

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 2975**

March 11, 2011

SPONSOR (S): May

SYSTEM(S): Downstate Police, IMRF

FISCAL IMPACT: The limited property tax cap exemption contained in HB 2975 will allow non-home rule municipalities that participate in Article 3 (police) or Article 4 (fire) to adequately fund new pension obligations. The bill specifies that the exemption lasts for the first 5 taxable years after the municipality first participates in the pension fund. According to the Department of Insurance, 24 communities within Illinois will be required to form police and/or fire pension funds based on a preliminary review of unofficial 2010 census data. It is unknown how many of the 24 municipalities are non-home rule communities.

SUBJECT MATTER: HB 2975 amends Property Tax Code to provide for a limited property tax cap exemption for municipalities to make employer contributions to Downstate Police funds, Downstate Fire funds, or IMRF. The bill specifies that the exemption will last for the first 5 taxable years after the taxing district first participates in any of the aforementioned pension funds. The bill also amends the Downstate Police and IMRF Articles of the Illinois Pension Code to require referenda questions used to create a pension fund or participation in IMRF to also authorize the levying of an annual tax for the purpose of participation in that fund.

FISCAL IMPACT: The limited property tax cap exemption contained in HB 2975 will allow non-home rule municipalities that participate in Article 3 (police) or Article 4 (fire) to adequately fund new pension obligations. The bill specifies that the exemption lasts for the first 5 taxable years after the municipality first participates in the pension fund. According to the Department of Insurance, 24 communities within Illinois will be required to form police and/or fire pension funds based on a preliminary review of unofficial 2010 census data. It is unknown how many of the 24 municipalities are non-home rule communities.

COMMENTS:

Property Tax Cap Exemption for Police, Fire, and IMRF Pension Contributions

According to the Department of Insurance, 24 communities within Illinois will be required to form police and/or fire pension funds based on a preliminary review of unofficial 2010 census data. It is unknown how many of the 24 municipalities are non-home rule

communities, but if non-home rule communities wish to increase their respective tax levies beyond the lesser of 5% or the CPI, they must do so via referendum. HB 2975 seeks to provide non-home rule municipalities with a mechanism for funding new pension liabilities by providing a limited property tax cap exemption for 5 years after the taxing district first participates in the pension fund for the sole purpose of making employer contributions to the pension fund.

Municipality Referendums for Participation in Downstate Police Pension Funds, IMRF

The Downstate Police and IMRF articles of the Pension Code currently set forth the manner in which referendum questions for participation in each respective article shall be placed upon the ballot. HB 2975 modifies the question to include the levying of taxes for participation in a Downstate Police or IMRF pension fund, whereas currently the Pension Code requires that the question simply ask voters whether the municipality shall adopt a police pension fund or participate in IMRF.

DH:dkb

LRB097 06172 JDS 46246 b