

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** David B. Albo

2. **Bill Number** HB 102

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

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

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill 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.

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 one 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, 2009.

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 provide that the total tax real estate tax revenue in a locality not exceed 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.

This bill would also provide 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 unless approved by at least a two-thirds majority vote of the local governing body.

Similar Legislation

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 1009 would (1) require localities to include in the assessment notice the tax rate that will apply to reassessed real property; (2) require localities to include in the bill comparative information regarding tax rates, assessed values, and tax amounts owed for the current year and the previous year; and (3) permit taxpayers to defer a portion of the increase in real property taxes on the primary dwelling owned and occupied by the taxpayer until the property is transferred or until the taxpayer's death.

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

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