



## Fiscal Estimate Narratives

DPI 4/21/2017

LRB Number	17-2081/1	Introduction Number	AB-0277	Estimate Type	Original
<b>Description</b> eliminating the personal property tax and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

This bill eliminates the personal property tax in 2018. Under the bill, improvements on leased land would be assessed as real property.

Under current law, taxing jurisdictions are reimbursed by the state for the loss of personal property tax revenue as a result of the exemption for computers and computer-related equipment. This is referred to commonly as "Computer Aid". Under the bill, taxing jurisdictions would be reimbursed by the state for the loss of personal property tax revenue, as they are under current law with Computer Aid.

This fiscal estimate will address potential local fiscal impact on school districts only, as the Department of Public Instruction is not in a position to assess the fiscal impact of the bill on other local units of government.

Under current law, school districts receive "Computer Aid" as established under 1997 Act 237. Since 1999, computers, software, and related equipment have been exempt from the property tax. Effective as of 2003-04, an additional exemption for cash registers and fax machines was created. To hold taxpayers and local governments harmless from the impact of removing this property from the taxable base, the Legislature created Computer Aid. Computer Aid payments are intended to replace the property taxes that would have otherwise been collected from the now-exempt property.

A school district's October 1 Certification of Tax Apportionment TIF-Out property value is accompanied by an October 1 Certification of Exempt Computer value. The Department of Revenue (DOR) certifies both sets of values, and each is utilized in determining the district's tax rate and corresponding Computer Aid amount, respectively. The tax rate is determined by dividing the district's Total Levy by the October 1 Tax Apportionment TIF-Out property value. The resulting tax rate is then applied to the district's October 1 Certification of Exempt Computer value to generate the amount of Computer Aid the district will receive from the State.

Computer Aid is a controlled revenue within the Revenue Limit calculation for school districts, meaning it replaces a school district's general fund tax levy, rather than providing additional state aid outside the district's revenue limit. For this reason, the Computer Aid amount must be considered when determining the district tax levy. In practice, when school district set their levies in the fall of each year, the revenue limit worksheet (provided by the Department) contains the information that allows districts to compute estimated computer aid and the resulting reduction to the district's allowable general fund levy.

This bill would create a new aid payment for exempt personal property to school districts (and other local governments) in the same manner as Computer Aid, and would treat this new aid in the same manner as Computer Aid for school districts. Thus, the additional aid received by school district as a result of this bill would be used to reduce the school district's general fund levy.

### State Impact

The bill would require the Department of Public Instruction to revise informational material related to state aid for items exempt from property tax (currently, computers and computer-related, but under the bill, also personal property); and to ensure that school districts are aware of the change in law, as it would impact school districts' allowable property tax levy. This additional work could be absorbed by the Department with existing resources.

The bill may have an impact on the state's expenditures (in the form of aid to local units of government) and thus, the state's general fund. The Department of Public Instruction is not in a position to assess the fiscal impact of this bill on the state's general fund.

#### Local Impact

This bill would create a new aid payment for exempt personal property to school districts (and other local governments) in the same manner as the existing Computer Aid program, and would treat this new aid in the same manner as Computer Aid for school districts. Thus, the additional aid received by school district as a result of this bill would be used to reduce the school district's general fund levy, resulting in no net increase in revenues to school districts. Rather, there is potential for a shift in the proportion of a school district's controlled revenues that are received from property taxes versus state aid.

The Department is not in a position to estimate how much new state aid each district is likely to receive as a result of exempting personal property from property taxation.

#### **Long-Range Fiscal Implications**