

Fiscal Estimate Narratives

DOR 11/6/2007

LRB Number	07-3352/2	Introduction Number	SB-299	Estimate Type	Original
Description Distribution of a portion of the school levy tax credit					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

For purposes of the school levies credit, school levies include taxes for K-8, union high, and K-12 school districts plus levies for county-operated schools for children with disabilities. The credit is allocated to each municipality based on its share of the prior three years' statewide school levies. The 2007/08 credits will be based on school levies for 2004/05, 2005/06, and 2006/07.

Municipalities are notified by December 1 of the credit payment they will be paid on the fourth Monday in the following July. The credit is allocated to individual taxpayers in proportion to the taxpayer's share of the municipality's total assessed value.

The school levies credit appropriation for the 2007/08 tax year (FY09) is \$672,400,000.

PROPOSED LAW

The proposal creates a one-time adjustment to the school levies credit formula for the 2007/08 tax year only under which \$593,050,000 of the credit appropriation would be distributed to municipalities based on the current formula. The other \$79,350,000 would be distributed based on the increase in general school aid, compared to current law, that would have occurred had this amount been distributed through the general school aid formula for FY08. Each school district's increase in general school aid would be allocated to underlying municipalities on the same basis that property tax levies for 2007/08 are allocated (equalized value excluding positive incremental values of tax incremental districts).

Municipalities would be notified by December 1 of the total credit payment they would be paid on the fourth Monday in the following July. The total credit would be allocated to individual taxpayers in proportion to the taxpayer's share of the municipality's total assessed value. Thus, as under current law, the total credit under the bill is effectively distributed through a uniform school credit rate within each municipality.

ADMINISTRATIVE EFFECT

The Department of Public Instruction would need to notify the Department of Revenue (DOR) of the calculated school aid increases in order for the credit calculations to be made. DOR will need to make a change to its credit calculation program to track amounts distributed under the school aid increase.

Long-Range Fiscal Implications