

calendar year following the full receipt of the \$30 million in initial funds. The incremental local tax revenues are described as the difference in old revenues and new revenues that are received from real property tax and occupational license tax collected within the development area. Old revenues are the revenues received in the calendar year immediately preceding the calendar year in which the \$30 million in initial funds were received, and new revenues are the revenues received beginning in the calendar year the \$30 million in initial funds were received.

The fiscal impact of HB 587 is indeterminable. The specific tax data needed from the development area to determine the estimated amount of the fiscal impact is not available. With the pledge of incremental local tax revenues, the fiscal impact is expected to decrease the consolidated local government's revenues.

In regards to real property tax revenues, a consolidated local government has the statutory authority to impose a compensating tax rate, which would be the rate estimated to produce an amount of revenue in the current year approximately equal to the amount produced in the preceding year. If imposed, the compensating tax rate would not be subject to voter recall. The compensating tax rate would provide the consolidated local government the ability to offset a reduction in revenues that may occur as a result of HB 587. Whether the compensating tax rate is higher or lower than the current tax rate depends on the total value of the property assessments in the consolidated local government's jurisdiction. When the compensating tax rate is higher, the unintentional consequence can be an increase in tax collection issues, especially if the consolidated local government has a struggling economy. Any increase in tax collection issues will result in a decrease in tax revenues for the consolidated local government.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II, above, pertains to the bill as introduced.

Data Source(s): LRC Staff

Preparer: Cynthia Brown **Reviewer:** KHC **Date:** 3/3/21