

FISCAL NOTE

SB 1 - HB 1

January 16, 2007

SUMMARY OF BILL: Authorizes the legislative body of local governments to “freeze” property tax liability for individuals 65 years of age or older who own the property as their primary residence and have an annual income of \$60,000 or less.

ESTIMATED FISCAL IMPACT:

Increase Local Govt. Expenditures –
Exceeds \$100,000/One-Time/Permissive
Exceeds \$1,000,000/Recurring/Permissive

Decrease Local Govt. Revenues – Exceeds \$1,000,000/Permissive

Assumptions:

- The state will not play a role in the verification of taxpayer eligibility.
- Several local governments will adopt legislation authorizing a tax freeze.
- A permissive, one-time increase in local government expenditures due to the cost of reprogramming computer systems and any administrative costs associated with form changes, etc.
- A permissive increase in local government expenditures associated with the cost of eligibility determination.
- The decrease in local government revenues will occur over an indeterminate and varied period of time due to the uncertainty of the timing of increases in property values as well as property tax rates and the number and time frame of local governments authorizing such freeze.

- As an example, if a one-cent increase in the tax rate in every county and municipality were to occur in one year, and each of these localities had enacted an ordinance adopting the tax freeze, there would be a decrease in local government revenues exceeding \$1,500,000. According to the same methodology, the decrease in local government revenues is approximated below at differing levels of local government and population participation.

<u>Population and Taxing Jurisdiction Participation</u>	<u>Decrease in Local Govt. Revenues per \$0.01 Tax Increase</u>
100%	\$1,554,000
75%	\$1,165,000
50%	\$777,000
25%	\$388,000

The figures above are based upon the given percentage of the population and taxing jurisdictions adopting a local tax freeze ordinance and enacting a \$0.01 tax increase in the same year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director