Property Tax Lid; Senate Sub. for HB 2088

Senate Sub. for HB 2088 accelerates by one year (from January 1, 2018, to January 1, 2017) the effective date of a tax lid for cities and counties, originally approved in 2015 legislation. Under the tax lid provisions, increases in property tax dollars levied beyond the rate of inflation generally require voter approval, except that certain types of property tax increases are exempt from the computation involved in determining whether mandatory elections are necessary.

New clarifying language stipulates that the inflation measure utilized will be a five-year rolling average, and under no circumstances could a figure be utilized of less than zero.

A number of exemptions enacted in the 2015 law also are modified. Under the new language, exemptions will apply for property tax increases attributable to:

● Construction of new structures, improvements, remodeling or renovation of existing structures, or improvements on real property, exclusive of ordinary maintenance or repair;

● Increased personal property valuation;

● Real property located within added jurisdictional territory;

● Real property that has changed in use;

● Certain bond and interest payments;

● Certain special assessments;

● Court judgments or settlements of legal actions against the cities or counties, as well as legal costs directly related to such judgments or settlements;

● Expenditures specifically mandated by federal or state law becoming effective after July 1, 2015. (Additional language clarifies this exemption applies to taxes levied to recover the loss of funds from federal sources after January 1, 2017, where local units are contractually obligated to provide services.);

● Expenses relating to certain federal, state, or local disasters or emergencies declared by a federal or state official (including certain financial emergencies). Boards of county commissioners may request the Governor to declare such disaster or emergency;

● Expenditures used exclusively for increased law enforcement, fire protection, or emergency medical services above the rate of inflation. Such expenditures may not be utilized for the construction or remodeling of buildings;

- Principal and interest on state infrastructure loans, bonds, temporary notes, no-fund warrants, and certain payments made to public building commissions and lease payments;

- Expiration of property tax abatements;

- Expiration of tax increment financing districts, rural housing incentive districts, neighborhood revitalization areas, or other property tax rebate or redirection programs; and

- Certain increases associated with the loss of property valuation occurring as a result of legislative action, judicial action, or Board of Tax Appeals rulings.

An additional exemption from the mandatory election requirements applies when property tax dollars levied have declined in one of the three preceding years and the proposed increase for the upcoming year does not exceed the average rate of inflation for the three preceding years.

Finally, certain property tax increases are excluded from the computation relative to levies made by cities and counties on behalf of other subordinate political or governmental subdivisions when cities and counties are not empowered to modify or reduce such levies.

Language relative to tax-lid elections that are triggered clarifies such elections could occur as special elections, as part of regularly scheduled elections held in August or November of election years, or as elections held pursuant to the provisions of the Mail Ballot Election Act (MBEA). An existing MBEA restriction is relaxed to authorize cities and counties to hold tax-lid-related elections under the MBEA on the same day. Under the legislation, cities and counties are responsible for paying all costs associated with conducting tax-lid elections.

Several statutory dates relating to the transmission of assessed valuation estimates and certification of tax rolls by local officials are adjusted to accommodate those cities and counties subject to the election requirements.