

Fiscal Estimate Narratives

DOR 8/10/2007

LRB Number	07-0220/5	Introduction Number	SB-248	Estimate Type	Original
Description Authorizing the creation of local park districts, authorizing a local park district to levy a property tax, authorizing a local park district to apply for funding from certain programs administered by the Department of Natural Resources, and authorizing a local park district to impose impact fees and issue debt					

Assumptions Used in Arriving at Fiscal Estimate

Under the bill, one or more municipalities, one or more counties, or any combination of municipalities and counties could create a park district. A park district would be a separate governmental entity, independent of the municipalities and counties that formed it. A park district would have the authority to acquire, develop, maintain, improve, operate, and manage parks, park facilities, recreational facilities, or recreational programs.

The Department of Revenue is unable to predict the number of park districts that might be formed as a result of the bill. Given this limitation, the fiscal effects of the bill are expected to be as follows:

Corporate income taxes: The income of a park district would be exempt from the state corporate income tax. Since park districts would be performing the activities that were carried out by their constituent counties and municipalities, and since county and municipal purchases are exempt from the state corporate income tax, this part of the bill should have no effect of state and local sales tax collections.

Impact fees: A park district could impose impact fees on developers to recover capital costs caused by the development. A park district may be more or less willing to impose such fees when compared to counties and municipalities. As a result, the effect of this part of the bill is indeterminate.

Property tax exemption: The property of a park district would be exempt from property taxes. Since most, if not all, park district property is already exempt from taxes (due to it being owned by counties or municipalities), this part of the bill should have no effect on the property tax base.

Property taxes levies: Park districts could levy a tax of up to 1 mill (\$1.00 per \$1,000) on the equalized value of taxable property within the district. A higher rate could be imposed if approved by the park district board and by voters at a referendum. For 2007 and 2008, a park district's tax levy may not increase by more than the lesser of (a) 4% or (b) the percentage increase in its equalized value due to net new construction. To the extent that voters are willing to pay higher taxes to support a park district, this part of the bill may increase property taxes when compared to current law.

Real estate transfer fee: Transfers of property to a park district would be exempt from the real estate transfer fee (\$0.30 per \$100 of value transferred). The fee is paid when the instrument transferring the property is recorded with the county register of deeds. The county retains 20% of the fee and remits the remainder to the state. This part of the bill will reduce county and state revenues from the fee by an unknown amount.

State and local sales taxes: Purchases by a park district would be exempt from state and local sales taxes. Since park districts would be performing the activities that were carried out by their constituent counties and municipalities, and since county and municipal purchases are exempt from state and local sales taxes, this part of the bill should have no effect of state and local sales tax collections.

The Department of Revenue would need to determine an equalized value for any park district created under the bill. Any resultant increase in costs can be absorbed within existing budgetary authority.

Counties and municipalities may have short-term cost increases in the creation of park districts, but cost savings as the park districts take over some current county and municipal functions.

Long-Range Fiscal Implications