



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #598

### **First Dollar Credit Reestimate (Shared Revenue and Tax Relief -- Property Tax Credits)**

#### **CURRENT LAW**

The first dollar credit is extended to each taxable parcel of real estate on which improvements are located. The credit is calculated for each eligible parcel of property by multiplying the property's gross school tax rate by a credit base value determined by the Department of Revenue (DOR), or the property's fair market value, whichever is less. The credit distribution is set at \$150,000,000 annually. Payments of the first dollar credit are provided from the same GPR appropriation used to make the state's school levy tax credit payments. Both credits are paid on the fourth Monday in July. DOR determines the first dollar credit payment amounts in the preceding March.

#### **GOVERNOR**

No provision (base funding of \$150,000,000 GPR annually would be provided for the credit).

#### **MODIFICATION**

Decrease the funding recommended by the Governor to pay the first dollar credit by \$1,962,900 GPR in 2015-16, to reflect the actual amount of credits to be distributed to municipalities in July, 2015.

**Explanation:** DOR is required to establish a credit base (which was \$6,500 for taxes levied in 2014 and payable in 2015) for the first dollar credit by using the estimated fair market value, rounded to the nearest \$100, necessary to distribute the \$150,000,000 GPR available for the credit. DOR makes this determination and notifies each municipal clerk of the credit base by November 20. The credit amounts were used to reduce the 2014

property taxes that would have been otherwise payable in calendar year 2015. Based on the \$6,500 credit base and the 2,214,212 eligible parcels on which the credit will be claimed, the actual cost of the credit in 2015-16 is expected to be \$148,037,100 GPR, or \$1,962,900 GPR less than the amount recommended for appropriation. The estimate of the 2016-17 credit remains at \$150,000,000 since DOR will continue to be required to set the credit base to expend this amount.

<b>Change to Bill</b>	
GPR	- \$1,962,900

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