

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4871-02
Bill No.: HB 1680
Subject: Business and Commerce; Property, Real and Personal; State Tax Commission;
Taxation and Revenue - Property
Type: Original
Date: April 19, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Blind Pension	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(Unknown)	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Office of Administration, Division of Budget and Planning**, assumed this proposal would have no impact on their organizations.

Officials from the **State Tax Commission** assumed this proposal would have no impact on their organizations; however, they stated they were unable to determine if this proposal would increase or decrease local tax revenues.

ASSUMPTIONS (continued)

Officials from the **Office of the Cole County Assessor** assume there would be no revenues and no savings to the Cole County Assessor's office from this proposal. They stated the Assessor's office would need to change all existing tangible business personal property forms, and also change all programming concerning business personal property. These potential costs are unknown to the assessor and likely to be significant. Implementation of this bill and its corresponding depreciation schedule could result in losses in 2005 of approximately \$500,000 to all taxing jurisdictions, of which $\frac{1}{2}$ of 1%, \$2500, would be lost from the assessment fund. There would not be additional losses in 2006 or 2007. After the initial change in valuation and initial losses in income, the lower tax levels (\$500,000 loss to taxing jurisdictions and \$2500 to assessment fund) would become static and would only increase due to new growth in business personal property.

Oversight assumes the proposal could cause an increase or decrease in the assessed valuation of business tangible personal property for an individual taxing authority. Oversight assumes the intent of the proposal is to limit the taxing authorities to the same tax revenue as would have otherwise been provided, and has not shown any revenue impact on the taxing authorities. Oversight assumes taxing authorities would be required to adjust levy rates (up to the maximum voter approved rate) if such adjustment is needed to generate the same tax revenue as was provided the previous year from depreciable tangible personal property.

Oversight assumes there would be significant but unknown additional costs to county assessors to implement this proposal in 2005 (FY 2006). Oversight assumes that any additional costs in subsequent years would be minimal.

Oversight assumes there would be an unknown impact to the Blind Pension Fund, since the Blind Pension Fund levy rate would not be adjusted.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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BLIND PENSION FUND

Increase (Decrease) in Tax Revenues as a result of changes in assessment.	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
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NET EFFECT ON BLIND PENSION FUND	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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POLITICAL SUBDIVISIONS

<u>Cost to counties</u>			
Additional cost to county assessors.	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>

NET EFFECT ON POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION


This proposal would establish several classifications of business tangible personal property for assessment and taxation purposes, and would prescribe a depreciation schedule to be used by county assessors in determining the assessed valuation of such property.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning
State Tax Commission
Office of the Cole County Assessor

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 19, 2004