HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 537 **DATE:** April 3, 2013
Version: As introduced

Authors: Loon

Subject: Fiscal disparities; freezing tax rates used to determine distribution levies

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H.F. 537 provides that for the next two years, each jurisdiction's distribution from the fiscal disparities pool will be based on the lesser of its pay '12 or pay '13 tax rates (normally, the pay '14 fiscal disparities distribution would be based on pay '13 tax rates, and the pay '15 distribution would be based on pay '14 tax rates).

[***Background.*** *Normally a jurisdiction's tax rate increases from one year to the next, although there are many cases where they either stay the same or go down. For example, for taxes payable in 2013 the average metro area tax rate is about 5.8% higher than it was for pay '12. So by basing the distribution on the lesser of the pay '12 or pay '13 tax rates, distributions will generally be a little smaller than they otherwise would be. So most jurisdictions will get slightly smaller distributions and will need slightly higher local tax rates. It also means the areawide tax rate would be a little bit smaller, which means that in the aggregate, commercial/industrial properties would bear slightly less of the overall tax burden in the metro area.*]