

Fiscal Estimate Narratives

WTCS 3/30/01

LRB Number 01-2734/1	Introduction Number AB-262	Estimate Type Original
Subject Use value assessment of agricultural land		

Assumptions Used in Arriving at Fiscal Estimate

Assembly Bill 262 would provide state aid payments to local units of government (including technical college districts) to compensate for the loss in property tax revenue due to the accelerated implementation of full use value assessment for agricultural land beginning in 2000. Originally, use value assessment was to be phased in over a ten-year period beginning in 1998. In 2000, the Department of Revenue adopted an emergency rule that eliminated the phase in period and moved to immediate full implementation of use value assessment. The payments provided in AB 262 would be computed by multiplying each technical college district's gross property tax rate by the amount of agricultural land value that would be removed from the district's tax base as a result of the elimination of the phase in period. The payments would be made from a sum sufficient appropriation beginning in fiscal year 2001-02 and ending in fiscal year 2007-08.

In 2000, the Legislative Fiscal Bureau estimated that the change in equalized valuation for property tax assessments due to 100% use value was a decrease of approximately \$2.0 billion compared to estimated values under the 10-year phase-in formula (which would have provided that agricultural land be assessed 30% by use and 70% by market value). The gross tax rate for technical college district (WTCS) purposes for 1999-00 was 1.65 mills. In 1999-2000, an estimated \$3,300,000 GPR would have been needed by WTCS districts as replacement revenue for the property taxes that would have been collected from agricultural land subject to use value assessment.

A more recent estimate of the change in equalized valuation is not available at this time, but the \$2.0 billion estimate provides an upper bound for estimation purposes for the size of the shift for the current year. While the gross tax rate for WTCS districts has increased in 2000-01 to 1.67 mille, the phase-in formula which would have provided that agricultural land be assessed 40% by use and 60% by market value. Therefore, no more than the estimated \$3,300,000 GPR would be needed as replacement revenue. The net effect of AB 262 would be no change in the overall revenues to WTCS districts. In subsequent years, the state aid payment would decline because comparison between the 100% use value amount and the phase in formula amount would result in a smaller difference in valuation.

Long-Range Fiscal Implications

The state aid payment would decrease each year over the six-year period of the proposed state aid program at which point technical college districts would be in the same position that they would have been had the ten-year phase-in formula of use value assessment been implemented.