

Fiscal Estimate Narratives

DOR 6/22/2021

LRB Number	21-3654/1	Introduction Number	SB-396	Estimate Type	Original
Description interest on claims of excessive assessment and for recovery of unlawful property taxes					

Assumptions Used in Arriving at Fiscal Estimate

This bill changes the interest rate for payments made on a claim to recover unlawful taxes so that it is the same as the payments made on a claim of excessive assessment. Unlawful property taxes may include interest at the rate of 0.8 percent a month, while a claim of excessive assessment may include interest at the average annual discount rate determined by the last auction of six-month U.S. Treasury bills. The bill also allows the taxation district to collect from each underlying taxing jurisdiction its proportionate share of the interest paid on claims for excessive assessment or to recover unlawful property taxes.

The bill would decrease interest costs for local governments that choose to pay interest by an indeterminate amount: department data does not include interest since these amounts cannot be collected from the underlying taxing jurisdictions. The bill also allows the taxation district to collect an indeterminate amount of interest from each underlying taxing jurisdiction (increasing costs) paid on claims for excessive assessment or to recover unlawful property taxes.

Under the bill, the annual interest rate (simple interest) for unlawful property taxes would drop from approximately 9.60 percent to a rate based on the last six-month treasury auction, approximately 0.05 percent (June 14). The actual rate would vary based on the six-month U.S. Treasury bill auction results. For example, in September 2005 the discount rate was approximately 3.76 percent, while the March 2017 rate was approximately 0.90 percent. For 2020, \$4,564,500 in real estate chargebacks were approved.

One-time administrative costs of \$59,500 for programming changes cannot be absorbed. The department can absorb the minor annual costs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-3654/1	Introduction Number SB-396	
Description interest on claims of excessive assessment and for recovery of unlawful property taxes		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
\$59,500		
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	\$	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
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		6/22/2021