

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4995-01  
Bill No.: SB 683  
Subject: Natural Resources Department; Property, Real and Personal; Taxation and Revenue - Property.  
Type: Original  
Date: February 10, 2016

Bill Summary: This proposal removes a property tax exemption for real property belonging to the Missouri Department of Natural Resources.

**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
State Parks Soil and Water Sales Tax	\$0	(\$608,556)	(\$608,556)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(\$608,556)</b>	<b>(\$608,556)</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 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</b>	<b>\$608,556</b>	<b>\$608,556</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Natural Resources** assume this proposal will have a negative fiscal impact on their organization.

The Department of Natural Resources - Division of State Parks (DSP) assume that by removing a property tax exemption for land and real property belonging to the department this proposal would increase the tax amount DNR would be responsible for paying every year. Missouri State Parks (MSP) currently owns a total of 151,382 acres throughout the state. Additionally, MSP has buildings and improvements that are by the definition from the Internal Revenue Service considered real property. Per this proposal and our calculated assumptions we would be responsible to pay an additional amount each year in taxes.

DSP based the land tax amount by determining an assessed value of the land by multiplying the number of acres per county with the price per acre in Missouri of \$3,350 (source: the 2015 USDA Land Value Summary). The value of the land was then multiplied by 32% for the commercial property rate to determine the assessed value. Then, we took the calculated assessed value of the land by county times the average property tax rate (per \$1,000 and based on the website source of <http://www.lowtaxrate.com/missouri>).

We obtained the original purchase or construction costs for our buildings and land improvements and applied the commercial rate of 32% to determine the assessed value. Those amounts were then multiplied by the average county tax rates (per \$1,000).

The DSP does not currently have assessed values of our land, land improvements, or buildings by county. Nor do we have the determination by each county on which tax rate they would apply to our property. Therefore, the department attempted to calculate our best estimate for the assessed values and used an average tax rate per county based on their current county tax rates.

Based on our calculations, the DNR-DSP would need to pay over \$2,470,515 starting in FY 2017 for county land and real property taxes. This requirement to continue in perpetuity and would increase with each acquisition of qualifying items and each tax increased passed by a county.

ASSUMPTION (continued)

**Oversight** notes the following:

DNR assumed the assessed value per acre is \$3,350 based on the source, the 2015 USDA Land Value Summary, which from the same source is the “Average Farm Real Estate Value”.

Farm real estate value as defined in the 2015 USDA Land Value Summary is “(t)he value at which all land and buildings used for agriculture production including dwellings, could be sold under current market conditions, if allowed to remain on the market for a reasonable amount of time.”

DNR then multiplied the total value of land (based on \$3,350 average farm real estate value per acre) by 32%, which is the commercial property rate, to calculate the assessed value.

The Missouri State Tax Commission (STC) defines the true value in money of agricultural/horticultural land in actual use is defined as its productive use value. The true value in money of agricultural or horticultural land that is vacant and unused is its fair market value.

The STC defines the assessed value as the portion of the true value in money on which taxes are based. For real property, residential property is assessed at 19 percent of its true value in money; agricultural/horticultural property is assessed at 12 percent of its productive or market value; and all other property is assessed at 32 percent of its true value in money.

**Oversight** will adjust the impact calculated by DNR because they calculated the value of the total land owned on an agricultural per acre value and calculated the assessed value on the commercial property rate.

**Oversight** will show a fiscal impact for FY17 and FY18 as \$608,556; calculated by multiplying 151,382 acres by \$3,350 which equals \$507,129,700. Then multiplied \$507,129,700 by 12% (the agriculture rate as defined by STC), divided that number by \$1,000 and then multiplied by 10 (assumed average mill rate). The impact will not increase from FY17 and FY18 because Oversight does not have an estimated tax increase by county for those fiscal years nor will assume the value per acre for farm land will increase.

**Oversight** will assume DNR will not be required to pay property taxes for 2016 (FY 2017). Oversight also assumes an immaterial increase in property taxes would be paid to the state's Blind Pension Trust Fund, but has not reflected it in this note.

Officials at the **Department of Revenue** assume this proposal will not have a fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>PARKS, SOILS AND WATER SALES TAX FUND</b>			
<u>Costs</u> - DNR - Land and Real Property Tax	<u>\$0</u>	<u>(\$608,556)</u>	<u>(\$608,556)</u>
<b>NET EFFECT TO PARKS, SOILS AND WATER SALES TAX FUND</b>	<b><u>\$0</u></b>	<b><u>(\$608,556)</u></b>	<b><u>(\$608,556)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2017 (10 Mo.)	 FY 2018	 FY 2019
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue</u> - Land and Real Property Tax	<u>\$0</u>	<u>\$608,556</u>	<u>\$608,556</u>
<b>NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$608,556</u></b>	<b><u>\$608,556</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

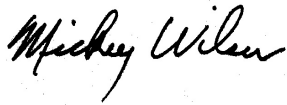
Currently, all lands and other property belonging to the state of Missouri is exempt from property tax. Under this act, all lands and property belonging to the state, except such land and other real property that belong to the Missouri Department of Natural Resources, is exempt from property tax.

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 Natural Resources  
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