

Major Points in the ISAC/League Property Tax Reform Proposal

Assessment and Valuation

- No more rollback
 - All assessment limitations are eliminated
 - Agricultural and residential values are uncoupled
- 50% exemption for owner-occupied homes (the “homeowner’s exemption”)
 - \$10,000 floor; \$150,000 ceiling
 - Replaces rollback and homestead credit
- Ag buildings will add net value to the tax rolls
 - Currently ag land value is reduced to offset increased ag building values
- Agricultural productivity formula expanded to cover ten years of data, rather than five
- Exempt properties will pay some property tax
 - Value of land will become taxable to cities and counties (default option)
 - Unless local city and/or county opts out
 - Public safety fee may be imposed in lieu of general property tax
- Forest reserve exemption capped at \$1,000 per acre
- All exemptions sunset every four years and must be re-enacted by the Legislature to remain in effect
- “Occupied lot” surcharge on manufactured home park owners to offset elimination of square foot tax on manufactured home owners
- All property taxes charged to the landowner
 - Affects buildings on leased land, manufactured homes
- Assessment freeze for platted lands extended from 3 to 6 years – with a hard and fast limit
- Informal assessment reviews allowed with assessor prior to appeal to Board of Review
- Multi-jurisdiction assessors allowed
- Equalization orders will not be applied retroactively; they will apply to the next assessment year
- Multi-classification allowed on individual parcels
 - Allows multi-use properties to be classified and assessed properly

Budgeting and Taxation

- New budget publication form will highlight effect of budget on sample taxpayers
- Property tax credits – counties will no longer be the middlemen
 - Homestead credit is eliminated
 - Ag land and family farm credits combined and changed to direct payment from state to taxpayer
 - Military credit/exemption transferred to refundable income tax credit
 - Elderly credit changed to direct payment from state to taxpayer
- Cities and counties will formally establish their own fund balance limitations
- Stronger unfunded mandate protection language
 - No exceptions, but still subject to “notwithstanding”
- Budget appeals will focus only on issues raised in budget protest petition

Constraints and Limitations

- Property Tax Revenue Limitation
 - City general fund; county general basic and rural basic funds
 - Based on base year tax capacity, plus inflation and new construction
 - Unlimited carryover of unused levy authority
 - Limitation may be exceeded by following certain procedures
 - Potential for citizens to override portion of proposed tax levy via reverse referendum
- Effective for the assessment year beginning January 1, 2006, and the fiscal year beginning July 1, 2007