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To: Committee Chairpersons Phil Wise and Joe Bolkcom

From: Jeff Robinson, LSA

Date: November 28, 2007

Subject: Legislative Property Tax Study Committee Request

At the request of the Committee Chairpersons, I have completed work on projecting the additional property tax revenue available due to 1) agricultural productivity growth, and 2) the probable non-operation of the residential/agriculture tie over the next six years.

To make the comparison across years consistent, I used the same tax rate for each year and that tax rate was the statewide average for FY 2008. The average was calculated separately for each of the two classes and for each category of levy authority. The table below shows the average annual revenue growth each category experienced (using the static average tax rate) over the most recent six years and the projection for the next six years. The attached graphs show what this means by year for cities, counties, and schools, as well as one graph that includes those three plus the other categories. The results have been adjusted for the $5.40 basic school levy.

Potential Average Annual Tax Revenue Increase
In Millions

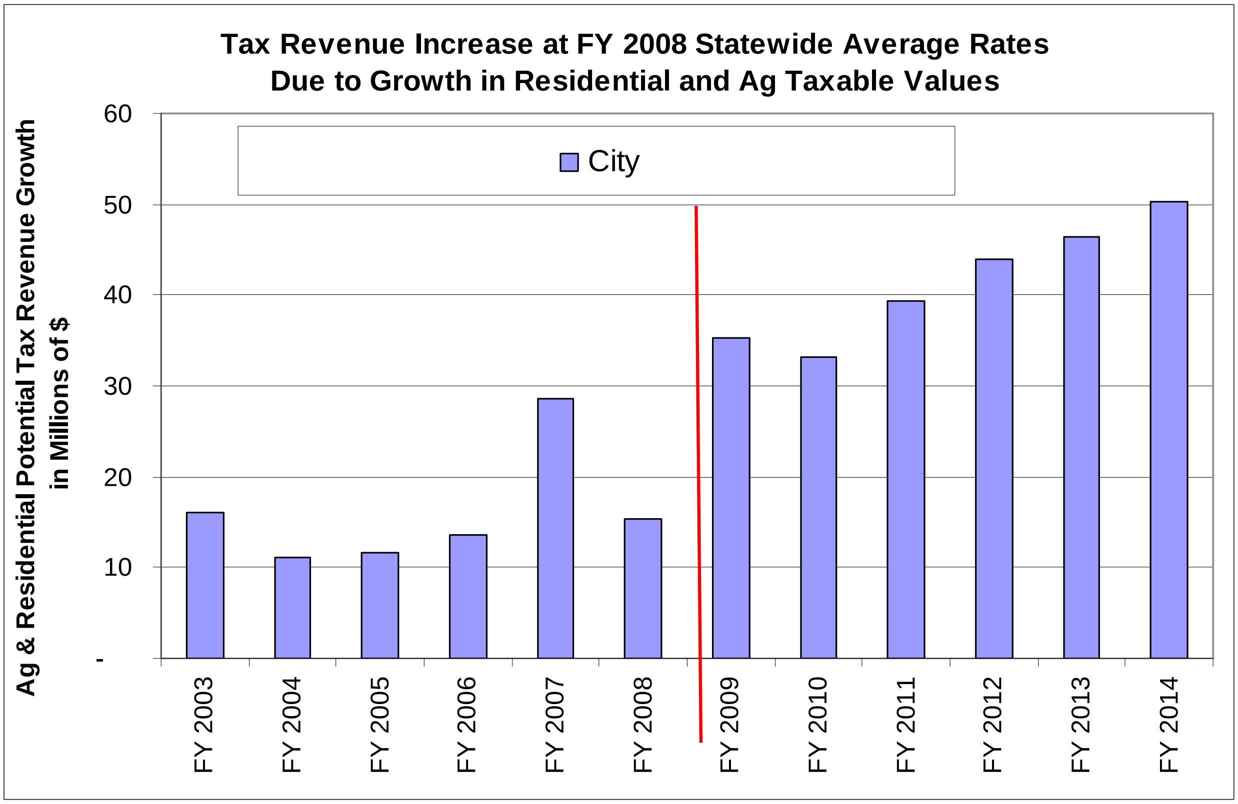
	Average Growth - FY03 thru FY 08	Average Growth - FY09 thru FY 14
County	$ 6.3	$ 41.0
City	16.0	41.4
School	11.1	50.8
Com Col	0.7	3.9
Hospitals	0.9	3.7
Other	0.6	4.8
Total - All Ag & Residential Property Taxes	$ 35.7	$ 145.6

Please Note: This is just growth associated with residential and agricultural property. The taxable value growth of the other classes should not be impacted by agricultural productivity or the residential/agricultural tie.

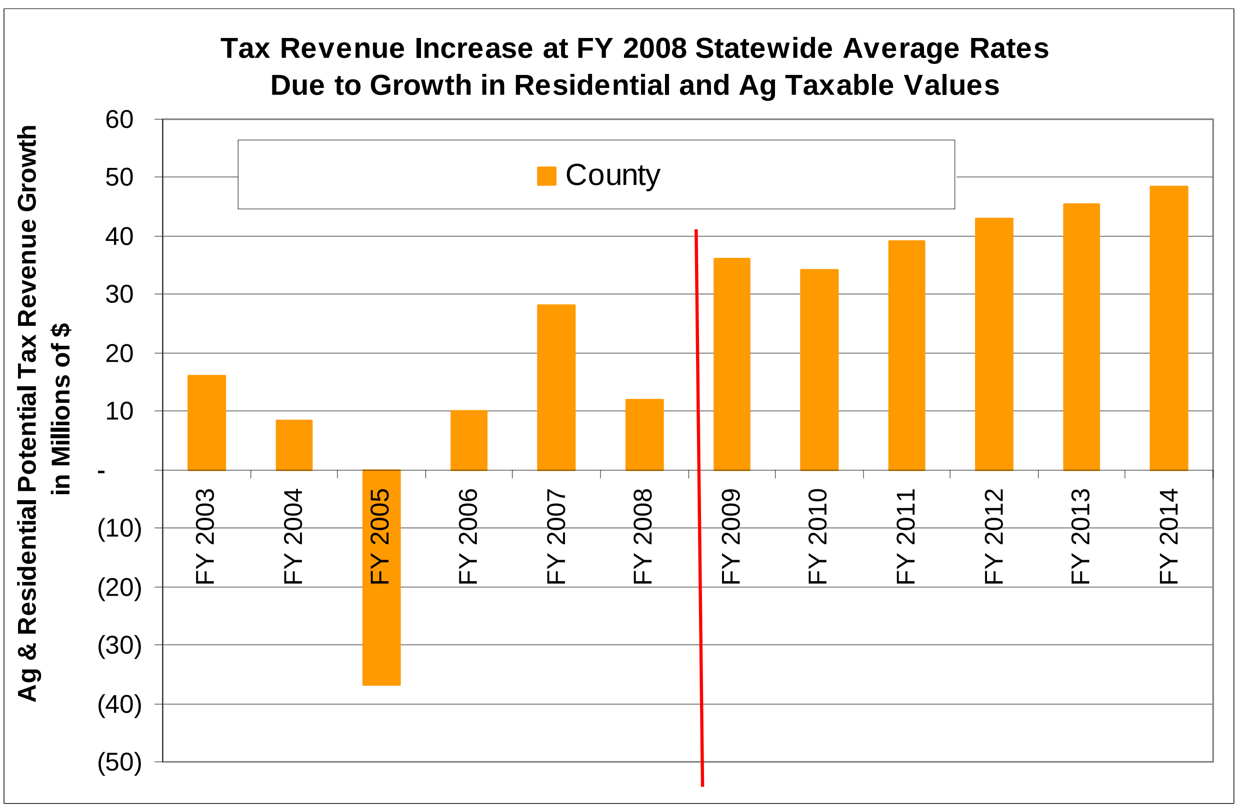
As I think the graphs show clearly, the near future is going to be considerably different than the near past. For instance, using a constant tax rate, cities would have had a total of $96.3 million in potential tax revenue growth over the past six years, but will have $248.5 million of potential growth over the next six years. The impact on counties is even more dramatic, $37.9 million versus $246.2 million.

For local governments, this means better budget times ahead, a chance to lower rates and/or increase expenditures. For residential taxpayers, this means acceleration in the growth of their share of the total property tax burden. For commercial taxpayers, their share will have less upward pressure and it will likely decrease some. It is hard to determine what the net impact on agricultural taxpayers will be, as that class will see an increase in taxable value per acre, but will also benefit from increased residential taxable value growth.

The factors used in producing the projections are fairly concrete for FY 2009 through FY 2012. For FY 2013 and FY 2014, the projection does depend somewhat on the price and volume of corn harvested in 2008 and 2009. The projection also assumes continued new residential construction over the time period, although at a somewhat reduced level compared to previous years.



Tax Revenue Increase at FY 2008 Statewide Average Rates
Due to Growth in Residential and Ag Taxable Values
City
Ag & Residential Potential Tax Revenue Growth in Millions of $
60
50
40
30
20
10
-
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014



Tax Revenue Increase at FY 2008 Statewide Average Rates
Due to Growth in Residential and Ag Taxable Values
County
Ag & Residential Potential Tax Revenue Growth in Millions of $
60
50
40
30
20
10
-
(10)
(20)
(30)
(40)
(50)
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
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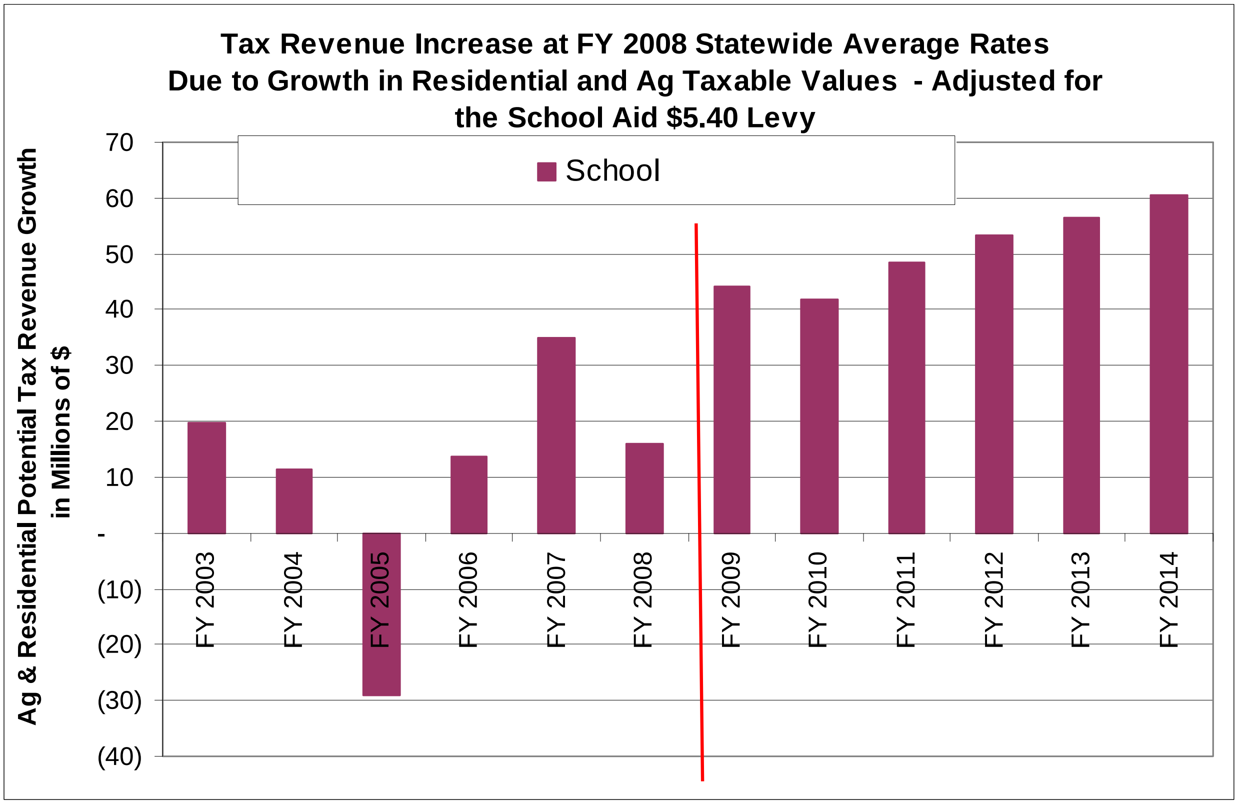
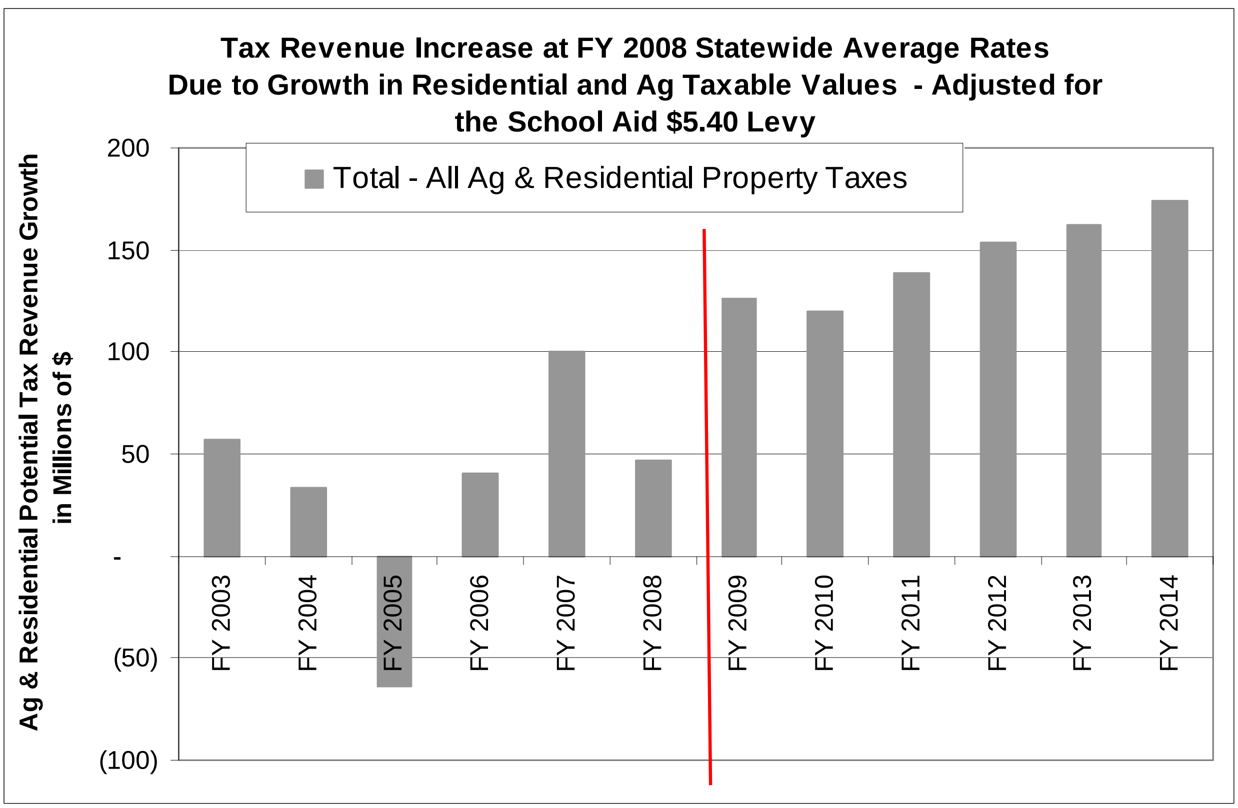
FY 2011
FY 2012
FY 2013
FY 2014





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