

## **Joint Property Tax Reform Proposal**

### **For the 2006 Legislative Session**

#### **Section One – Rollback and Property Tax Limitation**

- The rollback (4% assessment limitation) is eliminated for all property classes
  - Fixed assessment ratios
    - Residential – 50% of market (minimum exemption of \$10,000)
      - With a phase-in if necessary
    - Commercial – 100% of market
      - With a phase-in if necessary
    - Industrial – 100% of market
    - Agricultural – 100% of productivity
      - Ag dwellings + first acre of land are residential
      - Productivity formula expanded to 10 years
        - Adding years going forward until we get to ten years
- Property tax revenue limitation
  - Applies separately to general basic and rural basic funds for counties, and general fund for cities
  - Base year of FY 2008
    - Base revenue amount is actual taxes plus unused levy capacity
  - Revenue limitation increases by:
    - GPI inflation factor
    - New construction valuation
      - Equal to current year levy rate \* new taxable valuation
  - Unlimited carryover levy capacity
    - Limit always based on prior year maximum, not prior year actual
    - Another way of looking at it is the cumulative growth in inflation and new construction since the base year
  - Ability to exceed limit with public notice
    - Subject to reverse referendum upon petition of 10% of those voting in last general election

#### **Section Two – Property Tax Credits**

- Homestead credit is eliminated
  - State shall increase mental health or school funding to offset
- Military credit/exemption transferred to refundable income tax credit
- Ag land and family farm credits combined, using criteria for family farm credit
- No changes to low-income elderly and disabled credit

#### **Section Three – Assessment, Budgeting and Implementation**

- Informal assessment reviews allowed with assessor prior to appeal to board of review
- Multi-jurisdiction assessors allowed
- Equalization orders will be applied prior to assessment rolls being mailed out
- Onsite assessment inspections required decennially
- Assessors' special appraisal fund combined with assessment expense fund
- Assessors will be able to keep confidential income/expense information
- New budget publication form will highlight effect of budget on sample taxpayers
- An implementation committee with adequate funding will monitor the implementation of this act and recommend any necessary changes to the property tax system