



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 68** HLS 02- 277
 Bill Text Version: **REENGROSSED**
 Opp Chamb Action:
 Sub Bill For:
 Proposed Amd:

| | |
|---|-------------------------------|
| Date: May 31, 2002 3:21 PM | Author: THOMPSON |
| Dept/Agy: Economic Development / Local Governments | |
| Subject: Property Tax - Exemption for Retirement Communities | Analyst: Greg Albrecht |

TAX/AD VALOREM-EXEMPTION RE DECREASE LF RV See Note Page 1 of 1
 (Constitutional Amendment) Authorizes the State Board of Commerce and Industry to contract with developers of retirement communities for exemptions from ad valorem taxation
 Authorizes the C&I Board, with the approval of the governor and the affected local tax authorities, to enter into local property tax exemption contracts with developers of retirement communities on terms provided by law. To be submitted at the statewide election on November 5, 2002.

The statutory enabling legislation is contained in HB 84 that is contingent upon the adoption of this constitutional amendment. The discussion in this fiscal note is the discussion contained in the fiscal note for HB 84. The tax exemptions are granted so long as 80% of the property is sold to retirees within the exemption period. A qualified retiree is a person over the age of fifty-five. A qualified retirement community is a new development or renovated existing developments for qualified retirees.

| EXPENDITURES | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 5 YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|--------------|
| State General Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Stat. Deds./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 5 YEAR TOTAL |
|---------------------|------------|----------|----------|----------|----------|--------------|
| State General Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Stat. Deds./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | DECREASE | DECREASE | DECREASE | DECREASE | |
| Annual Total | \$0 | | | | | |

EXPENDITURE EXPLANATION:

The Department of Economic Development would likely charge application fees to support the administrative costs associated with this new program. Should the number of applications reach a significant level, the department would also need additional personnel. It is speculative as to how many applications for this exemption would be received.

REVENUE EXPLANATION:

To the extent the authority created in this bill is exercised, local revenues are likely to be reduced substantially below what they might otherwise be.

The enabling legislation does allow tax exemptions for a targeted kind of retirement development and requires a relatively high percentage (80%) of the units of such a development be utilized by retirees; and, this works to keep the revenue losses from these developments smaller than they might be otherwise. However, population data indicates that the absolute number of retirement age citizens has been growing steadily since 1990, as has the share of that age group in the state population. Thus, it is likely that retirement communities such as the ones targeted by this bill are currently being constructed in the state and will be constructed regardless of the tax exemption allowed by this bill. It seems unlikely that revenue losses from tax exemptions granted to baseline retirement community construction will be materially offset by new incremental activity which might be stimulated by the tax exemption.

Illustrative of the potential local revenue loss possible under this bill is a project that the Department of Economic Development indicates it is aware of. Were this one project to be exempt from property tax, local tax revenue might be reduced by some \$632,000 per year.

Senate Dual Referral Rules
 13.5.1 >= \$500,000 Annual Fiscal Cost
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$500,000 Annual Fiscal Cost
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

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