



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0397.01: Revise appraisal process for centrally assessed property

Primary Sponsor: Jeremy Trebas Status: As Introduced

☐ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☒ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | | |
| General Fund (01) | \$0 | \$2,625,000 | \$2,475,000 | \$2,625,000 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>\$0</u> | <u>(\$2,625,000)</u> | <u>(\$2,475,000)</u> | <u>(\$2,625,000)</u> |
| General Fund Balance | | | | |

Description of fiscal impact

SB 397 would change the current law process for the use of outside appraisers for centrally assessed property. Currently, the Department of Revenue and a centrally assessed property owner may agree to hire a qualified independent appraiser when both parties agree in writing on the appraiser. In such cases the costs are shared, and the parties must accept the results. No such appraisals have been done in recent years. SB 397 provides a requirement when the parties do not agree, the department would be required to select a qualified independent appraiser and pay the entire cost. The cost of independent appraisers is estimated to be \$2.625 million in FY 2027 when the bill takes effect.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. Current law provides an option for centrally assessed taxpayers and the department to split the costs of an independent appraiser if the parties come to a written agreement.
2. SB 397 would add a provision when a written agreement is not reached. SB 397 would require DOR to hire an independent appraiser and pay the entire cost.
3. SB 397 would require the two valuations – one by department staff and another by an independent appraiser – if a centrally assessed taxpayer requests it. The cost of both appraisals would be paid for from the state general fund. Currently, no centrally assessed taxpayer utilizes the option of splitting the cost of an independent appraisal.

Basis of Estimate

4. There are 128 total centrally assessed companies. Due to the two-year reappraisal cycle, 65 are appraised in odd years and 70 are appraised in even years (railroads are appraised annually).
5. In the past two years, about 25% of centrally assessed companies requested an informal review of their

valuation. It is assumed that twice as many would request the department hire an independent appraiser. That is 33 in odd years and 35 in even years.

6. Based on the most recent costs of hiring 3rd party appraisers by the department, it is estimated that it would cost the department \$75,000 for every independent valuation.
7. This would result in independent appraisers costs in odd years of \$2.475 million and \$2.625 million in even years starting in FY 2027 when the bill takes effect.

Fiscal Analysis Table

| | <u>FY 2026</u> <u>Difference</u> | <u>FY 2027</u> <u>Difference</u> | <u>FY 2028</u> <u>Difference</u> | <u>FY 2029</u> <u>Difference</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Operating Expenses | \$0 | \$2,625,000 | \$2,475,000 | \$2,625,000 |
| TOTAL Expenditures | \$0 | \$2,625,000 | \$2,475,000 | \$2,625,000 |
| <u>Funding of Expenditures</u> | | | | |
| General Fund (01) | \$0 | \$2,625,000 | \$2,475,000 | \$2,625,000 |
| TOTAL Funding of Expenditures | \$0 | \$2,625,000 | \$2,475,000 | \$2,625,000 |
| <u>Revenues</u> | | | | |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| General Fund (01) | \$0 | (\$2,625,000) | (\$2,475,000) | (\$2,625,000) |

Technical Concerns

Department of Revenue

1. SB 397 instructs the department to select a qualified independent appraiser if the department and the property owner do not agree in writing to have a qualified appraiser assess the property. This may trigger the department to hire an appraiser for every assessment that does not come to such a written agreement.

NO SPONSOR SIGNATURE

Sponsor's Initials

Date

2/28



Budget Director's Initials

2/28/2025

Date