

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** David B. Albo

3. **Committee** House Finance

4. **Title** Real Estate Tax: Limitation on Tax Rate

2. **Bill Number** HB 1888

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would mandate that the total tax real estate revenue in a locality not exceed 105% of the total real estate tax revenue in the locality in the immediately prior year. The locality could receive greater revenue if it were approved by at least a two-thirds majority vote of the local governing body.

Under current law, the annual growth in a locality's total real estate tax revenue from an annual assessment, biennial assessment or general reassessment is capped at on percent unless the locality holds a public hearing in regard to its real property tax rate, in which case there is no cap on real property tax rates.

The provisions of this bill would apply to real property tax rates for tax years beginning on or after January 1, 2008.

6. **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. Localities would be limited in the rate of the real estate tax that they may impose.

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 mandate that the total real estate tax revenue in a locality not exceed 105% of the total real estate tax revenue in the locality in the immediately prior year. The locality could receive greater revenue if it were approved by at least a two-thirds majority vote of the local governing body.

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, with one exception.

House Bill 1780 would require localities to reduce their real estate tax rates for the forthcoming tax year when an annual assessment, biennial assessment or general reassessment of real property by the locality would result in an increase of 1 percent or more in the total real property tax levied. The tax rate would be required to be lowered so that it would produce no more than 101 percent of the previous year's real property tax.

House Bill 2127 would require localities to provide individual notice to each real estate taxpayer of public hearings regarding certain proposed tax rates.

Senate Bill 1063 would mandate that a county, city, or town may not set its real property tax for any tax year at a rate that would produce more than 105% of the previous year's total real property tax levies for such county, city or town. There would be no exceptions.

cc : Secretary of Finance

Date: 1/19/2007 AMS
HB1888F161