

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4247-09  
Bill No.: SB 1140  
Subject: Boards, Commissions, Committees, Councils; County Officials; Mortgages and Deeds; Property Real and Personal; State Tax Commission; Taxation and Revenue - Property  
Type: Original  
Date: March 14, 2006

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue *	(\$57,427)	(\$55,403 to Unknown)	(\$56,707 to Unknown)
<b>Total Estimated Net Effect on General Revenue Fund *</b>	<b>(\$57,427)</b>	<b>(\$55,403 to Unknown)</b>	<b>(\$56,707 to Unknown)</b>

\* Unknown expected to exceed \$100,000

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government *</b>	<b>\$0</b>	<b>\$0</b>	<b>(Unknown)</b>

\*Unknown expected to exceed \$100,000

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Economic Development, Division of Professional Registration**, on behalf of the **Missouri Real estate Commission**, and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of the Secretary of State, Missouri State Library**, assume this proposal could result in an increase in revenue for some library districts, if properties are assessed more accurately and uniformly across the state. Library districts depend on the property tax for over 90% of their revenue. Library districts may need assistance with understanding the proposed additional information required at public hearings to set tax rates.

Officials from **Hickory County** assume this proposal would have a cost to their county of \$2,000 to \$35,000 per year beginning in FY 2008.

ASSUMPTION (continued)

Officials from the **State Tax Commission** (Commission) assume this proposal would require the Commission to create or select an existing uniform statewide cost system or manual to assist county assessors with the reassessment of real property. It would also require the Commission to oversee the education and certification of all assessors and their staff. In addition, the Commission would be required to develop a form for all real estate agents and title insurance agents to complete upon the closing the sale of residential property. The form must be available on the Commission's web site.

The Commission assumes one (1) FTE Management Analyst Specialist II would be required to travel to the 114 counties and the City of St. Louis. This employee will be responsible for training and working with each assessor and his/her staff. The employee will incur extensive travel related expenses.

The cost to implement the uniform statewide cost system or manual could cost from \$12,000 (to purchase and distribute a manual) to \$12,500,000 for a fully automated statewide cost system. Additional costs may be incurred in future years due to updates and/or changes to the manual and/or automated system. If only a manual is provided to the assessor, the assessor may incur some expenses to update their individual computer programs. The costs to update may vary with each county but could be as high as \$40,050.

The Commission included a General Revenue Fund cost summary of \$12,575,539 for FY 2007, \$60,850 to Unknown for FY 2008, and \$62,373 to Unknown for FY 2009.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the new position to correspond to the first step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the estimated expense and equipment cost in accordance with Office of Administration budget guidelines.

Officials from the **Office of the Cole County Assessor** stated their organization has been implementing a total upgrade to a new cost manual; the process started in 2003 and will be complete in 2007. The estimated cost to upgrade was \$20,000. There is no way to know if Cole County might be exempted from having to change to a new cost manual developed by the State Tax Commission. If Cole County is required to implement a different cost manual by 2010, it is estimated that another \$15,000 to \$20,000 could be incurred depending on how compatible the new cost manual might be with the current assessment system in Cole County. The Assessor assumes that the proposal would require a new cost "manual" and not a new cost "system".

ASSUMPTION (continued)

**Oversight** assumes this proposal would have no impact on revenues of the state or its political subdivisions until after the end of FY 2009. Oversight assumes there would be an unknown cost to the state General Revenue Fund greater than \$100,000 per year, beginning in FY 2008 to develop the new cost manual and/or system. In addition, Oversight assumes there would be an unknown cost to counties to adopt the new procedures beginning in FY 2009, since the number of counties which might be exempted from the proposal's requirements cannot be determined.

**Oversight** assumes the certificate of value program and the additional tax rate hearing requirements could be implemented at minimal cost to state and local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE FUND</b>			
<u>Cost - State Tax Commission</u>			
Personal Service (1 FTE)	(\$28,680)	(\$35,953)	(\$36,852)
Fringe Benefits	(\$12,636)	(\$15,841)	(\$16,237)
Expense and Equipment	(\$16,111)	(\$3,609)	(\$3,618)
Assessment system development *	\$0	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *</b>	<b><u>(\$57,427)</u></b>	<b><u>(\$55,403 to Unknown)</u></b>	<b><u>(\$56,707 to Unknown)</u></b>
* Unknown expected to exceed \$100,000			

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>COUNTY ASSESSMENT FUNDS</b>			
<u>Cost - Assessment operations</u>			
	\$0	\$0	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON COUNTY ASSESSMENT FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses involved in real estate sales and title insurance.

## DESCRIPTION

This proposal would change several provisions relating to the assessment and taxation of real property.

- A. The State Tax Commission would oversee the education and certification of all assessors and assessor staff as the commission deems appropriate. No later than January 1, 2008, the State Tax Commission would create, or select an existing uniform statewide cost system or manual for the reassessment of property. All county assessors would be required to implement the uniform statewide cost system by January 1, 2010.

That mandate would not apply to St. Louis County, St. Charles County, Jackson County, and the City of St. Louis. In addition, the provisions of subsection 1 of this section would not apply to any first class county not having a charter form of government if the assessor of that county files a written exemption request by January 1, 2009 with the State Tax Commission. The State Tax Commission could approve that exemption based on a finding that such a county has a computer assisted mass appraisal system approved by the State Tax Commission which is sufficient to maintain assessments at levels required by statute.

- B. The State Tax Commission would create a certificate of value form to be supplied to real estate agents and title insurance agents, requesting the voluntary disclosure of residential sales information from purchasers of residential property to be completed upon closing. Such form could be completed by voluntarily providing sales information or by checking a box declining to provide such information. That form would specifically state that the information provided would be held confidential, would not be considered a public document, and would be used only by the County Assessor, State Tax Commission, and County Board of Equalization to ensure accurate reassessments of property in the county. The State Tax Commission would make such form available on its web site.

The title insurance agent or real estate agent would present that form to the purchaser, and the title insurance agent or real estate agent would submit the completed form to the county Recorder of Deeds. The Recorder of Deeds or Circuit Clerk ex Officio Recorder of Deeds would, upon a request that a residential property conveyance be recorded, take receipt of the completed form and immediately forward all completed forms to the County Assessor. That mandate would not apply to St. Louis County, St. Charles County, Jackson County, and the City of St. Louis.

DESCRIPTION (continued)

- C. Separate disclosure would be required for revenue increases resulting from new construction and improvement, and from reassessment.

Counties would be required to hold a public hearing on their proposed tax rates. Public notice would be required at least seven days prior to the date of the hearing. The notice would include the increase in tax revenue due to an increase in assessed value as a result of new construction and improvement, and the increase, both in dollar value and percentage, in tax revenue as a result of reassessment if the proposed tax rate is adopted.

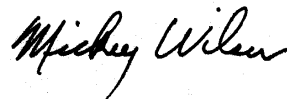
Before setting their tax rates, political subdivisions would be required to separately disclose the increase in tax revenue due to an increase in assessed value as a result of new construction and improvement, and the increase, both in dollar value and percentage, in tax revenue as a result of reassessment for the proposed tax rate.

- D. The Joint Committee on Tax Policy would examine and certify ratio studies of assessed valuation performed by the State Tax Commission.

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

Office of the Secretary of State  
Department of Economic Development  
Division of Professional Registration  
Department of Revenue  
State Tax Commission  
Cole County Assessor  
Hickory County



Mickey Wilson, CPA  
Director  
March 14, 2006