

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5689-03
Bill No.: SCS for SJR 35
Subject: Taxation and Revenue - Property, Elderly, Constitutional Amendments
Type: Original
Date: April 1, 2016

Bill Summary: Creates a property tax valuation freeze for the elderly.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| General Revenue | \$0 or Unknown or (More than \$7,100,000) | \$0 | \$0 |
| Total Estimated Net Effect on General Revenue | \$0 or Unknown or (More than \$7,100,000) | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| Blind Pension Trust | \$0 | \$0 | \$0 or (Up to \$56,000) |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 or (Up to \$56,000) |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| 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 2017 | FY 2018 | FY 2019 |
| Local Government | \$0 | \$0 | \$0 or (Up to \$9,576,000) |

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 **Office of the Secretary of State - Division of State Library** assume the proposal would affect real estate property tax revenues received by public libraries by an unknown amount. Data could not be found to specifically identify the valuation of residential property owned by persons over age seventy-five.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** assume this proposal would allow citizens who are at least seventy-five years old to freeze the assessed value of their homestead. EPARC stated that due to lack of data on the average increase in the assessed valuation of homesteaded residential properties of residents who are seventy-five years old age and older in the State of Missouri, an estimate of the financial impact of this proposal cannot be calculated, however, the proposal would certainly have an impact on county revenues, the extent of which cannot be estimated.

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 7% of the Missouri Residential Tax Burden is attributable to citizens age 75 and older. **Oversight** assumes real estate which generates property taxes of \$240.8 million would be eligible for the value protection provision of the proposal. Based upon the assumption that the school districts receive 75% of local government real estate tax revenues, the school district portion is estimated to be \$180.5 million. The portion of the value protection provision attributable to other local governments including counties, cities, libraries, and other is estimated to be \$58.9 million. And the portion attributed to the Blind Pension Fund is estimated at \$1.4 million.

Oversight assumes the eligible citizens could apply for the value protection feature, thereby freezing the value on their qualifying residential property. In future years taxing jurisdictions will realize a negative fiscal impact due to qualifying property being protected from valuation increases due to the value protection provision.

ASSUMPTION (continued)

Oversight assumes assessors duties to grant real value “freezes” to eligible taxpayers and to prompt those taxpayers to renew those “freezes” every three years can be accomplished with existing resources.

Oversight notes that the proposal would “freeze” assessed value of eligible property, but does not exempt the property from taxation. To the extent that the property is taxed less than it would have been under current constitutional provisions, there would be losses to political subdivisions and the state’s Blind Pension Fund. Oversight notes that the proposal does not affect tax rate ceilings.

Based upon the above estimates, and assuming a 2% annual growth in assessed valuation for residential properties, the Blind Pension Fund is estimated to experience revenue losses of up to \$56,000 (2% annual growth for 2 year reassessment period equals a 4% growth times \$1.4 million portion of residential assessment attributable to Blind Pension) when the first reassessment occurs after enactment of the proposal. The revenue loss would increase over time as each future reassessment occurs while the “freeze” on eligible property continues.

Similarly, local political subdivisions are estimated to experience potential revenue losses of up to \$9.576 million (2% annual growth for 2 year reassessment period equals a 4% growth times \$239.4 million portion of residential assessment attributable to local government) when the first reassessment occurs after enactment of the proposal. The revenue loss would increase over time as each future reassessment occurs while the “freeze” on eligible property continues

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.

| <u>FISCAL IMPACT - State Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
|--|---|-------------------|---|
| GENERAL REVENUE FUND | | | |
| <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> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | \$0 or Unknown or (More than <u>7,100,000</u>) | <u>\$0</u> | <u>\$0</u> |
| BLIND PENSION TRUST FUND | | | |
| <u>Loss</u> - assessed valuation freezes for persons 75 years of age and older | <u>\$0</u> | \$0 | \$0 or <u>(Up to \$56,000)</u> |
| ESTIMATED NET EFFECT TO THE BLIND PENSION TRUST FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0 or (Up to \$56,000)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
|---|-----------------------------------|------------|--|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Transfer In</u> - 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) | \$0 | \$0 |
| <u>Local Government Revenue reduction</u> | | | |
| Property Tax Receipts-School Districts | \$0 | \$0 | \$0 or up to (\$7,220,000) |
| Property Tax Receipts-Other Locals | \$0 | \$0 | \$0 or up to (\$2,356,000) |
| <u>Total</u> Local Government Revenue reduction | <u>\$0</u> | <u>\$0</u> | <u>\$0 or up to \$9,576,000</u> |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | \$0 | \$0 | \$0 or (Up to <u>\$9,576,000</u>) |

FISCAL IMPACT - Small Business

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

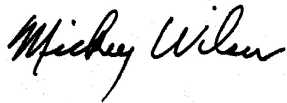
FISCAL DESCRIPTION

The proposal, if approved by the voters, would allow any citizen who is age 75 or older to apply to the county assessor for a property tax protection option on a residence used as a homestead.

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



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April 1, 2016

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April 1, 2016