

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. Patron Frederick M. Quayle

3. Committee Senate Finance

4. Title Real Property Tax; Notice of Public Hearing
for Increasing Rates

2. Bill Number SB 1003

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would shorten the notice requirements to fourteen days for the public hearing every locality must hold prior to increasing its real property tax when that locality's assessment of real property results in an increase in Real Property Tax revenue of greater than one percent over the prior year's revenue. Specific notice requirements would differ for even-numbered versus odd-numbered years and depend upon whether the General Assembly has passed a general appropriation act by a certain date or whether the General Assembly is organized in a special session as of a specified date.

Under current law, when any 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 is required to reduce its rate of levy for the forthcoming tax year. If the governing body desires to increase the rate above the reduced rate, it must first hold a public hearing, and must provide notice of this hearing at least thirty days prior to the public hearing.

The effective date of this bill is not specified.

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 revenue.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Background

Whenever 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 is required to reduce its rate of levy for the forthcoming tax year so that the rate of levy produces no more than 101 percent of the previous year's real property tax levies.

Governing bodies of localities are authorized to increase the rate above the reduced rate if such an increase is deemed necessary. In order to increase the rate, the governing body must conduct a public hearing, which may not be held at the same time as the annual budget hearing. Notice of the public hearing must be published in at least one newspaper of general circulation in the county or city and posted in a prominent public location where notices are regularly posted in the building where the governing body of the locality regularly conducts its business. Notice must be given at least thirty days prior to the date of the hearing.

Local Budget Due Dates

Department and agency heads of localities are required to prepare and submit to their local governing bodies an estimate of the amount of money needed during the ensuing fiscal year for their departments or agencies by April 1 of each year. Generally, local governing bodies must approve the budget and fix a tax rate for the budget year by July 1, the date on which the fiscal year begins. The local governing bodies will generally have from April 1st to June 30th to prepare and approve the locality's budget.

Because localities depend upon state appropriated funds as a major source of revenue, it is difficult for them to prepare a local budget without knowing how much money will be appropriated to the locality by the General Assembly. This information is necessary for localities to determine whether an increase in the real property tax is necessary.

Proposal

This bill would shorten the notice requirements for public hearings that localities must hold prior to increasing their real property tax, and would allow localities to shorten the notice period in the event the General Assembly has not passed the Appropriation Act by certain dates. This bill would assist localities in timely completing their own budgets, as localities depend upon enactment of the state appropriation act in order to determine how much revenue will be available for the upcoming fiscal year.

This bill would provide the following exceptions to the general thirty-day notice requirement:

For even-numbered years:

- Notice must be given at least fourteen days before the date of the public hearing in any even-numbered year in which the General Assembly has not passed a general appropriation act by April 1 of such year;
- Notice must be given at least seven days before the date of the public hearing in any even-numbered year in which the General Assembly has not passed a general appropriation act by April 15 of such year;

For odd-numbered years

- Notice must be given at least fourteen days before the date of the public hearing in any odd-numbered year in which the General Assembly is organized, as of April 1 of such year, in a special session for the purpose of considering amendments proposed to the general appropriation act adopted in the immediately preceding even-numbered year session;
- Notice must be given at least seven days before the date of such hearing in any odd-numbered year in which the General Assembly is organized, as of April 15 of such year, in a special session for the purpose of considering amendments proposed to the general appropriation act adopted in the immediately preceding even-numbered year session.

The effective date of this bill is not specified.

Other Legislation

House Bill 2308 is identical to this bill.

Senate Bill 1131 would shorten the notice requirements for the public hearing every locality must hold prior to increasing its real property tax when that locality's assessment of real property results in an increase in Real Property Tax revenue of greater than one percent over the prior year's revenue from thirty days to ten days.

cc : Secretary of Finance

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