

Fiscal Estimate Narratives

DOR 1/11/02

LRB Number	01-3997/1	Introduction Number	AB-702	Estimate Type	Original
Subject					
Paying personal property taxes in installments					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, property taxes levied on personal property are payable in full on or before January 31 of each year. Taxes on real property are payable either in full on or before January 31 or in two equal instalments. The first instalment is due on or before January 31, and the second instalment is due on or before July 31. Current law allows a municipality, by ordinance, to collect real property taxes in three or more instalments. Under current law, property taxes on real property that are less than \$100 must be paid in full on or before January 31.

Under the bill, payment of personal property taxes would be treated the same as taxes on real property. Personal property taxes would be payable either in full on or before January 31 or in two equal instalments. The bill allows a municipality, by ordinance, the option of collecting personal property taxes in three or more instalments. Personal property taxes less than \$100 would be payable in full on or before January 31.

Under the bill, the municipality would, as part of the February tax settlement, continue to pay in full for all personal property taxes levied. While the bill does not specifically direct counties to settle for collections of the second instalment of personal property taxes with the municipality, it can be assumed that the counties would return all personal property taxes collected to the municipalities as part of the August tax settlement. Thus, municipalities would advance to the other taxing jurisdictions the postponed personal property tax payments from February 20 through August 20.

The bill would result in increased local government costs associated with foregone interest earnings and programming and processing changes.

Interest Costs. In 2000/01, \$227.8 million were levied on personal property statewide on approximately 240,000 personal property accounts. Assuming 75% of personal property taxes would be paid in two instalments, the payment of approximately \$85.4 million ($(\$227.8 \text{ million} \times 75\%) / 2$) would be postponed until July 31. Municipalities would advance to the other taxing jurisdictions \$85.4 million in postponed payments for 6 months. Assuming an annual interest rate of 2.25%, municipalities would lose approximately \$960,000 in foregone interest earnings ($\$85.4 \text{ million} \times 2.25\% \times 6/12$).

Programming Costs. Under current law, municipalities maintain the personal property tax roll throughout the tax year; as a result, county payment systems do not include processes or information on personal property tax payments. The bill would require that counties collect the payment of second instalments of personal property taxes; as a result, counties would incur costs associated with programming changes to adapt their payment systems to process payments of second instalments of personal property taxes. To the extent that their payment systems currently include two instalment payments for real property, the programming costs are not expected to be significant.

Processing Costs. Assuming 75% of the 240,000 personal property accounts would be paid in two instalments, counties would incur increased costs to process and settle for payments of 180,000 second instalments of personal property taxes. These costs are not expected to be significant.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$See
NET CHANGE IN REVENUE		\$	\$-960,000
Agency/Prepared By		Authorized Signature	
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		Date	
		1/11/02	