SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 161 (Substitute S-2 as passed by the Senate)
Senate Bill 343 (Substitute S-2 as passed by the Senate)
Senate Bill 569 (Substitute S-2 as passed by the Senate)
Senate Bill 760 (Substitute S-2 as passed by the Senate)
Senate Bill 853 (Substitute S-2 as passed by the Senate)
Senate Bill 877 (Substitute S-1 as passed by the Senate)
Senate Bill 878 (Substitute S-1 as passed by the Senate)
Senate Bill 895 (Substitute S-3 as passed by the Senate)

Sponsor: Senator Nick Smith (S.B. 161 & 760)
Senator Doug Cruce (S.B. 343)
Senator Doug Carl (S.B. 569 & 878)
Senator Gilbert J. DiNello (S.B. 853)
Senator Norman D. Shinkle (S.B. 877)
Senator Richard D. Fessler (S.B. 895)

Committee: Finance

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RATIONALE

Michigan's property tax system and the burden that it places on the taxpayers have long been the target of considerable complaint; the tax has been called the State's most onerous by some, an impediment to business and economic development by others. Traditionally, Michigan property taxes have ranked among the highest when compared to property tax levels in other states. This has spawned a debate that has been lengthy and continuing. In an attempted response to the problems, there have been both legislative and citizen-initiated proposals, some of them considered drastic, to alter the State's property tax system and the local government and school financing system. Three proposals were placed on the 1978 ballot and three were placed on the 1980 ballot to revise, most notably through property tax reform, the State's tax structure. All were defeated except the Tax Limitation Amendment (Proposal E, or the Headlee Amendment) in 1978. After those defeats, the emphasis in the battle over tax policy switched to the income tax, which was raised and lowered twice from 1982 to 1986. Though the property tax issue did not seem as urgent in the mid-1980s as it had earlier, it did not go away, and it reappeared on the ballot in 1989 in Proposal B. Proposal B, if passed, would have made substantial changes to the property tax system, but would have replaced the reduced revenue by increasing the sales tax by 2 cents. The Proposal was defeated by a wide margin.

Some people have taken the sound defeat of Proposal B, coupled with continuing calls for property tax relief, to mean that taxpayers want property taxes reduced, not shifted to another type of tax. Add to this the recent widespread complaints of substantial increases in property assessments across the State, and the fact that five separate groups have notified the Secretary of State's Office that they are circulating petitions to place on this year's ballot language to alter the property tax system, and it can be seen that concerns about high property taxes are increasing once again. In both his State of the State Message and budget message, the Governor proposed reducing the burden of local school property taxes on homeowners by limiting future assessment increases to the rate of inflation. Though some people have applauded the Governor's proposal, there are others who suggest that much more needs to be done.

CONTENT

The bills amend five different Acts to reduce property assessments and index assessment increases to inflation; increase property tax credits; exempt certain taxpayers from school operating millage; reimburse schools for lost revenue; and exclude certain State spending on mental health from consideration as payments to local units of government. A short summary of each bill is provided below, followed by a detailed description of each bill.

- **Senate Bill 161 (S-2) would amend the Single Business Tax Act to allow a property owner to claim a credit against the single business tax that would, in effect, limit the taxpayer's property tax assessment increase in a year to the rate of inflation or 5%, whichever was less.**
- **Senate Bill 343 (S-2) would amend the Income Tax Act to increase the maximum allowable amount that may be claimed under the homestead property tax credit, and index the maximum credit to inflation.**
- **Senate Bill 569 (S-2) would amend the General Property Tax Act to allow senior citizens and handicappers to claim an exclusion from paying a school operating millage in the amount of 50% of the levy in 1990, 75% in 1991, and 100% in 1992 and thereafter.**
- **Senate Bill 760 (S-2) would amend the General Property Tax Act to provide that, for school operating millage, property would be assessed at 45% (rather than the current 50%) of true cash value in 1990, 42.5% in 1991, and 40% in 1992 and thereafter.**
- **Senate Bill 853 (S-2) would amend the General Property Tax Act to revise current procedures for issuing assessment notices, and to require that notices contain additional information.**
- **Senate Bill 877 (S-1) would amend the Management and Budget Act to provide that payments to counties for public mental health services made by the State after September 30, 1990, could not be counted as State spending paid to local units of government.**
- **Senate Bill 878 (S-1) would amend the State School Aid Act to require the State Treasurer to reimburse school districts for property tax revenue they did not receive because of: 1) the reduction in the assessment ratio from 50% for school operating purposes (as proposed in Senate Bill 760), and 2) the exclusion from paying school operating property taxes for seniors and handicappers (as proposed in Senate Bill 569).**
- **Senate Bill 895 (S-3) would amend the Income Tax Act to allow a property owner to claim a credit against the income tax that would, in effect, limit the taxpayer's property tax assessment increase in a year to the rate of inflation or 5%, whichever was less; and to allow a credit for a taxpayer's expenditures for a senior citizen with Alzheimer's disease or a related disorder.**

Senate Bill 161 (S-2)

The bill would allow a taxpayer to claim a credit against the single business tax equal to the property tax rate on his or her property, multiplied by the difference between the property's State equalized valuation (SEV) and limited SEV. "Limited SEV" would mean the sum of the value of a property reported as new, plus that year's inflation rate or 5%, whichever was lower. (For the 1991 tax year, the limited SEV of a property would be its 1990 SEV adjusted by the inflation rate or 5%, whichever was lower.)

The credit would be a refundable credit. Before April 30 each year, if a person filed the required notice and affidavit for the credit, the Revenue Commissioner would have to compute the credit. Before September 14 for the portion of a credit applicable to a summer property tax levy, and before February 14 for the portion of a credit applicable to a winter tax levy, the State Treasurer would have to pay a person entitled to the credit the proper amount, after the credit was applied against any unpaid tax liabilities.

A person would not be eligible for the credit unless he or she filed a "notice and affidavit"

with the State Treasurer, as sent to the person by the local assessor.

The bill is tie-barred to Senate Bills 895, 760, and 853.

Proposed MCL 208.34

Senate Bill 343 (S-2)

The bill would amend the Income Tax Act to increase the maximum allowable amount that may be claimed under the homestead property tax credit, and index the maximum credit to inflation.

The Act allows a taxpayer to claim a credit against the income tax for property taxes paid; the taxpayer can claim 60% of the amount by which property taxes, or 17% of rent, exceed 3.5% of household income, up to a maximum credit of $1,200. The bill would increase the allowable credit to $1,400 in 1990. For each year after 1990, the amount would be increased by $100, or the rate of inflation, until the credit reached $2,500, at which time the credit would be increased each year by the inflation rate.

Currently, under the Act, for a taxpayer with an annual household income over $73,650, the credit is reduced by 10% for each $1,000 in excess of $73,650. The bill would delete this provision.

The bill is tie-barred to Senate Bills 760 and 895.

MCL 206.520 and 206.522

Senate Bill 569 (S-2)

The bill would amend the General Property Tax Act to allow a senior taxpayer (65 years old or older), or a person who is a paraplegic, hemiplegic, or quadriplegic, or who is totally and permanently disabled, to claim an exclusion from paying a school operating millage in the amount of 50% of the levy in 1990, 75% in 1991, and 100% in 1992 and thereafter.

In 1990, the treasurer of a local tax collecting unit would have to include in the summer and winter tax bills a notice of the availability of the exclusion for seniors and handicappers, and directions for obtaining an application. A taxpayer would have to file an application for an exclusion with the local treasurer, certifying that the taxpayer and his or her spouse, if any, were 65 years old or older, and that the property was the taxpayer's homestead. The application would have to be filed within 14 days after the taxpayer received his or her tax bill in 1990, and no later than June 1 for each tax year after 1990. The application would have to be on a form prescribed and provided by the Department of Treasury. No later than January 1, or the prior August 1 if there were a summer collection, the local treasurer would have to file a statement with the school district and indicate each taxpayer who was eligible for the exclusion in the district, the SEV of the property subject to exclusion, and the amount of millage excluded.

The bill is tie-barred to Senate Bill 760.

MCL 211.53

Senate Bill 760 (S-2)

The bill would amend the General Property Tax Act to provide that, for school operating millage, property would be assessed at 45% (rather than the current 50%) of true cash value in 1990, 42.5% in 1991, and 40% in 1992 and thereafter.

The local treasurer of a tax collecting unit would be required to file a statement with the school district, no later than January 1 each year, or the prior August 1 if there were a summer tax collection, indicating an assessment based on 50% of true cash value of all property located in the school district, the assessment of all property after it had been reduced to the level required by the bill, and the applicable equalization factor.

The bill is tie-barred to Senate Bill 878.

MCL 211.27a

Senate Bill 853 (S-2)

The bill would amend the General Property Tax Act to revise current procedures for issuing assessment notices, and to require that notices contain additional information. Currently, assessors must send each property owner on an assessment roll notice of an increase in an assessment. The bill would require that an assessment notice be sent regardless of whether a property experienced an increased assessment.

The Act requires an assessment notice to contain various information about the property being assessed, such as the classification of the

property and the SEV from the previous year. The bill would require that the following information also be included on an assessment notice:

-- The amount of the limited SEV (defined in Senate Bill 895).
-- A list of each local unit that levies a tax on the property.
-- The affidavit form required for the taxpayer to claim the income tax credit under Section 281 of the Income Tax Act (which, under Senate Bill 895, would allow a taxpayer to claim an income tax credit equal to taxes on his or her property, multiplied by the difference between the property's SEV and limited SEV). The affidavit would have to be on a form, prescribed by the Treasury Department, that included a requirement for entering the taxpayer's name and Social Security number, and any other information the Department considered necessary.

The bill also would require an assessor to calculate the amount of the limited SEV for each parcel of property and enter that amount on the notice.

The bill is tie-barred to Senate Bills 895 and 760.

MCL 211.24c

Senate Bill 877 (S-1)

The bill would amend the Management and Budget Act to provide that the cost of public mental health services incurred by the State after September 30, 1990, pursuant to Section 116(e)(ii) of the Mental Health Code could not be counted as State spending paid to local units of government. (Section 116(e)(ii) outlines the duties of the Department of Mental Health (DMH); requires the DMH, among other things, to operate facilities and to administer provisions of the Code concerning county community mental health services; and provides that it is the objective of the Department to shift from the State to a county the primary responsibility for the direct delivery of public mental health services whenever a county has demonstrated a willingness and capacity to provide an adequate system of mental health services for its citizens.) The bill would delete the provision under which amounts excluded from the financial liability of a county under Section 302(2)(c) of the Mental Health Code are counted as State spending paid to local units of government. (Under Section 302, a county is financially liable for 10% of the net cost of any service that is provided by the DMH to a county resident. Section 302(2)(c) exempts from that provision community placement services provided by the DMH to an individual before June 30, 1983.)

The bill also would require the Attorney General to resolve pending litigation in Oakland Co. v Department of Mental Health (178 Mich App 48 (1989)) in a manner consistent with the bill.

(In the Oakland Co. case, the Court of Appeals affirmed a circuit court ruling that State payments to counties for mental health services cannot constitutionally be included as spending to local units of government under Article 9, Section 30 of the State Constitution (part of the Headlee Amendment). That section provides that, "The proportion of total state spending paid to all units of Local Government, taken as a group, shall not be reduced below that proportion in effect in fiscal year 1978-79." The lawsuit challenged the State's practice of classifying State funds paid to State-owned and -operated facilities for the mentally ill and developmentally disabled as State spending paid to local units. At the time, Section 350(2) of the Management and Budget Act (MCL 18.1350(2)) had read, "If the state incurs the cost of services for the mentally ill and developmentally disabled provided...for county residents as authorized by section 116 of the mental health code...on behalf of a unit of local government or in lieu of making payments to a unit of local government for its provision of the same services, and the unit of local government has exercised an option which, by law, results in the state incurring these costs on the unit of local government's behalf or in its stead, the state payment for the services shall be counted as state spending to units of local government". (Section 350(2) was subsequently amended by Public Act 504 of 1988.) The circuit court held that the objective of "responsibility shifting" to the counties alluded to in Section 116(e)(ii) of the Mental Health Code did not contemplate "expenditure shifting" to the counties, and stated that, "...the state may not, through MCL 18.1350(2), attribute to local units of government...that portion of state spending for county mental health services because of a county's refusal to accept responsibility via shared or full management contracts. To do so would violate Article 9,

Section 30 of the 1963 Michigan Constitution." Pursuant to a stay granted when the circuit court ruling was appealed, and extended when the Court of Appeals decision was appealed to the Michigan Supreme Court, the State has continued the practice of including county mental health payments as State spending to local units.)

The bill is tie-barred to Senate Bill 760.

MCL 18.1350

Senate Bill 878 (S-1)

The bill would amend the State School Aid Act to require the State Treasurer to reimburse school districts for property tax revenue they did not receive because of: 1) the reduction in the assessment ratio from 50% for school operating purposes (as proposed in Senate Bill 760), 2) and the exclusion from paying school operating property taxes for seniors and handicappers (as proposed in Senate Bill 569).

After a school district received the required notice from the treasurer of a local tax collecting unit providing information about seniors and handicappers excluded from school operating millage and the reduced assessment ratio for school operating purposes, the district would have to calculate the amount of millage revenue it did not receive and notify the State Treasurer. If the State Treasurer received documentation from a school district that verified the amount calculated, the State Treasurer would have to reimburse the district for that revenue. If the documentation were received by February 1 (for a winter tax collection) and September 1 (for a summer collection), the State Treasurer would have to deliver the reimbursement to a district by February 14, or October 1, respectively. If a documentation were received after February 1, or September 1 for a summer collection, the State Treasurer would have to deliver the reimbursement to the district within 30 days after receiving the documentation.

The Legislature would be required annually to appropriate money sufficient to fund the requirements of the bill. The money paid to a school district under the bill would not be subject to any of the adjustments or other conditions that apply to other payments made to districts under the Act.

Further, the bill provides that if a district had to levy less millage in a given year than it did in the previous year, due to a required tax limitation (Headlee) rollback, the State school aid sent to the district under the school aid formula would be calculated by using the district's millage rate in the year previous to the rollback.

The bill is tie-barred to Senate Bills 569 and 760.

Proposed MCL 388.1610 and 388.1621a

Senate Bill 895 (S-3)

The bill would allow a taxpayer to claim a credit against the income tax equal to the property tax rate on his or her property, multiplied by the difference between the property's SEV and limited SEV. "Limited SEV" would mean the sum of the value of a property reported as new, plus that year's inflation rate or 5%, whichever was lower. (For the 1991 tax year, the limited SEV of a property would be its 1990 SEV adjusted by the inflation rate or 5%, whichever was lower.) If a person claimed the credit, the amount claimed would have to be subtracted from the person's property taxes when he or she calculated the homestead property tax credit.

The credit would be a refundable credit. Before April 30 each year, if a person filed the required notice and affidavit, the Revenue Commissioner would have to compute the credit. Before September 14 for the portion of a credit applicable to a summer property tax levy, and before February 14 for the portion of a credit applicable to a winter tax levy, the State Treasurer would have to pay a person entitled to the credit the proper amount, after the credit was applied against any unpaid tax liabilities.

A person would not be eligible for the credit unless he or she filed a "notice and affidavit" with the State Treasurer, as sent to the person by the local assessor.

Further, the bill provides that, in addition to the standard personal exemption, a taxpayer could claim an exemption of $1,500 if the taxpayer supported in his or her home a senior citizen who had been diagnosed or identified as having Alzheimer's disease or a "related disorder". The taxpayer could not claim the credit unless the senior's taxable income were less than $5,000 or the taxpayer paid at least 50% of the senior's

support. A taxpayer could claim two $1,500 exemptions, in addition to the standard exemption, if the senior's income were less than $5,000 and the taxpayer paid at least 50% of the senior's support. "Related disorder" would mean an irreversible brain disorder that results in manifestation of symptoms and signs including, but not limited to, memory loss, aphasia, becoming lost or disoriented, confusion, and agitation with the potential for combativeness and incontinence. "Related disorder" would include, but not be limited to, multi-infarct dementia, Huntington's disease, or Parkinson's disease. ("Senior citizen" refers to a person who is at least 65 years old, or the unmarried surviving spouse of a person who was at least 65.)

The bill is tie-barred to Senate Bills 161, 760, and 853.

MCL 206.30 et al.

FISCAL IMPACT

Estimates are that the package would reduce State revenues by $569 million in 1990, $877 million in 1991, and $1,236 million in 1992. For further information, see Senate Fiscal Agency Memoranda dated March 30, 1990, and April 5, 1990.

ARGUMENTS

Supporting Argument

Periodically, over the last 15 years, dissatisfaction with the property tax system has peaked, and each time efforts have been made to find better ways to raise and distribute tax dollars for those units that rely on them the most: the schools and local governments. Time and again, attempts at creating lasting reform have been frustrated by the enormous complexity of the task and by the competing and conflicting goals of the parties involved. In 1989, the latest attempt to address the problems of property taxes, school finances, and local government finances, saw the placement of two proposals on the ballot. The voters soundly rejected both Proposal A (to increase school funding by increasing the sales tax by 1/2 cent) and Proposal B (to raise the sales tax by 2 cents, and dedicate 1-1/2 cents to property tax relief and 1/2 cent to school funding). From 1978 on, voters have been confronted with, and (except for the Headlee amendment) have rejected various ballot proposals that would have slashed property taxes drastically in an effort to reduce the size and influence of government, and others that would have shifted reliance on the property tax to either the sales or income tax. Repeated attempts in the Legislature to resolve the issues also have failed.

Though ballot proposals and legislation have come and gone, high property taxes and the reliance of school districts and local governments on property taxes are issues that have not gone away. One common theme remains: the people want property tax relief. The bills, while not directly addressing the problems of schools and local units, would not harm current revenue levels of those entities. The bills would, however, cause a substantial and lasting reduction in the amount of property taxes that taxpayers pay, and thus at long last would provide real property tax relief.

Supporting Argument

By all accounts, Michigan is a high tax state when compared to other states, and at the heart of Michigan's reputation as a high tax state is the property tax. The property tax in Michigan raises more revenue than any other tax source. It is a highly visible, unpopular tax that is often accused of being inconsistently administered from community to community. Although an extensive system of credits, notably the homestead property tax credit, has eased the impact of property taxes on low-income and elderly taxpayers, it is widely complained that the credit system does too little for many homeowners, and nothing for others or for businesses. The strongest complaints about property taxes understandably come from homeowners and business owners who find that their property taxes are rising at the same time their income and ability to pay the taxes are not. High property taxes are often cited as a deterrent to businesses looking to locate in Michigan, and as an incentive for existing businesses to locate elsewhere. By offering real property tax relief, the bills would eliminate one negative element that is often mentioned by people who live and do business in Michigan.

Supporting Argument

It is time for the State to stop talking about lowering property taxes and adopt some meaningful relief. Year after year property tax reduction proposals are put forward yet never become law, resulting in increased property taxes. One of the main problems is continually increasing assessments. The State Treasurer

reports that in the past three years assessments on residential property have increased by 19% while inflation has increased 9%. It has been reported that commercial property assessments in Detroit have increased an average of 23%, this year. This is an example of a tax system gone haywire, and in immediate need of repair. Senate Bill 895 (S-3) would address this problem directly by allowing a taxpayer to claim an income tax credit that would, in effect, limit the taxpayer's property tax assessment in a year to the rate of inflation or 5%, whichever was less. This would effectively mean that the only school tax increases homeowners saw would be those they voted for.

Response: While the bill would limit increases in assessments, it must be remembered that assessments reflect the value of a property. Property is required to be assessed at 50% of true cash value, and thus an assessment is generally established at a level of 50% of the average selling price in an area. A dramatic rise in property taxes in some areas is not so much a reflection of a property tax system out of control as it is simply a rise in property values. When properties in an area sell for amounts greater than their current assessed level of value, assessments for the following year probably will rise. Since property values in the State, especially in some areas, have been rising in the past few years, it is no surprise that assessments also have been rising. Another reason for an individual property assessment taking a dramatic increase can be quite simple. Assessors' staffs do not usually have the resources to visit and evaluate individual properties on a regular basis. If a property has not been visited in 20 years, and the owner or owners of the property have made substantial improvements, the property likely will experience a substantial assessment increase the next time it is inspected or sold. While it may be unpleasant for the property owner to cope with a sudden increase in his or her property tax bill, an argument can be made that the property may have been under-assessed for several years.

Supporting Argument

The costs associated with caring for a senior who has Alzheimer's disease and can no longer care for himself or herself, or who has a disorder that demands daily care, continue to rise. While there are many persons with Alzheimer's or a related disorder who are hospitalized or placed in senior centers and whose care is paid in whole or in part by the State, there are many others who are cared for in a relative's or other person's home. Such care places a financial burden on the care-giver while relieving public agencies of much of the financial responsibility. Senate Bill 895 (S-3) would help such care-givers by allowing them to claim an income tax exemption for caring for a senior with Alzheimer's or another affliction, and would likely encourage others to take on such responsibilities. For every person who can be cared for at home, there is one fewer person who requires hospital care or care in institutional setting, and thus less demand on public funds.

Response: Though granting a tax break to those who care for Alzheimer's patients may be desirable, it must be pointed out that such an action reduces State income tax revenue. No matter how great the worthiness of a proposal to craft a tax break may be, there are other proposals of tax breaks for which supporters may feel an equal or greater degree of justification. If every worthy cause were accommodated, the effect on the State's revenue level could be significant.

Supporting Argument

By providing that State payments to counties for mental health services could not be counted as State spending to local units, Senate Bill 877 (S-1) would bring the State's practices into conformity with the ruling of the Michigan Court of Appeals in Oakland Co. v Department of Mental Health. More importantly, the bill would ensure that the State did not continue to circumvent the Headlee Amendment by including those expenditures in the payments the State is obligated to make to local units under Article 9, Section 30 of the State Constitution. Although the Mental Health Code provides for the State to shift to counties the actual provision of mental health services, care for the mentally ill is and always has been an activity or service required of the State by State law, according to the circuit court in the Oakland Co. case. As the plaintiffs claimed and the Court of Appeals agreed, the State merely is discharging its obligations to provide services to the mentally ill and developmentally disabled by having the counties deliver those services. If a county is unable or unwilling to do so, the State is still responsible. State funds spent for this purpose remain State funds and should not be treated as constitutionally mandated State spending to local units. If the bill were enacted, the State would have to continue making payments to counties for mental health services, as well as pay a commensurate amount as State spending to local units.

Opposing Argument

While it may be a laudable goal to revamp the property tax system and give permanent, substantial property tax relief, the central unanswered question remains: From where would the revenue come? Under the bills the State would have to make up all revenue lost by school districts as a result of the changes. It has been estimated that the package would cost $569 million in 1990, or 7.8% of the State's General Fund/General Purpose revenues. Those numbers would be higher in future years. While many people claim that reductions in State revenue can be made, can they be that severe?

Opposing Argument

The bills would place an unbearable strain on the State budget. Many have stated that the budget being crafted now for the fiscal year 1990-91 will be extremely tight, while demands for services will be great. If the budget can't keep up with demands, without changes, how could it be expected to absorb the predicted reduction in State revenue if the property tax package were passed? Year after year, complaints of inadequate funding come from the areas of social services, mental health, Medicaid, public health, and higher education. If predicted revenue losses from the property tax package came true, the problems of these budgets obviously would be exacerbated instead of eased. Many say a tax increase to pay for property tax reductions is highly unlikely in light of current conditions; however, if the budget were thrown into deficit, or there were no money to pay for essential services, a tax increase of some type would become a necessity. Since it is unlikely that the State would raise property taxes right after lowering them, other taxes would have to be raised; probably they would be taxes on businesses and/or individuals. The result of enacting of the property tax package, then, would be a forced tax shift rather than a simple reduction in property taxes.

Response: While it is compelling to argue that reductions in State revenue would bring about dire consequences and/or tax increases in other areas, such predictions preclude the possibility that the taxpayers want different budget priorities. For some time, many have felt that State government has become too big, too powerful, and too money-hungry. It is clear that the payers of property taxes want more money in their pockets and less in State coffers. In moving the property tax package through the legislative process, the focus needs to be on helping the State's taxpayers rather than helping the State budget. The property tax cuts should be adopted first, and if and when those cuts resulted in budget shortages, then spending priorities would have to be reordered.

Opposing Argument

While many would agree that the property tax system needs to be revamped to allow taxpayers to reduce their property tax burden, it can be argued that such a step should be taken only after a prudent examination of whether the State could afford the resulting loss of revenue or whether those revenues could be replaced. The bills raise many questions. The State would have to reimburse schools for excluded school operating property taxes twice a year by appropriation. If the appropriation had difficulty getting through the Legislature or were delayed, what would school districts do in the meantime? Would the State be required to pay interest on withheld property taxes that otherwise would have been in the hands of the school districts? How would the State know when to challenge an application that fraudulently claimed exclusion from property taxes on a property that was not a homestead? Could local treasurers justifiably expect to be reimbursed for handling and forwarding the applications? In addition, the bills include no provisions for taking into account persons' incomes, high or low, in relation to the size of their property tax bills. The bills need further study before proceeding through the Legislature.

Response: The issue of property tax reform is not new. In fact, some would say that the issue has been studied to death. Once in place, the package could need to be fine-tuned but that is a relatively minor concern compared to the issue of property tax relief. Those who pay property taxes are frustrated with their seeming inability to prevent continual tax increases. The bills would finally remove that frustration.

Legislative Analyst: G. Towne
S. Margules (S.B. 877)
Fiscal Analyst: N. Khouri

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