

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0811-07
Bill No.: SB 338
Subject: Appropriations; Boards, Commissions, Committees, Councils; Estates, Wills, and Trusts; Governor & Lt. Governor; Property, Real and Personal; Revenue Dept.; Taxation and Revenue – Property; Treasurer, State
Type: Original
Date: March 2, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$0	\$0 to \$570,000	\$0 to \$570,000
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **State Treasurer's Office** assume this proposal would have no fiscal impact on their agency.

Officials with the **Department of Revenue (DOR)** assume this proposal would require no additional resources that are not currently in place or planned.

Oversight assumes this proposal would prohibit taxpayers from concurrently claiming both a circuit breaker tax credit and the homestead property tax exemption. Single claimants age 65 or older, married claimants with one spouse age 65 or older and the other spouse age 60 older, or claimants that are 100% disabled are eligible for either credit provided that they own their home and that their income is below \$25,000 for single claimants or \$27,000 for married claimants filing a combined return.

Oversight assumes that as a result of this proposal, taxpayers eligible for both credits would choose the circuit breaker credit and the greater benefit it would most often allow. Thus, state reimbursements to political subdivisions for property tax revenue losses would decrease.

In a fiscal note from the 2004 regular session (2966-13/Truly Agreed To and Finally Passed CCS

ASSUMPTION (continued)

for HS for HCS for SS for SCS for SB 730), **Oversight** assumed a state reimbursement to political subdivisions for the homestead property tax exemption of \$1.4 million in FY07. Using the same methodologies with an income upper limit of \$25,000 (rather than the \$70,000 limit the homestead exemption allows), the estimated decrease in state reimbursements for property tax revenue losses would be approximately \$570,000 in FY07.

In alternate, non-assessment years (beginning in FY08), the exemption limit for homestead property tax increases would be 2.5%. **Oversight** is unable to speculate the rate at which local political subdivisions will increase their property tax rates in 2007 (FY08), however, it is assumed that rate of state reimbursements to political subdivisions would decrease in non-assessments as would any savings resulting from this proposal.

Note: Homestead property tax exemption reimbursements are subject to appropriation, per Section 137.106, RSMo.

Oversight is unable to estimate the fiscal impact of other provisions of this act, such as extending the credit to include property held in trust, creating an exception for disabled accommodations, and lapsing the credit moneys of ineligible recipients into General Revenue. **Oversight** assumes an aggregate negative impact for such provisions that would not exceed the positive impact of disallowing the homestead exemption credit in a year following the year in which the claimant received the property tax credit.

<u>FISCAL IMPACT - State Government</u>	FY 2006	FY 2007	FY 2008
	(10 Mo.)		
GENERAL REVENUE			
<u>Savings – Homestead Property Tax Exemptions</u>	\$0	\$0 to \$570,000	\$0 to \$570,000
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 to \$570,000</u>	<u>\$0 to \$570,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal creates the Homestead Exemption Tax Credit. The act:

- Prohibits a claimant from receiving the homestead exemption credit in a year following the year in which the claimant received the property tax credit;
- Extends homestead exemption credit to property owned in trust. The trust may receive a credit, provided the prior owner meets all other requirements and such owners income is imputed to the trust for purposes of determining qualification under the maximum upper limit;
- Creates an exception to the disqualification for improvements made to property which exceed five percent of the prior years appraised value for improvements made to accommodate a disabled person for applications filed after 2005.

The homestead exemption limit for claims filed in 2005 and 2006 shall be based on the increase in tax liability from 2004 to 2005.

An eligible owner who otherwise satisfies the requirements for receiving a homestead exemption shall not apply for the credit more than once during the period ranging from April 1, 2005 to September 30, 2006.

Current law bases the homestead exemption on the increase to tax liability from the prior year. The act moves this back an additional year.

In the event collector of the county determines that an individual is ineligible prior to issuing the credit, the credit shall be void and any corresponding moneys shall lapse to the state to be credited to the general revenue fund.

After 2005, the one-quarter of one percent distributed to the county assessment funds is

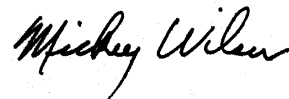
DESCRIPTION (continued)

terminated.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
State Treasurer's Office



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Director
March 2, 2005