection losses, and rent concessions; 2) the actual operating expenses and the impact of any additional expenses; and 3) other evidence relevant to determining fair market value; unless the property has been sold since the previous assessment, improvements are being made to the property, or the value arrived at by the income approach is not in accordance with generally accepted appraisal practices.

cc : Secretary of Finance

Date: 2/19/2012 KP
DLAS File Name: HB 483FE161