Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 422 (Substitute S-1 as reported)
Sponsor: Senator Ken Horn
Committee: Economic and Small Business Development

CONTENT

The bill would enact the "Residential Housing Facilities Act" to do the following:

-- Allow a qualified local governmental unit to establish one or more residential housing districts by resolution of its legislative body.
-- Require a qualified local governmental unit to notify the county in which the district would be located and the owners of real property within the proposed district and afford an opportunity for a public hearing, before adopting a resolution to establish a district.
-- Allow the owner of a qualified residential facility, after the district was established, to file an application for a residential housing exemption certificate with the clerk of the local unit that established the district.
-- Require an application to contain a general description of the qualified residential facility, among other things.
-- Require the legislative body of the qualified local governmental unit to hold a public hearing on the application before acting on an application.
-- Require a clerk to forward a copy of the application and resolution to the State Tax Commission.
-- Require the Commission to issue to an approved applicant a certificate that contained information concerning the qualified facility's taxable value, among other things.
-- Require a certificate to be issued for at least one year but not to exceed 12 years.
-- Levy on each owner of a qualified facility to which a certificate was issued a residential housing facility tax calculated by multiplying one-half of the total mills levied as ad valorem taxes for that year by all taxing units within which the qualified residential facility was located by the current taxable value of the facility's real and personal property after deducting the taxable value of specified property.
-- Provide exemptions to the tax levied under the proposed Act.
-- Provide for the revocation and transfer of a certificate.
-- Require each qualified local governmental unit granting a certificate to report to the Commission on the status of each exemption by October 15 each year.
-- Require the Department of Treasury each year to prepare and submit to the House of Representatives and Senate committees responsible for tax policy and economic development an economic analysis of the costs and benefits of the Act.

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill would have a negative fiscal impact on the State and local governments. Exempting qualified residential facilities from property taxes would reduce revenue to local governments as well as reduce revenue and increase costs to the School Aid Fund (SAF). The exemption would reduce revenue for the State Education Tax and, since school operating mills also would be reduced, costs to the SAF would increase if the foundation allowance were maintained. Since any exemption would need to be approved by the local government, any fiscal impact would depend on decisions made by those units of government, as well as the specific characteristics of the exempted facilities.

The residential housing facility tax would be levied at roughly one half the millage rate from which the qualified property was exempted. The revenue from the tax would be distributed in the same manner as the exempted taxes, except for the described portion of millages for ISDs and school operating expenses, which would be distributed to the SAF. This distribution would reimburse local governments and the SAF partially for lost revenue from the exemptions.

The Department of Treasury would experience additional administrative costs to report annually on the utilization of districts and to produce an annual cost and benefit economic analysis of three qualified local units. These responsibilities could require additional staff and resources and, accordingly, additional appropriations. The State Tax Commission would experience additional administrative costs to process applications within 60 days, which could require staff and resources in greater amounts than those currently appropriated.

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