

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4403-04  
Bill No.: SCS for SB 596  
Subject: Taxation and Revenue - Property  
Type: Original  
Date: April 14, 2016

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Bill Summary: This proposal adds the real property of a vineyard and related buildings to the definition of “agricultural and horticultural property” for property tax purposes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<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>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<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 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this bill classifies vineyards and property used in connection with vineyards as defined in §137.016.1(2) as agricultural and horticultural property. It is B&P's understanding that Assessors currently consider vineyards as agricultural and horticultural property. However, the associated buildings may be considered commercial property. The tax rate on agricultural and horticultural property is significantly less than commercial property.

If this change results in lower property taxes, the amount going to the Blind Pension Fund could be reduced, therefore decreasing Total State Revenues; this could also decrease funding that goes to local school districts. There would be no impact to the 18(e) calculation.

Officials at the **State Tax Commission** assume this is no fiscal impact to the Commission. However, there could be an impact on the assessed valuation of some counties containing wineries. Unfortunately there is no statewide information available that depicts the wineries throughout the state and how they are currently being assessed

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

**Oversight** assumes the proposal provides for a property tax reduction for certain owners of real property used in connection with a vineyard and the building is not used as an event facility, tasting room, or restaurant.

**Oversight** is providing an example of how the real estate taxes will be impacted by this proposal. Assuming the appraised value of real property which qualifies with an appraised value of \$1,000,000 would have an assessed value as commercial property (32% rate) of \$320,000 and using the average Missouri tax levy of \$5.11 would yield real estate taxes of \$16,352. The same property reclassified as agricultural property (12% rate) would have an assessed value of \$120,000 and using the average Missouri tax levy of \$5.11 would yield real estate property taxes of \$6,132 (a reduction of \$10,220).

**Oversight** notes the reclassification from commercial real estate to agricultural will reduce real estate taxes on these parcels by 62.5%

The number of real estate parcels that qualify is unknown. The number of political subdivisions is unknown. The number of political subdivisions that currently operate under their authorized levy ceiling is unknown.

ASSUMPTION (continued)

**Oversight** will show \$0 to (Unknown) as the amount of impact.

**Oversight** will assume the impact to the State’s Blind Pension Trust Fund (\$0.03 levy) would be immaterial (\$60.00 in the example shown above), and will not be reflected in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**LOCAL GOVERNMENT**

<u>Revenue - Property Tax Revenue</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>
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FISCAL IMPACT - Small Business

Small businesses engaged in the bed and breakfast business would be impacted by this proposal.

FISCAL DESCRIPTION

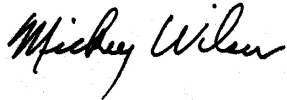
The proposal provides that the definition of agricultural and horticultural property for purposes of property tax assessments includes the real property of vineyard and any building used in the connection with the vineyard, including any building used for processing or storing wine, if the building is part of premises designated as a bonded winery and the building is not solely used as an event facility, tasting room, or restaurant. Parking lots that are appurtenant to buildings used in connection with the vineyard are also considered agricultural and horticultural property.

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  
Office of Administration  
Division of Budget and Planning  
State Tax Commission



Mickey Wilson, CPA  
Director  
April 14, 2016

Ross Strobe  
Assistant Director  
April 14, 2016