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Testimony prepared for:

House Political Subdivisions

Prepared January 20, 2021

Paul Fracassi, Director of Equalization
Cass County Government

RE: House Bill No. 1192

Chairman Dockter and Committee Members;

Thank you for the opportunity to submit written testimony regarding House Bill No. 1192. The information below is provided by the *Journal of Property Tax Assessment & Administration* * Volume 7, Issue 1.

Consequences

Assessment limits protect taxpayers owning properties that have rapidly increasing market values at the expense of taxing district revenue or taxpayers owning properties with decreasing values or with more limited increases. The tax shifting that occurs tends to be invisible to those who pay more because they cannot determine what their taxes would have been without the assessment limit. As with exemptions, there is a smaller tax base, which leads to higher property tax rates, which in turn tend to lead to more pressure to reduce a major funding source for local governments.

Predictability

Assessment limits appear to produce more predictable property taxes; however, this is an illusion. Property tax predictability is dependent on several factors, including the relative rate of value change between properties and the underlying systems that control property tax rates and taxing district budgets. A system that constrains assessed value increases but does not address revenue issues or allows tax rates to rise freely merely decouples the tax from current market value without necessarily providing predictability.

Transparency

Current market value allows for a more open system with checks and balances. It is easier for the public to understand current market value and to appeal assessments that appear to be in excess of market value. Similarly, the revenue system should include limits to prevent revenue windfalls resulting from changes in market value. Revenue accountability may be further promoted by "truth in taxation" public notice provisions requiring special, highly visible notices to taxpayers of proposed tax rate or budget increases.

Due to the reasons above and the unintended consequences, I am opposed to HB 1192. For more information regarding the study referenced above, visit https://www.iaao.org/uploads/Caps_paper.pdf

Sincerely,

A handwritten signature in black ink, appearing to read "P. Fracassi".

Paul Fracassi
Cass County Government, Director of Equalization