

SF 295 - Property Tax and Income Tax Credit Act of 2013

Senate File 295 provisions impacting property classified as commercial, industrial and railroad:

1. Created a new Business Property Tax Credit available for property classified as commercial, industrial, or railroad, but excluding business property used primarily for human habitation.
2. Implemented a specified rollback, applied to property classified commercial, industrial, or railroad, of 95.0% for assessment year (AY) 2013 and 90.0% for AY 2014 and after. Property primarily used for human habitation benefits from the forced rollback in the first two years.
3. Reimburses local governments for the revenue reduction associated with the rollback to 90.0% for commercial and industrial property. The reduction for human habitation property classified commercial or industrial is reimbursed for AY 2013 and AY 2014. Once human habitation property is reclassified multi-residential starting AY 2015, the reduced value associated with the multi-residential classification is not reimbursed by the State. The reduction for railroad property is not reimbursed in any year. For the first three fiscal years of the reimbursement (FY 2015 through FY 2017), the appropriation is a standing unlimited appropriation. Beginning FY 2018, the appropriation becomes a standing limited appropriation and cannot exceed the actual appropriation for FY 2017.
4. Created a new property classification called multi-residential for property not currently classified as residential property, but used for human habitation. The classification is created beginning AY 2015. The new classification will benefit from a decreasing rollback percentage until the rollback is set to equal the residential rollback in AY 2022. The new multi-residential classification is not eligible for the Business Property Tax Credit.

Other significant property tax provisions of the Act include:

1. Reduced the allowed statewide revaluation maximum growth rate for residential and for agricultural property from the current maximum rate of 4.0% to a new maximum of 3.0%, beginning AY 2013.
2. Created a new property tax exemption, phased-in over AY 2013 and AY 2014, for a portion of the assessed value of telecommunications property.

Fiscal Impacts

Business Property Tax Credit:

The appropriation for the Business Property Tax Credit is financed through a standing limited appropriation from the State General Fund, set to equal \$50.0 million for FY 2015, \$100.0 million for FY 2016, and \$125.0 million for FY 2017 and after.

For the SF 295 Fiscal Note, the number of properties assumed to benefit from the new credit was approximately 110,000 and the maximum amount of property “unit” value that would benefit from the Credit in FY 2015 (AY 2013) was estimated to be \$33,000.

After completion of the application process, 93,075 properties representing 70,444 property units qualified for the credit and the maximum benefited value for the first year was calculated to be \$59,507.

Given the average commercial-industrial-railroad tax rate for FY 2015 (\$36.57/thousand), a property with an assessed value of \$59,507 or higher would receive a Commercial Property Tax Credit of \$885 for the current fiscal year. Property units with a higher than average tax rate receive a higher property tax credit and properties with a lower average tax rate receive a lower property tax credit.

- Impacts GF through the standing appropriation
- Does not impact the school aid appropriation
- Does not impact local government revenue

Rollback to 95% and then 90% for C/I/Rail Property:

The rollback to 95.0% for AY 2015 reduced the taxable value of property:

- Commercial = \$1,767 million
- Industrial = \$366 million
- Railroad = \$78 million

Local Government Reimbursement Appropriation:

State Commercial and Industrial Rollback Reimbursement Appropriation										
In Millions of Dollars										
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Original Fiscal Note	\$ 78.7	\$ 162.5	\$ 153.7	\$ 153.7	\$ 153.7	\$ 153.7	\$ 153.7	\$ 153.7	\$ 153.7	\$ 153.7
Current Estimate	\$ 78.3	\$ 162.2	\$ 152.6	\$ 152.6	\$ 152.6	\$ 152.6	\$ 152.6	\$ 152.6	\$ 152.6	\$ 152.6

- Impacts GF through the standing appropriation
- Impacts the school aid appropriation (unreimbursed railroad)
- Impacts local government revenue (unreimbursed railroad and also C/I growth after FY 2015)

Residential and Agricultural 3% Revaluation Limit:

Under the new law, the residential rollback for AY 2013 is 54.4002%. Without the revaluation growth change in SF 295, the residential

rollback would have equaled 54.9283%. This resulted in an AY 2013 taxable valuation reduction of about \$730 million statewide.

Under the new law, the agricultural rollback for AY 2013 is 43.3997%. Without the revaluation growth change in SF 295, the agricultural rollback would have equaled 43.8211%. This resulted in an AY 2013 taxable valuation reduction of about \$280 million statewide.

- Impacts the school aid appropriation
- Impacts local government revenue

Telecommunications Property:

For the SF 295 Fiscal Note, the statewide value of telecommunications property newly excluded from taxation was assumed to be \$250.0 million in AY 2013 and an additional \$250.0 million for AY 2014.

Change in Telecommunication Property Assessed Value						
In Millions of Dollars						
AY 2008	AY 2009	AY 2010	AY 2011	AY 2012	AY 2013	AY 2014
\$33.7	\$24.0	\$42.9	-\$36.0	\$22.0	-\$195.6	-\$250.1

- Impacts the school aid appropriation
- Impacts local government revenue