

SHARED REVENUE AND TAX RELIEF -- PROPERTY TAXATION

County and Municipal Levy Limit -- Adjustment for Unused Levy Authority
Carried Forward from Prior Years

Motion:

Move to create a levy limit adjustment allowing a political subdivision to increase its allowable levy by the amount of unused levy authority from prior years, as follows:

1. Establish the annual carryforward factor as the difference between the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor and the political subdivision's valuation factor.

2. Establish the maximum carryforward factor as the sum of the annual carryforward factors for the five preceding years, but not including any year prior to 2014(15), less any carryforward adjustment made under #4 in a prior year.

3. Specify that if the result of the calculation under #2 exceeds 5%, the maximum carryforward factor would be reduced to 5%.

4. Specify that a political subdivision may increase its levy by its maximum carryforward factor with a two-thirds vote of the political subdivision's governing body, provided that the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

5. Specify that any political subdivision that adjusts its allowable levy under this provision cannot also adjust its allowable levy under the carry forward adjustment authorized under current law.

Extend the proposal to levies adopted beginning in 2015.

Note:

Since the 2005(06) property tax year, DOR has administered a levy limit program that restricts the year-to-year increases in county and municipal property tax levies. The limitation prohibits any county or municipality from increasing its "base" levy in any year by more than the

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percentage change in the local government's January 1 equalized value due to new construction, less improvements removed, between the prior year and the current year, but not less than zero percent. The base levy is defined as the prior year actual levy for the county or municipality. State law authorizes a number of adjustments and exclusions to the limit.

Under one adjustment, if a local government's allowable levy in the preceding year exceeded its actual levy in the same year, the local government may claim an increase in its allowable levy in the current year equal to the unused levy authority in the preceding year. The increase under this adjustment is limited to not more than either 0.5% or 1.5% of the prior year levy, based on the size of the municipal or county governing body and the margin of approval. An increase of up to 0.5% requires a majority vote of the governing body. An increase of more than 0.5%, but not more than 1.5%, requires a three-quarters vote if the county, city, or village governing body has at least five members, a two-thirds vote if the county, city, or village governing body has fewer than five members, and a two-thirds vote by a town board for the resolution advancing the proposal to the town meeting, followed by a majority vote at that meeting. The motion would create an additional carry forward adjustment and authorize its use through the adoption of a resolution by two-thirds vote of the governing body of the county or municipality.

The proposed adjustment is not expected to have a measurable effect on county or municipal tax levies in the immediate future because current law already permits a carry forward adjustment of up to 1.5%. However, over time, the proposed adjustment could have a more noticeable effect as counties and municipalities accumulate unused levy authority.