

Fiscal Estimate Narratives

DOR 2/9/2005

LRB Number	05-0811/2	Introduction Number	AB-52	Estimate Type	Original
Subject					
Payment of personal property taxes					

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 installments – the first installment is due on or before January 31 and the second installment is due on or before July 31. Current law allows a municipality, by ordinance, to collect real property taxes in three or more installments.

Under the bill, payments of personal property taxes would be treated the same way as taxes on real property. Personal property taxes would be payable either in full on or before January 31 or in two equal installments – the first installment would be due on or before January 31 and the second installment would be due on or before July 31. Under the bill, the governing body of a taxation district may also enact an ordinance allowing the payment of taxes on personal property in three or more installments.

Under the bill, a municipality would, as part of the February tax settlement, pay personal property taxes collected through January to the overlying taxing jurisdictions. During the August settlement, a municipality would pay in full personal property taxes on the roll to the overlying taxing jurisdictions. However, if a municipality allows three or more installments of personal property taxes, it would advance all personal property taxes included in the tax roll during the February tax settlement. Delinquent taxes on personal property would be paid to counties under the bill.

The bill would result in decreased local government revenues associated with foregone interest earnings. The bill would also increase local governments costs associated with programming and processing changes.

Interest costs. In 2003/04 approximately \$222 million of taxes were levied on personal property statewide. Assuming 50% of personal property taxes would be paid in two installments, the payment of approximately \$55.5 million $[(\$222 \text{ million} \times 50\%) / 2]$ would be postponed until July 31. Municipalities would not receive these payments for 6 months. Based on the Local Government Investment Pool rate of 1.71%, municipalities would lose approximately \$475,000 in foregone interest earnings $(\$55.5 \text{ million} \times 1.71\% \times 6/12)$.

Programming costs. Under current law, municipalities maintain the personal property tax roll throughout the tax year and collect delinquent personal property taxes; as a result county payment systems do not include processes and information to collect delinquent personal property taxes. The bill would require that counties collect delinquent taxes; as a result, counties would incur costs associated with programming changes. To the extent that counties currently collect delinquent payments on real property taxes, special charges, and special taxes, the programming costs are not expected to be significant.

Processing costs. Assuming 50% of the 230,000 personal property accounts would be paid in two installments, municipalities would incur increased costs to process and settle for payments of 115,000 second installments of personal property taxes. These costs are not expected to be significant.

The Department of Revenue would incur the costs of revising the Treasurers Settlement Sheet form, file layouts, and computer screens. These costs would be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 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):			
Programming costs of counties - not expected to be significant.			
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			
		State	Local
NET CHANGE IN COSTS		\$	\$See
NET CHANGE IN REVENUE		\$	\$-475,000
Agency/Prepared By		Authorized Signature	Date
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