

FISCAL NOTE

	FY 2025	FY 2026	FY 2027
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue (decrease)			
SCHOOL FOUNDATION FUND (12 mills)	\$0	(\$53,800,000)	(\$55,500,000)
AD VALOREM TAX (local taxing entities)	\$0	(\$113,700,000)	(\$116,800,000)

	FY 2025	FY 2026	FY 2027
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase			
SCHOOL FOUNDATION FUND (31 mills)	\$0	\$139,100,000	\$143,200,000

Source of revenue (decrease) and expenditure increase:

This bill creates a property tax exemption for all tangible personal property (furniture fixtures and equipment), including personal property for residential, commercial, industrial, and agricultural use. The estimated decreases in property tax revenues from the statewide 12 mill levy to the School Foundation Program (SFP) and to other local taxing entities are provided in the table above.

The SFP will experience both an entitlement expenditure increase and a recapture revenue decrease from the decrease in K-12 school district local revenues attributable to the 31 mills. The estimated impact from the revenue decrease attributable to the 31 mills is shown as an expenditure increase from the SFP.

Assumptions:

The above estimates are based on assessed values of locally assessed personal property and nonmineral state assessed property from tax year 2023 provided by the Department of Revenue (DOR) and 2023 county average mill levies from the DOR 2023 Annual Report. Tax year 2023 assessed values are adjusted by the projected nonmineral property value growth rates from Table 9 of the January 2024 Consensus Revenue Estimating Group (CREG) forecast.

While nonmineral state assessed property is not segregated by personal property and real property (appraisal is performed on the company as a whole and then prorated to the local jurisdictions), the DOR's Property Tax Division Appraisal Service Group estimates that 90% of all nonmineral state assessed property would be classified as personal property and therefore exempt.

For tax year 2025 (FY26), the revenue decrease from locally assessed personal property is estimated at \$179.4 million and the revenue decrease from nonmineral state assessed property is estimated at \$127.2 million for a total revenue decrease of \$306.6 million. For tax year 2026 (FY27), the revenue decrease from locally assessed personal property is estimated at \$184.6 million and the revenue decrease from nonmineral state assessed property is estimated at \$130.9 million for a total revenue decrease of \$315.5 million. Of these estimated total impacts, the decreased revenue from the 43 mills supporting the SFP is approximately \$192.9 million in tax year 2025 (FY 2026) and approximately \$198.7 million in tax year 2026 (FY 2027).

Prepared by: Dean Temte, LSO Phone: 777-7881
(Information provided by Kenneth Guille, Department of Revenue, 777-5235)