COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1203-01
Bill No.: SB 223
Subject: Political Subdivisions; Taxation and Revenue - General; Taxation and Revenue - Property
Type: Original
Date: February 19, 2015

Bill Summary: This proposal eliminates a provision allowing for property tax levy adjustments for inflation and modifies standing for Hancock Amendment challenges.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	**(Less than $264,450,083)**	**(Less than $264,450,083)**	**(Less than $264,450,083)**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning** assume §137.073, Subsections 2 and 5(2), eliminates the future inflationary assessment growth factor for political subdivision levies. If this results in lower property taxes, the amount going to the Blind Pension Fund could be reduced, therefore decreasing Total State Revenues (TSR). This could also decrease funding that goes to local school districts.

In §137.073, Subsection 8, the bill could also change the way lawsuits are filed. Currently, complaints go through the prosecuting attorney of the county who has ten days to act. After that time, an individual taxpayer may take individual or class action. This bill would delete the prosecutor/ten day prerequisite allowing taxpayers to file suit without a waiting period.

Oversight assumes that since the Blind Pension Fund is 3 cents per $100 assessed valuation rate and the fund is at the maximum rate, there will be a $0 fiscal impact on that Fund from this proposal.

Officials at the **City of St. Louis** assume the passage of this legislation to remove inflationary increases in property taxes would be a detriment to the City of St Louis' tax revenues and to the Assessor's Office. The City would lose at least $3 million in revenue and the Assessor's Office would lose approximately $21,000 in additional funding for each 1% in foregone inflationary adjustments.

This legislation removes any inflationary increase in property taxes. Currently, the inflationary limit is 5% or the consumer price index (CPI), whichever is less. To remove the inflationary limit would affect both the Assessor and the overall city budget. The budget for 2015 is predicted to be a 1%-3% growth in assessed value. If this is the case, the property taxes would be allowed to grow by the same amount, as long as it is less than or equal to the CPI or 5%.

The City receives approximately $300 million to $325 million in property taxes. Assuming a conservative $300 million in property tax collections, every 1% of inflation results in $3 million in additional taxes. If this legislation passes, the City would lose the additional revenue of at least $3 million. The Assessor receives approximately $2.1 million from property taxes each year. Every 1% of inflation growth results in $21,000 of additional funding. If this legislation passes, the Assessor's Office would lose the additional $21 thousand. In addition, the passage of this legislation would remove the ability to receive inflationary increases due to voter approval of higher rates. The only increase in property tax revenue would come only from new construction.

ASSUMPTION (continued)

Officials at the **City of Kansas City** assume an annual revenue loss in property taxes of greater than $100,000 resulting from this legislation's elimination of the consumer price index adjustment in §137.073, RSMo.

In response to similar legislation filed this year, HB 275, officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **Department of Revenue**, the **State Tax Commission**, the **Office of the State Auditor** and the **Office of the State Courts Administrator** each assume no fiscal impact to their respective agencies from this proposal.

In response to similar legislation filed this year, HB 275, officials at the **Department of Elementary and Secondary Education** assume no fiscal impact from this proposal.

Officials at **St. Louis County** and the **Platte County Board of Election Commission** each assume no fiscal impact to their respective entities from this proposal.

ASSUMPTION (continued)

Oversight assumes the 2014 Statewide Assessed Valuations Totaled $97,224,295,340. The tax value would then be $972,242,953. The most recent statewide average tax rate without surtax is $5.4396. The statewide average tax rate without surtax can have up to a 5% inflationary adjustment or $5.7116. The following is a calculation of the potential maximum loss to political subdivisions from this proposal:

2014 Assessed Value	$97,224,295,340
Divided by $100 per assessed value	$972,242,953
at the tax rate of $5.4396	$5,288,612,767
at the adjust tax rate of $5.7116	$5,553,062,850
The maximum potential loss	($264,450,083)

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL POLITICAL SUBDIVISIONS			
Loss - Local Political Subdivisions revenues from inflationary adjustments resulting in lower property taxes	(Less than $264,450,083)	(Less than $264,450,083)	(Less than $264,450,083)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**(Less than $264,450,083)**	**(Less than $264,450,083)**	**(Less than $264,450,083)**

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal.

FISCAL DESCRIPTION

Currently, property tax levies are required to be adjusted when there is a change in assessed value of property in a county. The new rates cannot be higher than the greater of the most recently voter-approved rate or such rate as adjusted for inflation. This act removes the inflation adjustment and limits the rates to the voter-approved rate. The act also removes the power of a political subdivision to adjust their property tax levy to account for inflationary assessment growth.

Currently, when a taxpayer believes that provisions of the Missouri Constitution commonly referred to as the Hancock Amendment and which relate to limits on state and local taxation are being violated, the taxpayer must first make a formal complaint to the prosecuting attorney. This act gives taxpayers standing without making such a complaint. The taxpayer also is not require to have paid their taxes under protest to have standing.

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

City of Kansas City
Office of the State Courts Administrator
Office of the State Auditor
Platte County Board of Election Commission
St. Louis County
City of St. Louis
State Tax Commission
Office of Administration
Budget and Planning
Department of Revenue
Office of the Secretary of State
Department of Elementary and Secondary Education

Mickey Wilson

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February 19, 2015	February 19, 2015

NM:LR:OD