

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3297-14
Bill No.: Perfected SS for SCS for SB 711
Subject: County Officials; Courts; Political Subdivisions; Property, Real and Personal;
Public Officers; State Tax Commission; Taxation and Revenue - Property
Type: Original
Date: February 25, 2008

Bill Summary: Would modify certain provisions regarding property taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(More than \$28,383,783)	(More than \$28,403,287)	(More than \$28,415,385)
Total Estimated Net Effect on General Revenue Fund	(More than \$28,383,783)	(More than \$28,403,287)	(More than \$28,415,385)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	11	11	11
Total Estimated Net Effect on FTE	11	11	11

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	(More than \$1,810,485)	(More than \$1,810,485)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP), assume this proposal would not cause any added cost to their organization.

BAP defers to DOR and EPARC for an estimate of reduced revenues from changes to the Homestead Preservation Act credit.

This proposal would make various changes to the way local governments set their tax levies. These changes may impact the Blind Pension Fund, and may impact the schools' foundation formula. BAP defers to DSS and DESE for any estimated impacts.

Officials from the **Department of Revenue** (DOR) assume this proposal would increase the property tax credit limits, which could result in more refunds. More refunds would reduce total state revenues.

Statute changes which could impact DOR

- * Section 135.010 Adds a \$10,000 spousal income exemption if the homestead is owned and occupied for the entire year.
- * Section 135.025 would increase the property tax credit from \$750 to \$1,100.
- * Section 135.030 would clarify that the upper and lower limits are for tax years beginning on or after January 1, 2008;
- * Would increase the income cap for homestead residents, residing the entire year
- * Would change the rent equivalent to \$1,100

These changes would require individual income tax form and instruction changes, and MINITS system changes.

ASSUMPTION (continued)

Administrative Impact

Personal Tax would require one FTE Temporary Tax Employee for key-entry (MO-1040P and PTC forms; one FTE Tax Processing Technician I for every additional 25,000 returns verified and correspondence (MO-1040P and PTC forms), and Customer Services would require one FTE Tax Collection Technician I for every additional 24,000 contacts annually on the income tax phone line, seven FTE Tax Processing Technician I for every additional 4,800 contacts annually in the field offices (1 employee for each field offices, as each would see an impact).

DOR provided an estimate of the administrative cost to implement the proposal including nine additional FTE, with related equipment and expenses totaling \$337,780 for FY 2009, \$357,477 for FY 2010, and \$368,200 for FY 2011.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions to correspond to the second 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 adjusted equipment and expenditure amounts in accordance with OA budget guidelines, and Oversight assumes that individual additional employees in Springfield, St. Louis County, and Kansas City, could be accommodated in existing office space.

DOR officials provided this estimate of the IT cost to implement the proposal. The Office of Administration, Information Technology Services Division (ITSD/DOR) assumes the IT portion of this request could be accomplished with existing resources, however; if priorities shift, additional FTE/overtime could be needed to implement. ITSD/DOR estimates that this legislation could be implemented utilizing 2 existing CIT III for 1 month for modifications to MINITS at an estimated cost of \$8,372.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** (DESE) assume this proposal would have no direct fiscal impact on their organization. DESE officials stated that the proposal would make numerous changes to various tax statutes, and assume the increase in the property tax credit could have an impact on local school districts. DESE officials assume this change would have minimal affect on local tax revenue and probably no impact on the foundation formula.

Officials from the **University of Missouri, Economic Policy Analysis and Research Center** (EPARC) assume this proposal would increase the amount of Senior Citizen Property Tax (Circuit Breaker) tax credits by \$27.9 million per year.

Oversight will use the EPARC estimate of revenue reductions for this fiscal note.

Officials from the **Missouri State Tax Commission** (TAX) assume that the provision which would require TAX to develop a software program or a contract to be awarded to a vendor that would produce a tax liability notice. It is unknown to TAX the number or the complexity of the various computer systems maintained by the county collectors throughout this state. TAX would need to employ at least 1 Computer Information Technology Specialist III and secure the necessary funding for office supplies and computer equipment. This individual would be responsible for developing a computer software program to assist with the production of the notices or work with the Information Technology Service to develop a contract to be awarded. Once the contract is awarded to the successful bidder, this individual would coordinate the installation of the new software with the numerous computer systems used by the county collectors. The cost of the contract is unknown but could be substantial. The Commission will prepare a budget request to secure the necessary funding for the FTE and contracts.

Oversight will indicate a cost in excess of \$100,000 per year for the State Tax Commission for staff and/or contract costs to implement the proposal.

Officials from the **Office of the State Auditor** (SAO) assume this proposal would require additional staffing due to an anticipated increase in tax rate review workload. SAO submitted a cost estimate including 2.0 additional FTE and related equipment and expenditures totaling \$95,939 for FY 2009, \$104,226 for FY 2010, and \$107,353 for FY 2011.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the new positions to correspond to the second 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 equipment and expenditures in accordance with OA budget guidelines.

Officials from **Linn State Technical College** assumed a previous version of this proposal would have no fiscal impact to their organization.

Officials from the **City of Centralia** assume their organization would have nominal costs as a result of this proposal.

Officials from the **Metropolitan Community Colleges** assumed a previous version of this proposal would cost their organization approximately \$100,000 per year.

Officials from **Moberly Area Community College** assumed a previous version of this proposal would have no fiscal impact to their organization.

Officials from the **Parkway School District** assumed a previous version of this proposal would have a fiscal impact of \$1,000 for their organization, to prepare property tax revenue estimates.

Officials from **Clinton County** assumed a previous version of this proposal would have cost to their organization that would accumulate over time.

Officials from **Cooper County** assumed a previous version of this proposal would have startup costs in 2011 of \$10,500 for computer programming, \$5,075 for additional staff, and \$350 for office supplies in the County Clerk's Office, and \$25,000 for computer software and \$45,000 for labor and supplies in the offices of the assessor and collector.

Officials from **Buchanan County** assumed that a previous version of this proposal would have costs no less than \$50,000 per year for their organization.

ASSUMPTION (continued)

Officials from **Barry County** assumed a previous version of the proposal would require additional resources in the County Clerk's office including computer programming estimated at \$12,500, additional staffing estimated at \$4,660, office supplies estimated at \$465, and additional software, labor, and supplies in other courthouse offices totaling \$30,000 and \$45,000, respectively.

Officials from **Carroll County** assumed that a previous version of the proposal would require moving the timetables from the current dates to a more accelerated schedule for the offices of the Assessor, County Clerk and Collector-Treasurer. That change would result in staffing, programming, and postage and supply costs that will exceed \$50,000.00 for the three offices involved.

Officials from **St. Louis County** assumed that a previous version of the proposal would result in additional costs for form design, printing setup, folding, and insertion totaling \$27,500 per year.

Additional costs in the Assessor's office would include outsourcing new construction identification, occupancy verification, commercial valuation modeling, and quality control field reviews. These outsourcing costs are estimated at \$668,120 for 2009 (FY 2010). Additional staff cost to perform the additional work in-house for the 2011 reassessment totaled \$607,390.

Oversight assumes the additional cost of additional staff would be permanent and that the costs are stated on an annual basis.

Officials from **Linn County** assumed that a previous version of the proposal would result in additional costs to their organization as follows.

Programming: The Clerk's Office will need additional programming at an estimated cost of \$10,000.

Additional Staffing: A part time person for at least for two months at minimum wage would cost around \$2,600.

Additional Office Supplies: Postage, paper, envelopes and other related materials in calculation the non-binding tax levy with 37 political subdivisions would cost \$350.

Other County Offices: The costs for software, labor and supplies for the Assessor and Collector would be approximately \$40,000.00.

ASSUMPTION (continued)

Officials from **Atchison County** assumed that a previous version of the proposal would result in additional costs for their organization.

Additional Staffing

The requirements of the County Clerks office in this legislation will cover a two month time period. Eight weeks with one new office staff who shall make an abstract of the assessment book showing the aggregate amounts of different kinds of property, shall forward that information to the governing body of each political subdivision, will work in conjunction with each political subdivision to arrive at a "non-binding tax levy", shall forward each "non-binding tax levy" to the county collector. 1 staff x \$5,075 (\$3,975 salary + \$1,100 benefits) = \$5,075.

Overhead

Office supplies, postage, envelopes, and other related materials used in calculating the non-binding tax levy with 25 political subdivisions \$250.

Other County Offices

The previous listed costs are only those that will occur in the County Clerk's office. Additional costs for offices of Assessor and Collector are Software estimated at \$25,000 and Labor and supplies \$45,000.

Oversight notes that the perfected version of the proposal would require the State Tax Commission to develop and provide software to the counties for preparing the required tax estimates. Oversight assumes the local governments would have significant additional costs as a result of this proposal. Oversight notes that certain assessment procedure changes in this proposal would become effective on January 1, 2009 for charter counties and effective January 1, 2011 for the balance of the state. For the purposes of this fiscal note, Oversight will indicate additional costs statewide in excess of \$1,810,485 to local governments beginning in 2009 (FY 2010) for the additional responsibilities and notices to taxpayers.

Oversight assumes the proposal would have no significant impact on local government revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Cost - Department of Revenue</u>			
Personal Service - 9 FTE	(\$171,845)	(\$212,400)	(\$218,772)
Fringe Benefits	(\$75,990)	(\$93,923)	(\$96,741)
Expense and Equipment	<u>(\$50,080)</u>	<u>(\$4,966)</u>	<u>(\$5,115)</u>
Total	<u>(\$297,915)</u>	<u>(\$311,289)</u>	<u>(\$320,628)</u>
<u>Cost - Office of the State Auditor</u>			
Personal Service - 2 FTE	(\$51,320)	(\$63,432)	(\$65,334)
Fringe Benefits	(\$22,612)	(\$27,948)	(\$28,786)
Expense and Equipment	<u>(\$11,936)</u>	<u>(\$618)</u>	<u>(\$637)</u>
Total	<u>(\$85,868)</u>	<u>(\$91,998)</u>	<u>(\$94,757)</u>
<u>Cost - State Tax Commission</u>			
Additional staff and/or contract cost for computer programming	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<u>Revenue reduction -Additional Tax Credits</u>	<u>(\$27,900,000)</u>	<u>(\$27,900,000)</u>	<u>(\$27,900,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than \$28,383,783)</u>	<u>(More than \$28,403,287)</u>	<u>(More than \$28,415,385)</u>
Estimated Net FTE Effect on General Revenue Fund	11	11	11

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL GOVERNMENTS			
<u>Increased cost - County Assessors, Clerks, and Collectors</u>	<u>\$0</u>	<u>(More than \$1,810,485)</u>	<u>(More than \$1,810,485)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>(More than \$1,810,485)</u>	<u>(More than \$1,810,485)</u>

FISCAL IMPACT - Small Business

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

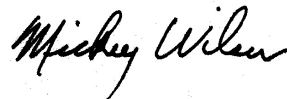
FISCAL DESCRIPTION

This proposal would change the Circuit Breaker program, would prescribe changes to the way local governments set their tax levies, and would create new notification procedures for county clerks and assessors.

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 Administration
Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
University of Missouri
Economic Policy Analysis and Research Center
Linn State Technical College
Metropolitan Community Colleges
Moberly Area Community College
Atchison County
Barry County
Buchanan County
Carroll County
Clinton County
Cooper County
Linn County
St. Louis County
City of Centralia
Parkway School District



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Director
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