



Personal Property Tax Replacement Plan

[PAs 397-408](#) of 2012

PPT Phase out

- The industrial portion of the personal property tax will be phased out from 2016-2022
 - Beginning in the 2013-14 fiscal year, businesses with less than \$40,000 in total commercial or industrial personal property in any one jurisdiction will not have to pay personal property tax to that jurisdiction
 - All industrial personal property purchased after 2011 will become exempt in fiscal year 2015-16
 - Industrial personal property will become exempt as it reaches 10 years old beginning in the fiscal year 2015-16

PPT Replacement

- Local governments will receive replacement of 80% of the revenue they lose, provided the lost revenue equals at least 2.3% of a local government's totally property tax revenues
- Local governments can use a special assessment on industrial property to replace 100% of lost revenue for police, fire, ambulance and, under an amendment from the House, jail operations
- The bills will also replace all lost school funding with use tax dollars
- The replacement funds will come largely from the use tax, which requires voter approval in the August 2014 primary election to change its current distribution among state funds
 - Since all bills are now tied to HB 6026 that makes that change, they all require voter approval for the PPT on industrial property to begin phasing out
- The bills will create a Metropolitan Area, essentially a statewide authority that will accept the use tax funds (between 1 to 1.5 cents of every 6 cents on the dollar of the tax) and redistribute them to qualifying communities

The bills will mean revenue losses for both the local governments and the state. The Senate Fiscal Agency predicts losses in 2013-14 of \$46.6 million for locals and \$33.8 million for the state and losses in 2016-17 of \$18.4 million for locals and \$366.3 million for the state.

All of the changes depend on a statewide vote in August 2014. Changing the allocation of the use tax between the general fund and School Aid Fund requires voter approval. If voters reject the proposal, the phase-out of the industrial portion of the personal property tax will not take place.

(Information from Gongwer.com)