

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Jeffrey M. Frederick

3. **Committee** House Finance

4. **Title** Real Property Taxes; Rates, Notices of Assessments, and Bills.

2. **Bill Number** HB 1036

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require localities to fix property tax rates for the forthcoming year at least 30 days prior to approval of the budget, with separate public notices and separate public hearings for the property tax rate and budget. In addition, this bill would require localities to provide more detailed information on notices of reassessments. Lastly, this bill would require localities to attach to each real and personal property tax bill information showing how the specific amount of the tax bill has been apportioned in the current fiscal year on major categories of spending by the locality.

Currently, localities must fix property tax rates no later than the date that the ensuing fiscal year begins. 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. 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 or local revenues. Localities may incur administrative expenses associated with being required to include additional information with the property tax bill and notices of reassessments.

9. Specific agency or political subdivisions affected: All localities.

10. Technical amendment necessary: No.

11. Other comments:

Local Government Budgets

All officers and heads of departments, offices, divisions, boards, commissions, and agencies of every locality must prepare and submit to the governing body an estimate of the amount of money needed during the ensuing fiscal year on or before the first day of April of each year. The governing body must prepare and approve a budget for informative and fiscal planning purposes only, containing a complete itemized and classified plan of all contemplated expenditures and all estimated revenues and borrowings for the locality for the ensuing fiscal year. The governing body must approve a budget and fix a tax rate for the budget year no later than the date on which the fiscal year begins.

Real Property Tax Rates

When any assessment or general reassessment of real property would result in an increase of 1 percent or more in the total real property tax levied, the locality must reduce its rate for the upcoming tax year so the rate produces no more than 101 percent of the previous year's real property tax levies. The locality may, after conducting a public hearing, which shall not be held at the same time as the annual budget hearing, increase the rate above the reduced rate.

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, the locality must provide notice by mail directly to each property owner whose assessment has been changed. The 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, 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 localities to fix property tax rates for an ensuing year at least 30 days prior to approval of the budget for the ensuing year, with separate public notices and separate public hearings for the property tax rate and budget.

This bill would also require localities to provide the tax rate that will apply to the new assessed value and the tax rate that would yield the same amount of real property tax revenue that was generated by the real property in the previous year on notices of reassessments.

Additionally, this bill would require localities to 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 among the highest three categories of expenditures of the locality for the applicable year, with the remaining amount captured in a category entitled "other."

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 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 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.

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: 1/20/2008 jkl
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