Bill Number:	S. 0932
Author:	Bennett
Subject:	Property tax assessment ratios
Requestor:	Senate Finance
RFA Analyst(s):	Jolliff
Impact Date:	January 19, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	$0	$0
Other and Federal	$0	$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	$0	$0
Local Expenditure	$0	$0
Local Revenue	($ 215,000)	$0

Fiscal Impact Summary

The bill is not expected to impact state expenditures or revenues. Due to the limited scope of the provisions of the bill and the small number of refunds expected, we do not anticipate that the bill will have a material impact on local expenditures for processing the refunds. The bill would reduce local property tax revenue by approximately $215,000 in FY 2016-17 for local property tax refunds from tax years 2014 and 2015.

Explanation of Fiscal Impact

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

The bill would change the date for an active duty Armed Forces member to apply for the special assessment ratio under the limited provisions in Sections 12-43-220(c)(2)(v) and allow for a refund for members who missed the application deadline in tax years 2014 or 2015. Due to the limited scope of the provisions and the small number of refunds expected, we do not anticipate that the bill will have a material impact on local expenditures for processing the refunds.

Local Revenue

This bill would amend Section 12-43-220(c)(2)(v)(C)(3) by changing the date by which a qualifying member of the Armed Forces must apply to retain the special four percent assessment ratio on a second property while attempting to sell the first property. Under this section a member of the Armed Forces who receives a permanent change of station or a temporary assignment for at least one year may claim the four percent assessment ratio on two residential properties in the state so long as the owner attempts to sell the first residence within thirty days of acquiring the second residence and must apply for the special assessment by May fifteenth of each year. The bill would change the May fifteenth deadline to the first penalty date for payment of the taxes of the year for which the taxes are due, typically January of the following year. This section applies to tax years after 2013. In our analysis of H. 3027 of 2014, the bill that enacted this section, the limited scope of this provision was not expected to have a material impact on local property tax revenue. Changing the application date from May fifteenth to the first penalty date for the taxes due also is not expected to have a material impact on local property tax revenue.

The bill would also allow service members who qualified for the special assessment ratio under subsubitems (B) or (C) to apply for a refund for tax year 2014 or 2015 if the taxpayer was denied the special assessment ratio because application was made after the May fifteenth deadline. Subsubitem B allows an active duty member of the Armed Forces of the United States to retain the special four percent assessment ratio when the member is either permanently or temporarily relocated regardless of any rental income attributable to the property. Based upon our analysis of H. 3027 of 2014, the bill that enacted this section, we estimated that approximately 428 service members would qualify for this provision and that it may reduce local property tax revenue by $357,000 for tax year 2014 for the reduction in the assessment ratio from six to four percent. The section was enacted in March 2014. If fifty percent of the service members who qualified for this provision applied after the May fifteenth penalty date for tax year 2014, the total estimated local property tax refund for tax year 2014 would be approximately $179,000. Subsequently, if approximately ten percent of qualifying members failed to apply by the deadline for tax year 2015, this would amount to a refund of approximately $36,000 for tax year 2015. Adding the two tax year refunds together, the bill would reduce local property tax revenue by approximately $215,000 in FY 2016-17 when the refunds are issued.

Frank A. Rainwater, Executive Director