

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1344-06  
Bill No.: SCS for HCS for HB 613 with SA1 and SA2  
Subject: County Officials; Taxation and Revenue - Property  
Type: Original  
Date: May 6, 2015

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Bill Summary: This proposal modifies provisions relating to collection of property taxes.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                 | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|  |                |                |                |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|   |                |                |                |
| <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 9 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</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 FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

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

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2016</b>        | <b>FY 2017</b>        | <b>FY 2018</b>        |
| <b>Local Government</b>                    | <b>\$0 to Unknown</b> | <b>\$0 to Unknown</b> | <b>\$0 to Unknown</b> |

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 52.260

In response to a similar proposal, SB 405, officials at the **Department of Revenue** and the **State Tax Commission** each assumed no fiscal impact to their respective agencies from the proposal.

In response to a similar proposal, SB 405, officials at the **Platte County Board of Election Commission** and **St. Louis County** each assumed no fiscal impact to their respective entities from the proposal.

In response to similar legislation this year, HB 1269, officials at the **Callaway County Commission** assumed no fiscal impact from this proposal.

**Oversight** assumes that although the taxes collected won't change, some county collectors will retain more fees and other county funds will receive less under the terms of this proposal. Therefore, Oversight will show an increase in fees retained by county collectors and a reduction in taxes distributed to the other county funds, netting to \$0 from this proposal.

#### Section 65.620

In response to a similar proposal, SB 245, officials at the **Office of the State Auditor** and the **State Tax Commission** each assumed no fiscal impact to their respective agencies from the proposal.

In response to a similar proposal, SB 245, officials at the **Platte County Board of Election Commission** and **St. Louis County** each assume no fiscal impact to their respective entities from the proposal.

Under current law, once a township is abolished, property taxes are not collected for the abolished township. Under this proposal, property taxes would continue to be collected for a period of one calendar year following the abolishment of the township or until the voters of the county have approved a tax levy for road and bridge purposes, whichever occurs first. Therefore, **Oversight** will reflect a \$0 to unknown impact to counties in the fiscal note.

ASSUMPTION (continued)

Section 137.076

Changes to this provision would add several additional factors that an assessor would be required to consider in establishing the value for property tax purposes of a parcel of real estate.

**Oversight** assumes this provision would, in general, lead to an unknown reduction in the assessed valuation of real properties. **Oversight** notes, based on information from the Missouri Tax Commission, that the total assessed valuation of real property has decreased in the last three assessment cycles. Oversight is also aware that many additional factors influence actual property tax revenues for local governments and the Blind Pension Fund, which are supported by those revenues. For the purposes of this fiscal note, Oversight will assume there would be no revenue reductions to political subdivisions or the Blind Pension Fund resulting from the additional requirements for assessed valuations proposed in this legislation.

Bill as a Whole

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **State Tax Commission** and the **Department of Revenue** each assume the current proposal would not fiscally impact their respective agencies.

Senate Amendment 1

This amendment adds SB 339 to the current version legislation. In response to that proposal, officials at the **Office of the Secretary of State** and the **State Tax Commission** each assumed no fiscal impact to their respective agencies from the proposal.

**Oversight** assumes this proposal is discretionary and would have no local fiscal impact without action from the governing body. If an election is held and this issue is on the ballot for the people to vote on, Oversight assumes the election would be a regularly scheduled election and no special election would be needed.

ASSUMPTION (continued)

Senate Amendment 2

This amendment includes provisions nearly identical to HB 879. In response to that proposal, officials from the **Department of Revenue** assume the current proposal would not fiscally impact their agency.

In response to a similar proposal, HB 879, officials from the **State Tax Commission** assumed this proposal will not impact their agency. They also state, there could be a potential loss at the county level of a substantial nature, if items that are normally assessed such as leased vehicles, are leased in a manner that would qualify them under this proposal.

**Oversight** notes that the bill notes that the term "merchandise" shall include rentals of equipment and other merchandise offered for short term rentals (later clarified as less than 365 consecutive days) by rental companies classified under:

- 532412 - Construction, Mining, Forest Machinery and Equipment Rental & Leasing; and
- 532210 - Consumer Electronics and Appliance Rental

**Oversight** assumes the proposal would not include assets such as leased vehicles. Oversight will further assume the fiscal impact to counties will be minimal.

| <u>FISCAL IMPACT - State Government</u> | FY 2016<br>(10 Mo.) | FY 2017    | FY 2018    |
|---|---------------------|------------|------------|
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2016<br>(10 Mo.) | FY 2017 | FY 2018 |
|---|---------------------|---------|---------|
|---|---------------------|---------|---------|

**LOCAL POLITICAL SUBDIVISIONS**

|   |                |                |                |
|---|----------------|----------------|----------------|
| <u>Income</u> - Counties - in revenue from property taxes from abolished townships (\$65.620) | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
|---|----------------|----------------|----------------|

|   |         |         |         |
|---|---------|---------|---------|
| <u>Savings</u> - County Collectors - increase in fees retained (\$52.260) | Unknown | Unknown | Unknown |
|---|---------|---------|---------|

|  |           |           |           |
|--|-----------|-----------|-----------|
| <u>Loss</u> - Reduction in taxes distributed to Local Political Subdivisions within that county (\$52.260) | (Unknown) | (Unknown) | (Unknown) |
|--|-----------|-----------|-----------|

|   |           |           |           |
|---|-----------|-----------|-----------|
| <u>Loss</u> - of property taxes from merchandise held by a merchant and available for short term rental and which will subsequently or ultimately be sold | (Minimal) | (Minimal) | (Minimal) |
|---|-----------|-----------|-----------|

**ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS \$0 to Unknown \$0 to Unknown \$0 to Unknown**

FISCAL IMPACT - Small Business

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

## FISCAL DESCRIPTION

Under current law, county collectors must collect a specified amount of fees for collecting local taxes. In counties where the total amount levied in a year is between \$350,000 and \$2 million, the fee is 2.5 percent on the first \$350,000 collected and 1 percent on the rest. In counties where the total amount levied exceeds \$2 million, the fee is 1 percent on all amounts collected.

This proposal raises the outer threshold amount for a county to be eligible to collect the 2.5 percent on the first \$350,000 to \$3 million.

This proposal allows counties in which townships have been abolished to continue to collect a property tax on a county-wide basis for road and bridge purposes for either one year following the abolishment of the townships or until the county voters have approved a property tax for such purposes, whichever occurs first.

The property tax must be the same amount as the property tax being levied in the township with the lowest total tax rate immediately before the townships were abolished.

This proposal specifies that the collection of the property tax is to be considered a continuation of a tax and not a new tax.

This provision contains an emergency clause.

This proposal requires county assessors to use the income based approach when assessing parcels of real property with certain restrictions imposed on the property in connection with state or federal subsidies used on the property.

Currently, a county collector may advertise without a legal description or the names of the record owners, tax delinquent lands meeting certain requirements and which have an assessed value of \$1,000 or less. This act increases the assessed value limit to \$1,500 or less.

The act authorizes any collector, tax sale purchaser, or the agent of either to enter on the land of the another without being guilty of trespass if in the course of providing notice of a tax sale or tax sale redemption rights.

Currently, property must be redeemed within one year of a tax sale if the property is sold at a first or second offering. This act allows owners of property to redeemed until such time that the purchaser acquires a deed to the property.

FISCAL DESCRIPTION (continued)

The proposal prohibits costs incurred by a tax sale purchaser prior to March first after the tax sale from being included in the costs required to be paid by an owner before the property may be redeemed. County collectors will make the determination as to what are reasonable costs of sale a redeeming property owners must pay.

Currently, minors and incapacitated person must redeem property within one year of a disability being removed. This proposal requires redemption within five years of the last payment of taxes on the property by the minor, incapacitated person, or the representative of either.

Currently, tax sale purchasers must provide a title search to acquire a collector's deed. The title search cannot be more than 120 days from the date of application for the deed. This proposal removes the 120 day restriction.

The proposal specifies requirements for a tax sale purchaser to be issued a collector's deed. The proposal also specifies how notice maybe served on a minor or incapacitated person outside the United States.

Currently, tax sale purchasers must record a deed on the property within two years of the tax sale. This proposal requires a recording within 18 months.

This proposal specifies that merchandise held by a rental company and available for short-term rentals of less than 365 consecutive days which will be ultimately sold is considered inventory and exempt from property tax.

This proposal clarifies who is in business as a "rental business".

The proposal contains an emergency clause.

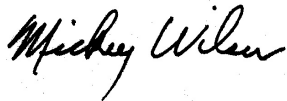
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.



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SOURCES OF INFORMATION

Department of Revenue  
State Tax Commission  
Attorney General's Office  
Office of the Secretary of State  
Platte County Board of Election Commission  
St. Louis County  
Callaway County Commission  
Office of the State Auditor  
Attorney General's Office



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