

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1412

**DATE:** April 5, 2006

**Version:** As Introduced with Author's amendment H1412A1

**Authors:** Demmer and Brod

**Subject:** School District Debt Service Levies; Ag Lands Excluded from Tax Base Used to Calculate Debt Service Levies

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### Overview

Under current law a school district's debt levy (the amount needed to repay school building bonds) is calculated on adjusted net tax capacity and spread on the following year's net tax capacity. Net tax capacity is the primary tax base for most local levies. Net tax capacity assigns class rates to the various property types (homes have a class rate of 1%, businesses have class rates of 1.5% and 2% and ag lands have a class rate of .55% on the first \$600,000 of value and 1% on the value above \$600,000).

A school district's operating referendum is spread on a different tax base. It is spread on referendum market value. Referendum market value excludes agricultural lands and seasonal recreational property entirely and does not use class rates, so that most of the remaining property types pay the same rate on their value.

This bill excludes agricultural lands from the adjusted net tax capacity used to calculate a school district's debt service equalization aid. The result is that for high debt, low value districts with agricultural lands, the district's equalization aid will increase and its levy will be reduced by the same amount. However, the levy will still be spread on all taxable property on the following years' net tax capacity.

**Section****Section**

- 1**        **Equalized debt service levy.** Requires the debt service equalization aid amount to be calculated using a tax base that excludes agricultural lands.
- 2**        **Adjusted net tax capacity.** Removes agricultural lands from the definition of adjusted net tax capacity that is used to calculate debt service equalization aid.
- 3**        **Effective date.** Makes sections 1 and 2 effective for taxes payable in 2007 for debt service referenda conducted after June 30, 2006.