



Statewide General Property Tax – January 2010 Update

Background: The statewide general property tax on business (commercial/industrial) and seasonal residential recreational (resorts & cabins) property was enacted as part of the 2001 property tax reform. The amount of the initial statewide general levy was \$592 million, beginning with taxes payable in calendar year 2002. Each subsequent year the amount of the levy is increased by the rate of increase in the price index for state and local government expenditures published by the Bureau of Economic Analysis (BEA), U.S. Department of Commerce.

January 2010 Update: The November 2009 Forecast projects statewide property tax revenues for FY2010 at \$758.9 million and for FY2011 at \$765.8 million, making a biennial total of \$1.525 billion. When compared to February 2009 Forecast estimates of \$769.5 million for FY 2010 and \$782.0 million for FY 2011, the new biennial figures are \$26.7 million lower or about 1.7 percent less than previously anticipated. These lower revenues reflect an overall reduction in the market value of commercial and industrial properties.

Revenues and Fiscal Year Match-ups: The statewide general property tax is collected at the county level at the same time as local property taxes and remitted to the state for deposit into the general fund. The collection of the tax occurs in the “taxes payable” year or calendar year, which is different than the state's fiscal year that runs from July 1 to June 30th. Accounting adjustments are necessary to track these revenues across state fiscal years, with slightly more than half of the tax collected prior to June 30th and the other half collected after July 1st. For example, tax receipts submitted in May 2010 will be counted among revenues for state fiscal year 2010. Tax receipts submitted in October 2010 will be counted among revenues for state fiscal year 2011. See table below for detail.

Year Taxes Payable	Amount of levy	% Change	Fiscal Year	Total Revenues	% Change
2005	\$626	1.75%	2006	\$631.3	3.34%
2006	\$655	4.63%	2007	\$665.7	5.45%
2007	\$693	5.83%	2008	\$704.2	5.79%
2008	\$729	5.21%	2009	\$729.4	3.57%
2009	\$774	6.10%	2010	\$758.9	4.04%
2010	\$782	1.03%	2011	\$765.8	0.91%
2011	NA		2012*	\$777.7	1.56%

* Nov 09 Forecast amount

Tax rate calculation: The state general property tax rate is determined by dividing the total amount of the levy by the total statewide tax capacity for commercial/industrial and seasonal recreational property.¹ A single rate existed for payable years 2002 to 2005. Beginning in 2006, the legislature provided for separate tax rates so that 95% of the levy would always be borne by commercial-industrial property and 5% would be borne by seasonal recreational property. The table below gives a nine-year summary of statewide property tax rates and their resulting revenues.

For taxes payable in 2010, the commercial industrial rate is 45.881 percent (\$742.8 million / \$1.619 billion) and the seasonal recreational rate is 17.755 percent (\$39.1 million / \$220.2 million). These tax rates were finalized by the Department of Revenue on January 7, 2010.

Historic Statewide Property Tax Rates									
	PAY 2002	PAY 2003	PAY 2004	PAY 2005	PAY 2006	PAY 2007	PAY 2008	PAY 2009	PAY 2010
State General Levy Rate	57.933%	54.447%	54.109%	51.121%					
Commercial Industrial					50.827%	48.032%	45.949%	45.535%	45.881%
Seasonal Residential Recreational					28.385%	24.225%	20.385%	18.214%	17.755%
Revenues (in millions)	\$592.0	\$594.9	\$624.5	\$629.3	\$658.7	\$696.3	\$734.5	\$776.6	\$781.7

Applying the tax rate to a specific property: Generally speaking, the amount of taxes to be paid for the statewide general property tax is the product of three factors:

$$\text{taxable market value} \times \text{class rate} \times \text{statewide property tax rate}.$$

To better understand this application, sample calculations for three hypothetical properties – a commercial property, a seasonal recreational commercial resort (4c), and a seasonal recreational residential property – are provided using payable year 2010 rates, as follows:

Calculation 1: Statewide Property Tax for a Hypothetical Commercial Property	
1. Determine the property's <i>taxable market value</i>	\$1,000,000
2. Determine the <i>class rate</i> based on property type Value up to \$150,000 Value greater than \$150,000	Commercial/Industrial: 1.5% Commercial/Industrial: 2.0%
3. Multiply taxable market value by class rate to obtain the <i>net tax capacity (NTC)</i> Value up to \$150,000 Value greater than \$150,000	\$ 150,000 X 1.5% = \$ 2,250 \$ 850,000 X 2.0% = <u>\$17,000</u> Total NTC = \$19,250
4. Determine the <i>statewide property tax rate</i>	Commercial/Industrial 45.881%
5. Multiply net tax capacity by statewide property tax rate to determine the <i>gross tax</i>	\$19,250 X 45.881% = \$8,832

¹ For the purposes of the state general tax only, non-commercial seasonal residential recreational property has a class rate of .40% for the first \$76,000 of market value.

Calculation 2: Statewide Property Tax for a Hypothetical Seasonal Recreational – Commercial Resort (4c) Property	
1. Determine the property's <i>taxable market value</i>	\$600,000
2. Determine the <i>class rate</i> based on property type Value up to \$500,000 Value greater than \$500,000	Seasonal/Recreational: 1.00% Seasonal/Recreational: 1.25%
3. Multiply taxable market value by class rate to obtain the <i>net tax capacity (NTC)</i> Value up to \$500,000 Value greater than \$500,000	$\$500,000 \times 1.00\% = \$5,000$ $\$100,000 \times 1.25\% = \underline{\$1,250}$ Total NTC = <u>\$6,250</u>
4. Determine the <i>statewide property tax rate</i>	Seasonal/Recreational: 17.755%
5. Multiply net tax capacity by statewide property tax rate to determine the <i>gross tax</i>	$\$6,250 \times 17.755\% = \$1,110$

Calculation 3: Statewide Property Tax for a Hypothetical Seasonal Recreational – Residential Property	
1. Determine the property's <i>taxable market value</i>	\$150,000
2. Determine the <i>class rate</i> based on property type: Value up to \$76,000 Value greater than \$76,000	Seasonal/Recreational: 0.4% Seasonal/Recreational: 1.0%
3. Multiply taxable market value by class rate to obtain the <i>net tax capacity (NTC)</i> Value up to \$76,000 Value greater than \$76,000	$\$76,000 \times 0.4\% = \$ 304$ $\$74,000 \times 1.0\% = \underline{\$ 740}$ Total NTC = \$1,044
4. Determine the <i>statewide property tax rate</i>	Seasonal/Recreational: 17.755%
5. Multiply net tax capacity by statewide property tax rate to determine the <i>gross tax</i>	$\$1,044 \times 17.755\% = \185

Potential changes to the statewide general tax levy: If a change in the statewide general levy were to be considered, it would affect all taxable business and seasonal recreational property. In the last several legislative sessions, there have been proposals to increase the statewide property tax for only business property.

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