

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Timothy D. Hugo

3. **Committee** House Finance

4. **Title** Real Property Tax; Assessments, Bills, and Deferral.

2. **Bill Number** HB 1009

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require all localities to provide a real property tax deferral program for real property tax increases that exceed 105 percent of the previous year's tax on the property for all real property owned by and occupied as the primary dwelling of the taxpayer, under the terms and conditions set forth by local ordinance. This bill would also require localities to include in the assessment notice the tax rate that will apply to reassessed real property and include in the bill comparative information regarding tax rates, assessed values, and tax amounts owed for the current year and the previous year.

Currently, localities have to option to provide by ordinance a real property tax deferral program for real property taxes attributable to an increase that exceeds 105 percent or such higher minimum as the locality may choose of the real property tax on the property the previous year. In notices of reassessments, localities are required to include the tax rate, the total amount of the new tax levy, and the percentage change in the new tax levy from the immediately prior one if the new tax rate has been established. Localities currently have the option to provide information indicating how the tax rate charged upon such property and revenue derived from the tax is apportioned among the various services and governmental functions provided by the locality.

The bill has a delayed effective date of January 1, 2009.

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

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

8. **Fiscal implications:**

This bill would have no impact on state revenues. Localities may experience a revenue loss to the extent that additional real property taxes are deferred under the new mandatory deferral program required by this bill. Localities may incur administrative expenses associated with being required to include additional information with property tax bills.

9. Specific agency or political subdivisions affected:

All localities.

10. Technical amendment necessary: No.

11. Other comments:

Deferral of Increase in Real Estate Tax

Currently, any locality may adopt, by ordinance, a deferral program for real estate taxes attributable to an increase that exceeds 105 percent, or such higher minimum as the locality may choose, of the real property tax on the property the previous year. The locality determines, by ordinance, the terms and conditions of the program and whether the deferral program applies only to real estate owned by and occupied as the sole dwelling of the taxpayer or whether the program will apply to all property.

Notices of Assessment

Current law requires that whenever there is a reassessment of real estate or a change in the assessed value of real estate, a locality must provide notice by mail directly to each property owner whose assessment has been changed. Under current law, notice must be sent by postpaid mail at least 15 days prior to the date of the hearing to protest the change in assessment. The notice must show the magisterial or other district, if any, in which the real estate is located, the amount and the new and immediately prior appraised value of land, the new and immediately prior appraised value of improvements, and the new and immediately prior assessed value of each if different from the appraised value. If the tax rate that will apply to the new assessed value has been established, then the notice must set out that rate, the total amount of the new tax levy, and the percentage change in the new tax levy from the immediately prior tax levy. If the tax rate that will apply to the new assessed value has not been established, then the notice must set out the time and place of the next meeting of the local governing body at which public testimony will be accepted on any real estate tax rate changes. If the meeting will be set for more than 60 days from the date of the reassessment notice, instead of the date of the meeting, the notice must include information on when the date of the meeting will be set and where it will be publicized. The notice of change in the property tax assessment does not apply when the increase is attributable to construction or the addition of new improvements to the property.

Property Tax Bills

The governing body of any locality may attach to or mail with all real estate and tangible personal property tax bills information indicating how the tax rate charged upon such property and revenue derived from the tax is apportioned among the various services and governmental functions provided by the locality.

Proposal

This bill would require all localities to provide a real property tax deferral program for real property tax increases that exceed 105 percent of the previous year's tax on the property

for all real property owned by and occupied as the primary dwelling of the taxpayer, under the terms and conditions set forth by local ordinance.

This bill would effectively require the locality to set the real property tax rate before the notice of reassessment is sent to taxpayers because the bill would remove a locality's authority to send the time and place of the next meeting of the local governing body at which public testimony will be accepted on any real estate tax rate changes in lieu of the tax rate.

In addition, this bill would require localities to attach certain information to each property tax bill. The attachment must include:

- Information indicating how the tax rate charged upon such property and revenue derived there from is apportioned among the various services and governmental functions provided by the locality;
- The tax rate that will apply;
- The assessed value of the property;
- The total amount of the new tax levy;
- The total amount of the prior year's tax levy; and
- The percentage change in the new tax levy from the immediately prior year's tax levy.

Similar Legislation

House Bill 102 would provide that the total tax real estate tax revenue in a locality not exceed (1) 101% of the total real estate tax revenue in the locality in the immediately prior year unless approved by at least a majority vote of the local governing body and (2) 105% of the total real estate 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 74 would require a locality seeking to adopt a real estate tax rate that would generate more than the prior year's real estate tax revenue to (1) adopt a rate that would generate no more than the previous year's real property tax levies and (2) after 30 days, hold a hearing to increase the rate.

House Bill 927 would require each locality to adopt a tax rate for the forthcoming tax year at least 30 days prior to approval of the budget for the forthcoming year, with separate public notices and separate public hearings and to adopt a rate that would generate no more than the previous year's real property tax levies. A locality seeking to increase such rate would need to hold a hearing to increase the rate no sooner than 30 days thereafter and at least 30 days prior to the annual budget hearing.

House Bill 1036 would require localities to (1) fix tax rates for the forthcoming tax year at least 30 days prior to approval of the budget for the year, with separate public notices and separate public hearings; (2) attach to each real and personal property tax bill information showing how the amount of the tax bill has been apportioned in the current fiscal year on the major categories of spending; and (3) include in the bill comparative information regarding tax rates, assessed values, and tax amounts owed for the current year and the previous year.

Senate Bill 334 would require localities to (1) attach to each real and personal property tax bill information showing how the amount of the tax bill has been apportioned in the current fiscal year on the major categories of spending; and (3) include in the bill comparative information regarding tax rates, assessed values, and tax amounts owed for the current year and the previous year.

cc : Secretary of Finance

Date: 1/18/2008 jkl
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