

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6836**

**BILL NUMBER:** HB 1283

**NOTE PREPARED:** Feb 11, 2021

**BILL AMENDED:**

**SUBJECT:** Urban Agricultural Zones.

**FIRST AUTHOR:** Rep. Harris

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that a qualifying farmer may apply to a designating body to have land designated as an urban agricultural zone (UAZ). It provides that a designating body, before designating land a UAZ, must hold a public hearing and allow for public comment.

The bill provides that a designating body may exempt lands located in a UAZ from property taxation. It also specifies that a designating body may not impose a special benefit tax for public services provided to a UAZ, unless the designating body imposed the special benefit tax before it designated the land as a UAZ.

**Effective Date:** July 1, 2021.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** This bill could cause a reduction in revenue due to tax caps in all units that intersect the units granting UAZ exemptions. The actual impact depends on local decisions and local factors.

This bill allows municipalities to designate an area as a UAZ and grant property tax exemptions. The exemption is not limited to new property so it can reduce the assessed value of the designating unit and all intersecting taxing units, thereby raising those units' tax rates. The increased overall tax rate may cause additional tax cap losses in areas where some properties have reached their cap. All intersecting taxing units

will share in the revenue reduction.

The bill could limit new revenues for public services provided by the designating unit if a special benefits tax to pay for those services is first imposed after UAZ designation.

Additionally, the bill could result in lower revenues for municipal utilities if the designating body (1) authorizes the utility to waive connection fees for electricity provided to a UAZ, or (2) authorizes the utility to allow a qualified farmer to pay wholesale rates for water, electricity, or utilities provided to a UAZ.

**State Agencies Affected:**

**Local Agencies Affected:** County auditors; All local civil taxing units and school corporations.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.