

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 28** HLS 201ES 60

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 8, 2020	2:55 PM	Author: DWIGHT
Dept./Agy.: Local Governments		Analyst: Greg Albrecht
Subject: Payments in Lieu of Ad Valorem Taxes		

TAX/AD VALOREM TAX OR SEE FISC NOTE LF RV See Note Page 1 of 1
 Authorizes agreements between political subdivisions and taxpayers that may provide for certain payments in lieu of ad valorem taxes (Item #28)

Present law enumerates specific properties that are exempt from ad valorem taxation and provides that no other property shall be exempt.

Proposed law authorizes political subdivisions to participate in agreements for strategic investments that provide for payments in lieu of ad valorem taxes. Eligible property includes property of new establishments or additions to existing establishments. Governing authorities must publicly meet annually to elect a single authority to act as an agent on behalf of all political subdivisions in managing these agreements. Ad valorem tax exemptions can be granted for terms 9 years in exchange for no more than 2 years of ad valorem payments within an payment in lieu of taxation agreement.

Contingent upon adoption of the constitutional amendment contained in HB 23 of this session, to be submitted to the electors at the statewide election to be held on November 3, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<u>\$0</u>
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed law provides local taxing authorities the procedures to grant ad valorem tax exemptions to establishments through agreements providing payments in lieu of taxes. Although there may be numerous reasons for both local governments and taxpayers to enter cooperative endeavor agreements to achieve community goals, the utilization of this authority may result in lower local ad valorem tax revenue collections, in that taxpayer payments in lieu of ad valorem tax may be lower than the ad valorem tax itself. Otherwise, taxpayers may not be inclined to enter the cooperative endeavor agreements. However the payments in lieu of ad valorem tax may provide resources for particular local projects that might not be available from other sources. Utilization of such agreements is speculative, and the ultimate local government aggregate revenue impacts can not be projected. In addition, it is not clear how, if at all, these agreements would effect the millage adjustment process and the shifting of tax burdens among taxpayers.

Given that the bill is contingent on a companion constitutional amendment on the November 3, 2020 ballot date, it seems likely that the earliest fiscal year that could be affected would be FY22 for agreements affecting ad valorem taxes due in late 2021.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer