

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5689-01  
Bill No.: SJR 35  
Subject: Taxation and Revenue - Property, Elderly, Constitutional Amendments  
Type: Original  
Date: February 10, 2016

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Bill Summary: Creates property tax exemptions for the elderly.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or \$31,773,399 or (More than \$7,100,000)	\$0 or \$31,773,399	\$0 or \$31,773,399
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or \$31,773,399 or (More than \$7,100,000)</b>	<b>\$0 or \$31,773,399</b>	<b>\$0 or \$31,773,399</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Blind Pension Trust	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 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>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 or (\$265,800,000)</b>	<b>\$0 or (\$265,800,000)</b>	<b>\$0 or (\$265,800,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** provided the following response. Each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, a joint resolution proposing a constitutional amendment is submitted to a vote of the people at the next general election. The Missouri Constitution authorizes the Governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, state law requires the state to pay the costs. The cost of the special election has been estimated at \$7.1 million based on the cost of the 2012 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by the Missouri Constitution and state law. The SOS is provided with core funding for a certain amount of normal activity resulting from each year's legislative session. This funding is adjusted each year depending upon the election cycle, with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years.

The funding has historically been an estimated appropriation because the final cost is dependent on the number of ballot measures approved by the General Assembly, and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). In FY 2015, the General Assembly changed the appropriation so that it was not longer an estimated appropriation and the SOS was appropriated \$1.19 million to publish the full text of the measures. Due to this reduced funding, the SOS reduced the scope of the publication of these measures. In FY 2015, at the August and November elections, there were 9 statewide Constitutional Amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue). Despite the FY 2015 reduction, SOS will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these publications are mandatory, SOD reserves the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or continue to not designate it as an estimated appropriation.

ASSUMPTION (continued)

**Oversight** has reflected in this fiscal note, the potential cost to the state of reimbursing local political subdivisions the cost of having this joint resolution voted on during a **special election** in fiscal year 2017. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled general election is in November 2016 (FY 2017). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2017.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** assume this proposal would exempt citizens who are least seventy-two years old from all personal property taxes as well as any real property taxes on their homestead dedicated to the local school district.

**EPARC** officials report that using census population and home-ownership statistics, they estimate that \$31,773,399 of the Senior Citizens Property Tax credits given in 2014 by the state of Missouri represents the proportion of real property taxation dedicated to local school districts on the homesteads of citizens who are at least seventy-two years old. Not issuing Senior Citizens Property Tax credits results in positive impact to General Revenue of \$31,773,399 as a result of this proposal.

**Oversight** assumes the amount of residential real estate tax paid by citizens age 72 and older greatly exceeds the Senior Citizens Property Tax credits given. Only a small portion of taxes paid results in a credit. Therefore, school district residential real estate property tax revenue will be reduced by an amount materially greater than the credit, and in addition personal property tax revenue will be reduced by school districts and other local governments as well as state government.

The **Missouri State Tax Commission (TAX)** reported that the 2014 Missouri Residential Tax Burden for 2014 was \$3.439 billion. Using U.S. Census statistics, **Oversight** assumes 10% of the Missouri Residential Tax Burden is attributable to citizens age 72 and older. Oversight further assumes 75% of the Missouri Residential Tax Burden becomes school district revenue. Oversight will use \$257.9 million (\$3.439 billion x 10% x 75%) as the calculated reduction in school district real estate tax revenue as a result of this proposal.

ASSUMPTION (continued)

**TAX** also reported that the 2014 Missouri Motor Vehicle Tax Burden for 2014 was \$786.9 million. Oversight assumes 1% of the Missouri Motor Vehicle Tax Burden is attributable to citizens age 72 and older. Oversight will use \$7.9 million (\$786.9 million x 1%) as the calculated reduction in personal property tax revenues as a result of this proposal.

Local governments are projected to experience reduced real estate and personal property tax revenues of \$265.8 million (\$257.9 million + \$7.9 million) as a result of this proposal. The school district portion of local government reduced revenues is estimated to be \$263.8 million.

Officials from the **State Tax Commission** assume this proposal would have no impact on their organization directly, but would result in a significant impact to taxing jurisdictions.

Officials from the **Missouri Department of Revenue**, the **Office of Administration-Division of Budget and Planning**, and the **Joint Committee on Administrative Rules** assume this proposal would have no impact on their respective organizations.

**Oversight** will range the fiscal impact from \$0 (resolution is rejected by voters) to the estimates provided above. Oversight will also show fiscal impact in FY 2017, if the resolution is approved in August 2016 or November 2016 tax collections for 2016 may be impacted. Oversight will also assume some portion of the amounts estimated above would have been paid to the state's Blind Pension Fund; therefore, Oversight will reflect an unknown impact to that fund.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE FUND</b>			
<u>Additional revenue -</u>			
Reduction in Senior Citizens Property Tax Credits	\$0 or \$31,773,399	\$0 or \$31,773,399	\$0 or \$31,773,399
<u>Transfer Out SOS</u>			
Reimbursement of local election authority election costs - if a special election is called by the Governor	\$0 or (More than <u>\$7,100,000</u> )	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0 or \$31,773,399 or (More than <u>7,100,000</u>)</b>	<b><u>\$0 or \$31,773,399</u></b>	<b><u>\$0 or \$31,773,399</u></b>
<b>BLIND PENSION TRUST FUND</b>			
<u>Loss - property tax exemption for persons 72 years of age and older</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE BLIND PENSION TRUST FUND</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Local Government Revenue reduction</u>	\$0 or.....	\$0 or.....	\$0 or .....
Property Tax Receipts-School Districts	(\$263,800,000)	(\$263,800,000)	(\$263,800,000)
Property Tax Receipts-Other Locals	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>
Total Local Government Revenue reduction	<u>(\$265,800,000)</u>	<u>(\$265,800,000)</u>	<u>(\$265,800,000)</u>
Transfer In - Local Election Authorities - reimbursement of special election costs by the State for a special election	\$0 or More than \$7,100,000	\$0	\$0
<u>Cost</u> - Local Election Authorities - cost of the special election	\$0 or (More than \$7,100,000)		
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 or \$265,800,000</u></b>	<b><u>\$0 or (\$265,800,000)</u></b>	<b><u>\$0 or (\$265,800,000)</u></b>

FISCAL IMPACT - Small Business

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

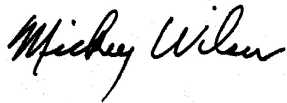
FISCAL DESCRIPTION

The proposed legislation if approved by the voters, exempts personal property from taxation for taxpayers over 72 years old and also exempts real property used as a homestead by taxpayers over 72 years old from taxation dedicated to the local school district..

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

The Office of the Secretary of State  
University of Missouri-Economic and Policy  
Analysis Research Center  
Department of Revenue  
Office of Administration-  
Division of Budget and Planning  
Joint Committee on Administrative Rules  
State Tax Commission



Mickey Wilson, CPA  
Director  
February 10, 2016

Ross Strobe  
Assistant Director  
February 10, 2016