



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **HB0903.01: Provide for class of property for manufacturing for property tax purposes**

Primary Sponsor: Lukas Schubert

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</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>
<b>Expenditures</b>				
General Fund (01)	\$0	\$707,000	\$766,000	\$769,000
State Special Revenue (02)	\$0	(\$707,000)	(\$766,000)	(\$769,000)
<b>Revenues</b>				
General Fund (01)	\$0	(\$5,000)	(\$5,000)	(\$5,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	\$0	(\$707,000)	(\$766,000)	(\$769,000)
University	\$0	(\$45,000)	(\$48,000)	(\$49,000)
<b>Net Impact</b>	<u>\$0</u>	<u>(\$712,000)</u>	<u>(\$771,000)</u>	<u>(\$774,000)</u>
<b>General Fund Balance</b>				

### Description of fiscal impact

HB 903 creates a new class of property, class 19, for land and improvements used for manufacturing. The tax rate is 1.47%, lower than the current 1.89% rate for current class 4 industrial land and improvements. The lower tax rate reduces statewide taxable value by \$7.4 million (0.14%) in FY 2027 when the bill takes effect, reducing revenue generated from the state 95 mills for school equalization, 6 university mills, and 1.5 vo-tech mills.

### FISCAL ANALYSIS

#### Assumptions

1. Land and improvements used for manufacturing are currently classified as class 4 industrial property taxed at 1.89%. HB 903 creates a new class of property, class 19, for this type of property with a tax rate of 1.47%.
2. In FY 2027, the statewide taxable value of land and improvements used for industrial purposes is expected to be \$47.9 million under current law. Under HB 903, the taxable value would be \$37.2 million, a difference of \$10.7 million.
3. It is estimated that manufacturing property makes up about 70% of industrial property. The taxable value of manufacturing property is expected to be \$33.4 million in FY 2027 under current law. Under HB 903, the taxable value is expected to be \$26.0 million, a reduction of \$7.4 million (0.14% statewide).
4. The reduction in taxable value reduces revenue collected from the state 95 mills for school equalization, 6 university mills, and 1.5 vo-tech mills. The following table contains the reduction in taxable value and the resulting impact to the state mills.

Impact	FY 2027	FY 2028	FY 2029
Taxable Value	(\$7,445,000)	(\$8,064,000)	(\$8,094,000)
SEPTR	(\$707,000)	(\$766,000)	(\$769,000)
University	(\$45,000)	(\$48,000)	(\$49,000)
Vo-tech	(\$5,000)	(\$5,000)	(\$5,000)

5. Administrative costs will be absorbed by the department.

### Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<b>Fiscal Impact</b>				
<b>Expenditures</b>				
<b>Funding of Expenditures</b>				
General Fund (01)	\$0	\$707,000	\$766,000	\$769,000
State Special Revenue (02)	\$0	(\$707,000)	(\$766,000)	(\$769,000)
<b>TOTAL Funding of Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Revenues</b>				
General Fund (01)	\$0	(\$5,000)	(\$5,000)	(\$5,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	\$0	(\$707,000)	(\$766,000)	(\$769,000)
University	\$0	(\$45,000)	(\$48,000)	(\$49,000)
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>(\$757,000)</b>	<b>(\$819,000)</b>	<b>(\$823,000)</b>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b>				
General Fund (01)	\$0	(\$712,000)	(\$771,000)	(\$774,000)
State Special Revenue (02)	\$0	\$707,000	\$766,000	\$769,000
SEPTR	\$0	(\$707,000)	(\$766,000)	(\$769,000)
University	\$0	(\$45,000)	(\$48,000)	(\$49,000)

### Effect on County or Other Local Revenues or Expenditures

1. The reduction in taxable value reduces the taxes paid by manufacturing facilities. Taxing jurisdictions with these facilities would see taxes shifted to other classes of property.

### Technical Concerns

1. A more robust definition of "manufacturing" would be helpful. The department would need to make rules to define what specific property qualifies for the classification.

**NOT SIGNED BY SPONSOR**

Sponsor's Initials

Date



Budget Director's Initials

4/1/2025

Date