

FISCAL NOTE

	FY 2021	FY 2022	FY 2023
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue (decrease)			
SCHOOL FOUNDATION FUND (12 mills)	(\$0)	(\$650,000)	(\$683,000)
AD VALOREM TAX (other taxing entities)	(\$0)	(\$1,355,000)	(\$1,423,000)

	FY 2021	FY 2022	FY 2023
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase			
SCHOOL FOUNDATION FUND	\$0	\$1,680,000	\$1,764,000

Source of revenue (decrease):

Business property tax exemption up to \$3,300 assessed value to each business property owner that reports in a timely manner and is current on all tax payments;

Source of expenditure increase(decrease):

The School Foundation Program (SFP) will experience both an entitlement expenditure increase and recapture revenue decrease from the 31 mill revenue decrease in K-12 local resource to school districts. This impact is shown above as an expenditure increase to the SFP.

Assumptions:

In tax year 2019, there were 38,434 accounts for commercial/industrial/oil & gas equipment statewide. Of this total, 24,641 had an assessed value of \$3,300 or less, with a total assessed value of \$21,967,145. The remaining 13,793 accounts would each potentially qualify for a \$3,300 exemption, exempting an assessed value of \$45,516,900. If all accounts reported in a timely manner and payment of taxes was current, the total assessed value exempted would be \$67,484,045.

In 2018 and 2019, an average of 27% of the companies known to assessors failed to submit declarations. The revenue decrease in the table above is estimated by multiplying \$67,484,045 by the applicable mill levies and then reduced by 27%. Over the past five years, the number of commercial/industrial/oil & gas equipment accounts has increased from 4 to 7 percent per year. Therefore, the tax year 2021 (FY 2022) estimate is adjusted by 10 percent, and the tax year 2022 (FY 2023) estimate is adjusted by 5 percent.

The fiscal impact of the proposed exemption depends on several factors that are unknown to the Department of Revenue (DOR) and cannot be determined:

- Cannot determine if taxpayers operate in more than one county and value is prorated;
- Future notifications from assessors to taxpayers if they are required to report in subsequent years;
- Revenue decrease due to non-reporting in subsequent years;
- DOR cannot determine whether business property owners currently reporting are current on their payment of taxes.

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