Legislative Analysis

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REVENUE SHARING; COUNTY TAX COLLECTIONS

Senate Bills 1111 and 1112 as passed by the Senate
Sponsor: Sen. Michael Switalski
Senate Committee: Finance (Discharged)
House Committee: Appropriations

Complete to 9-13-04

A SUMMARY OF SENATE BILLS 1111 (S-2) AND 1112 (S-1) AS PASSED BY THE SENATE

Senate Bill 1112 would amend the General Property Tax Act to shift the county operating millage from the winter collection to the summer collection over a period of three years, beginning July 2005.

In addition, the bill would specify that each county establish a required reserve fund against which each county would self-finance its own revenue sharing payments. An amount equal to one-third of the December 2004 county operating millage shall be deposited into the reserve fund in December 2004, December 2005, and December 2006.

The bill also outlines the conditions under which counties are allowed to make revenue sharing payments from their respective reserve funds. Each year, a county will be allowed to withdraw an amount equal to the amount it received in revenue sharing in the state fiscal years ending September 31, 2004, adjusted annually for inflation (as per section 34d of the General; Property Tax Act).

Senate Bill 1111 would amend the Revenue Sharing Act to implement the Revised Executive Recommendation for funding county revenue sharing payments by specifying that the total amount distributed to any individual county would equal the amount by which the balance in that county's required reserve fund is insufficient to meet the payments set forth under Senate Bill 1112. That is, as long as each county's required reserve fund is sufficient to cover that county's revenue sharing payment, the state share would be zero. Individual county reserve fund are anticipated to last between four and twenty years.

Following the first year that the state share is greater than zero for any individual county, that county's revenue sharing payment will be funded by the state through the Revenue Sharing Act at the previous year's amount.

FISCAL IMPACT:

By implementing an alternative method for funding county revenue sharing, total payments will be reduced by $182.1 million in FY 2004-05 relative to FY 2003-04.

Shifting the county operating millage from the winter to the summer will have no impact on the amount of property tax that an individual would pay in any given calendar year. In addition, because many taxpayers pay their winter tax bills in December to take advantage of the tax deduction in that tax year and since summer tax bills are not actually due until mid-September, moving the collection forward means that many taxpayers are paying their county property taxes only about three months sooner.

The statewide county operating levy is approximately 4.8 mills. Thus, a taxpayer who owns a home with a taxable value of $50,000 would owe $240 in county property taxes. Shifting one-third of this amount from the winter collection to the summer collection means that the taxpayer would pay $80 in September and the remaining $160 in December. Thus, the only loss to the taxpayer would be the implicit loss of interest on $80 for about four months. At current interest rate levels, this amounts to approximately $0.42.

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