



February 27, 2020

SUMMARY OF BILL: Prohibits a local government from certain increases in the property tax rate prior to an affirmative vote by a referendum.

ESTIMATED FISCAL IMPACT:

Forgone Local Revenue – Exceeds \$1,000,000/FY20-21 and Subsequent Years

Other Fiscal Impact – For municipalities and SSDs holding referenda not in conjunction with a regular election, the proposed legislation will result in a one-time permissive increase in local expenditures estimated to exceed \$1,000. For counties, such referendum will result in a one-time permissive increase in local expenditures estimated to exceed \$10,000 per occurrence.

Assumptions:

- The proposed language is applicable to counties, municipalities, and special school districts (SSDs) which levy a property tax. Such local governmental entities would be prohibited from increasing the property tax rate by an amount that would increase the entity's property tax revenue:
 - More than the most recent percentage change in the consumer price index plus two percent; or
 - More than the most recent percentage change in the consumer price index plus six percent over three tax years.
- Under the proposed language, when calculating the entity's current property tax revenue, the proposed language requires property taxes levied on new construction in the previous tax year to be excluded.
- Based on information provided by the Comptroller of the Treasury (COT), the following years show the number of local governmental entities would have been prohibited from increasing their tax rate prior to a referendum under the provisions of the proposed language yearly restrictions:
 - In 2016, 20 counties and 42 municipalities and SSDs;
 - In 2017, 17 counties and 47 municipalities and SSDs; and
 - In 2018, 4 counties and 36 municipalities and SSDs.
- Based on information provided by the COT, the three tax year calculation restriction in the proposed legislation would have been prevented 13 counties and 75 municipalities and SSDs from 2013-2016 from increasing their property tax rate without a referendum.

- Expenditures for conducting a referendum not in conjunction with a regularly scheduled election are driven by the population to be polled and ultimately the number of precincts which are required for the specific election.
- For any applicable local governmental entity electing to hold a referendum not in conjunction with a regularly scheduled election, there will be a one-time permissive increase in local expenditures. The extent of such expenditures will vary based on the number of voters which will be included. Any such increase in local expenditures is reasonably estimated to exceed \$1,000 each occurrence for municipalities and SSDs and to exceed \$10,000 each occurrence for counties.
- The proposed language may result in local governments increasing their property tax rates in amounts lower than they would have increased in the absence of this legislation.
- While the precise number of local governmental entities who will opt to increase their property tax rates at a lower rate to prevent a referendum is unknown, it is estimated to result in forgone property tax revenue for such local government. Determining a precise amount of forgone local government property tax revenue will vary but is reasonably estimated to exceed \$1,000,000 per year statewide.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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