

Fiscal Estimate Narratives

DOR 4/21/2017

LRB Number	17-2613/1	Introduction Number	SB-177	Estimate Type	Original
Description					
drainage districts and regulating the removal of material from certain drainage ditches					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, real estate is segregated into the following classes: residential, commercial, manufacturing, agricultural, undeveloped, agricultural forest, productive forest land, and other. Real estate is generally assessed at market value with a few exceptions. Agricultural assessments are based on the use-value of the property. Agricultural forest and undeveloped land are assessed at 50% of market value. When land that is classified as agricultural changes use, the property owner is subject to a conversion charge.

The bill creates drainage district corridors. The bill also requires assessors to assess land within a district corridor in the same class as the land adjoining the corridor, if the adjoining land and corridor land are owned by the same person. Under the bill, district corridor land could be assessed as a certain property class where it would not otherwise meet current law definitions. The bill makes other changes to current law concerning drainage districts as administered by the Department of Agriculture, Trade, and Consumer Protection and the Department of Natural Resources.

Fiscal Estimate

The fiscal effect is indeterminate as the department cannot identify the impacted parcels. The average assessed value and tax levy per acre for certain land classes are listed below. A parcel can contain different classes of land. For illustrative purposes, if a 40 acre parcel with all land classified as undeveloped changed to agricultural, then the average assessed value would decrease by \$18,480 and the average tax levy would decrease by \$400. The property owner's tax decrease would result in a tax increase for other taxable properties.

Class	Assessed Value Per Acre	Tax Levy Per Acre
Agricultural	\$172	\$3
Undeveloped	\$634	\$13
Agricultural Forest	\$1,241	\$25
Productive Forest	\$1,988	\$40

Under the bill, an otherwise ineligible property could be classified as agricultural for assessment purposes and would be subject to the agricultural conversion charge upon sale to another owner.

The impact on tax increments is indeterminate. As noted, the department does not have information on the potentially impacted parcels.

Long-Range Fiscal Implications