

Industrial Property Exemption and Deferral – SB 1565

This bill creates a local option for an exemption or deferral program for industrial property. The Department is neutral on the policy but has legal and administrative concerns.

Administrative Concerns

- While we appreciate the desire for local control, the bill could create a multitude of different programs with varied criteria, exemption schedules, and terms. Because the Department appraises property across the state we will need to work within and be familiar with many of these programs. Section 1(4)(d)
- While the bill allows for the jurisdictions to set varied exemption percentages it appears they must be decreasing percentages, so the option for a more simple flat exemption percentage over the term does not appear to be allowed. Section 1(3)(b)(B)(ii)
- The progressively decreasing percentage of exemption or deferral will require manual tracking of all affected accounts. If property is installed in multiple years there will be property in the same account at different percentages of exemption. Section 1(4)(b)
- Exemptions are typically applied to real market value not assessed value, applying the exemption to assessed value created the need for a test to be run on all qualified property to ensure the benefit is not greater than the taxable value and will increase staff time. Section 1(4)(e)
- Provisions to prevent stacking of exemptions will be very difficult to administer if the property is bought used or sold for reuse. It is not clear how one would know if a given machine received an exemption in the past at another facility, or how it can be tracked if it is sold or moved in the future. Section 1(7)
- The deferral option is unprecedented and could present a real challenge to Department of Revenue and county assessor software. Section 3
- Rapidly depreciating equipment that becomes technologically obsolete could create a rare situation where the deferred taxes approach the value of the equipment.

Legal Concerns

- The bill delegates the authority to grant exemptions to the local jurisdictions. Some local jurisdictions may not have legal resources familiar with crafting exemption programs and unintended consequences may result.
- Given the amount of local control over the exemption, it is likely that a taxpayer in one county or city will be treated differently than a similarly situated taxpayer in another county or city.