

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0035-01
Bill No.: SB 86
Subject: Taxation and Revenue - Property
Type: Original
Date: January 10, 2017

Bill Summary: This proposal would add the real property of a vineyard and related buildings to the definition of "agricultural and horticultural property" for property tax purposes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Blind Pension	\$0	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration-Division of Budget and Planning (BAP)** stated this proposal would classify vineyards and property used in connection with vineyards as agricultural and horticultural property.

BAP officials stated their understanding that assessors currently classify vineyards as agricultural and horticultural property but the associated buildings may currently be considered commercial property.

BAP officials stated the assessment rate on agricultural and horticultural property is significantly less than commercial property; if this change results in lower assessed valuations, the amount going to the state's Blind Pension Fund could be reduced, reducing Total State Revenues. BAP officials also noted the proposal could impact tax liability distribution on the local level, which would impact Missouri Constitutional revenue limit section 18(e) calculations.

Officials from the **State Tax Commission (TAX)** stated the proposal would have an unknown fiscal impact as their organization does not possess data on the number of wineries, or how they are currently assessed. TAX officials noted the proposal also includes provisions regarding restaurants and event facilities at wineries.

TAX officials also noted that agricultural and horticultural property are assessed at 12% compared to 32% for commercial property; however, their organization could not determine a fiscal impact as the use and valuation of winery operations varies and current valuations may be assessed at the agricultural rate, or commercial rate respectively.

Officials from the **City of Kansas City** assume there would be no losses to their organization, unless a covered vineyard operation operates within the city limits. If so, the reduction in assessed value is from commercial property at 32% to 12% as agricultural. Any loss would be small.

Officials from the **Kansas City Public Schools** noted that several vineyards/wineries exist within their organization's catchment area. School officials stated they believe text within the proposal could have a negative fiscal impact on their local tax collection revenues but they could not estimate the extent of that fiscal impact at this time.

ASSUMPTION (continued)

Officials from the **Lee's Summit R-7 School District** assume this proposal would result in the loss of approximately \$12,432 for the years 2018, 2019, and 2020.

Officials from the **Campbell R-2 School District** assume this proposal would have a dramatic negative fiscal impact on public schools.

Officials from the **Everton School District** assume this proposal would have a fiscal impact of \$100,000 on their organization.

Officials from **Callaway County** provided a response but did not indicate the extent of any direct fiscal impact to their organization.

Officials from the **Forsyth R-3 School District** assume this proposal would have a positive impact on schools.

Officials from the **Office of the Secretary of State**, the **Department of Revenue**, the **Joint Committee on Administrative Rules**, **Platte County**, the **Pettis County R-XII School District**, the **Warren County R-III School District**, the **West Plains School District**, and the **Jackson County Election Board** assume this proposal would have no impact on their organization.

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, Daviess, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Fair Grove, Fair Play, Fayette R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Kirksville, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Malta Bend, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, Pattonville, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warrensburg R-6, Webster Groves, Westview C-6 and the Wright City R-2 School District did not respond to our request for information.

Oversight has no information as to the current assessment status of vineyards and related buildings; however, to the extent that vineyards and related buildings are assessed as commercial property, the reclassification of those properties would result in a reduction of assessed valuation for tax purposes.

Oversight notes this proposal would become effective August 28, 2017 and would have a potential impact on property assessments beginning in January, 2018 and the potential for reduced property tax collections in December, 2018 (FY 2019). Accordingly, Oversight will indicate a fiscal impact from \$0 to (Unknown) for local governments and for the Blind Pension Fund for FY 2019 and FY 2020.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
---	---------------------	---------	---------

BLIND PENSION

<u>Revenue reduction</u> - Property tax (Section 137.016) reduction from vineyards and related buildings	<u>\$0</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
--	------------	----------------------------	----------------------------

ESTIMATED NET EFFECT ON BLIND PENSION	<u>\$0</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
--	-------------------	------------------------------------	------------------------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
---	---------------------	---------	---------

LOCAL GOVERNMENTS

<u>Revenue reduction</u> - Property tax (Section 137.016) reduction from vineyards and related buildings	<u>\$0</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
--	------------	----------------------------	----------------------------

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
--	-------------------	------------------------------------	------------------------------------

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

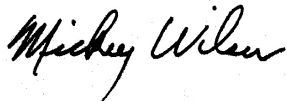
The proposal provides that the definition of agricultural and horticultural property for purposes of property tax assessments includes the real property of vineyard and any building used in the connection with the vineyard, including any building used for processing or storing wine, if the building is 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.

FISCAL DESCRIPTION (continued)

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

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
State Tax Commission
Callaway County
Platte County
City of Kansas City
Campbell R-2 School District
Everton School District
Forsyth R-3 School District
Kansas City Public Schools
Lee's Summit R-7 School District
Pettis County R-XII School District
Warren County R-III School District
West Plains School District
Jackson County Election Board



Mickey Wilson, CPA
Director
January 10, 2017

Ross Strobe
Assistant Director
January 10, 2017