

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3183-02  
Bill No.: SCS for SB 676  
Subject: Taxation and Revenue - Property; County Officials; Counties  
Type: Original  
Date: February 20, 2020

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Bill Summary: The proposal modifies several deadlines relating to the assessment and appeals of assessments for property taxes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<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 11 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>(Could exceed \$3,090,640)</b>	<b>(Could exceed \$3,090,640)</b>	<b>(Could exceed \$3,090,640)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **State Tax Commission** assume the proposal changes several deadlines and will have no fiscal impact on their organization.

Officials from the **Department of Revenue** assume the proposal will have no fiscal impact on their organization.

Officials from the **Boone County Assessor's Office** assume this proposal would cost Boone County \$400,000 annually. The appraisal staff would need to double in size in order to comply with notification and inspection requirement.

Officials from the **Randolph County Assessor's Office** assume this could easily cost \$1,000,000. Based upon current appeals, and the suggestion that all properties essentially have a Certified Appraisal performed.

Officials from **Taney County Assessor's Office** assume the changes will have a significant cost for us in paying for fee appraisals and legal fees.

Officials from the **Lincoln County Assessor's Office** state the fiscal impact amount that our office could incur could be well over a \$1,000,000 if this proposal should pass in both houses. Large commercial appeals could drive the price even higher, without the ability to find sales or even have any kind of access to sales.

### §137.180, 137.275, 137.355, 137.385 and 138.090 Appeal Deadline

In response to a previous version, SB 676 (2020), officials from the **Lawrence County Assessor's Office** stated there needs to be more time for the taxpayer to be able to contact their assessor for an informal hearing. This provision will have no fiscal impact on their organization.

In response to a previous version, SB 676 (2020), officials from the **Wright County Assessor's Office** assumed the time frame for all the changes will be hard for some counties to meet due to limited staffing, due to limited money to hire adequate amount of staff.

**Oversight** assumes this proposal moves up the deadline for when a county assessor must notify property owners of a change in their assessed valuation and changes the deadline for when homeowners can file an appeal. Oversight notes some county assessors indicated there could be

ASSUMPTION (continued)

costs for additional staff to meet the new deadlines. Therefore, Oversight will show an unknown cost to local county assessors.

§137.115 and 138.060 Inspections and Burden of Proof

In response to a similar proposal, SB 655 (2020), officials from the **State Tax Commission** stated, in current law, for property assessment appeals to the boards of equalization in St Louis County, St Louis City and St Charles County, the assessor has the burden of proof that the valuation does not exceed the true market value of the property. Additionally if a physical inspection of the property is required for assessment, the assessor has the burden to prove such inspection was performed and the property owner prevails if the requirement was not performed. This proposal extends these provisions and requirements to all counties. The fiscal impact is unknown and would be at the local (County) level, however said requirements will likely require increases in personnel and resources by local assessment authorities.

Officials from **Jasper County Assessor's Office** assume the burden of proof is put on the County Assessor, the impact to the Jasper County Assessor for 2019, (since we have no data for 2020 yet), would have been, according to our Board of Equalization hearings, as follows:

22 Commercial hearings X \$1,000 (going rate for a Certified Commercial Appraiser) =	\$22,000
97 Residential hearings X \$450. (going rate for a Certified Residential Appraiser) =	<u>\$ 43,650</u>
For a total of:	\$ 65,650

These approximate costs would not include the Certified Appraiser's charge to attend the hearings. That would be an additional hourly charge. This estimate does not include the extra costs needed for additional BOE hearings. Also, we would have attorney fees of approximately \$30,000.

If we were to hire an in-house Certified Appraiser the above fee would be comparable to an annual salary for that individual. This salary is more than I make as the Assessor. We would have the burden of hiring a Certified Appraiser for each hearing held. Our current budget would not allow for these expenses since the State reimbursement per parcel was reduced from \$6.00 per parcel down to \$3.00 per parcel.

Officials from the **Caldwell County Assessor's Office** state they have 8,787 parcels in their third-class county. It would cost \$1,100 for an appraisal on each property that is appraised and appealed through the BOE hearings. This office could easily have 200 appeals at a cost of

ASSUMPTION (continued)

\$220,000. The office would need another employee at \$30,000. This would cost \$250,000 for the year 2021 and double that for the year 2023.

Officials from **Ste Genevieve County Assessor's Office** estimate the financial burden that this proposal would put on Ste Genevieve County to be in the range from \$100,000 to \$5,000,000. Not only would we have to hire additional personnel (3-4 certified appraisers), but we would also incur additional outside appraisal and legal fees.

Approximately 25% of the Ste Genevieve County assessed value comes from mining, that requires a team of expert Appraisers, Attorneys, and Accountants.

The 2019 certified parcel count for Ste Genevieve County is 18,635. I do not know how the Assessor's Office could fund the "burden of proof" responsibility because of a few scenarios listed below:

- I just incurred approximately \$5000 in expenses for an appeal, that to date has not required an appraisal.  $18,635 \times \$5000 = \$93,175,000$  if all taxpayers filed appeals.
- If 50% of the taxpayers filed an appeal that would require basic legal and appraisal fees, I estimated  $18,635 \times 50\% \times \$20,000 = \$186,350,000$ .
- If 15% of the Commercial taxpayers were to appeal, I estimated legal and appraisal fees at  $100 \times \$50,000 = \$5,000,000$ .
- There is currently one taxpayer in Ste Genevieve County that will be converting from a Chapter 100 Agreement to ad-valorem taxation. An appeal from that Company could easily cost Ste Genevieve \$1,000,000 plus in legal, accounting, and appraisal expenses.

Changing the deadline from June 15th to June 1st currently would have no financial impact on Ste Genevieve County.

Officials from **Perry County Assessor's Office** assume the potential revenue lost in county would depend greatly on the number of appeals and their outcome. Costs to the county will include the added labor costs to gather the information for the report along with programming costs to produce the reports. Additional costs would vary greatly depending on the number of appraisals needed for appeals by shifting the burden of proof to the Assessor. Total costs to the office may exceed \$5000 and could be much greater if appraisals are required for each protested property. I could see property owners requesting an appeal to gain access to an appraisal of their property saving them the cost and adding to the costs of the assessors office and ultimately the taxpayer.

ASSUMPTION (continued)

Officials from **Sullivan County** assume the requirements of this bill could increase the costs to my office and the county up to \$8,000 - \$10,000 per BOE hearing each year.

Officials from **Stone County** estimate the cost increases at \$1,000,000 for appraisals, lawyers and court fees, and the hiring of employees to assist with compiling information on BOE cases.

Officials from **Holt County Assessor's Office** state the increased cost that this proposal would put on my County would be tremendous as we are a 3<sup>rd</sup> class county. To hire a certified fee appraiser would start at minimum of around \$60,000 a year. Currently, by using one on a case by case instance starts around \$1,200 plus per parcel. Also, the time that would have to be taken to physically look at individual houses inside would be costly to the Assessor's Office as to the time constraints as to when to close the books. Assessors are mass appraisers; our values of property are based on mass appraisals and not certified fee appraisers.

Officials from **Warren County Assessor's Office** assume that placing the burden of proof upon each Assessor, within any county without COV or otherwise known as Certificate of Value or Multiple Listing Authority (MLS), or some other sales information resource including additional funding from The State of Missouri, whom has cut the Assessment Funding down to the minimum allowable by law, this added SCS provision is an unfunded mandate. The only counties with COV are St. Charles, St. Louis and Jackson. Placing the burden of proof upon the Assessor without a full tool box would be very costly to counties, as well as backing up the appeals process and cause BOE hearings to close in an untimely manner for taxing jurisdictions to set their rates.

In Warren County I would estimate this to cost an addition \$1 million or more within the appeals process.

In response to a similar proposal, SB 655 (2020), officials from the **Wright County Assessor's Office** assumed this would be a great expense to the Counties that have several appeals if they have to hire an appraiser for every appeal and an attorney to represent them for the Board of Equalization (BOE) and if it goes to STC Appeals Hearing Officer. In most cases the cost could be \$5000 to \$10,000 per appeal. This would a tremendous hardship on most all counties especially if they have very many appeals. It would ruin our budget.

In response to a similar proposal, SB 655 (2020), officials from the **Howell County Assessor's Office** assumed the fiscal note associated with this proposed legislation cannot be fully estimated but the expense for Howell County could range from \$100,000 to 150,000 per year as I will need to hire 2-3 more personnel and provide training, equipment and office space for them for the

physical inspections.

ASSUMPTION (continued)

Without a law that provides all counties with sales information (Certificate of Value) the establishment of market value cannot be determined and the legal repercussions from this could exceed \$100,000.

In response to a similar proposal, SB 655 (2020), officials from the **Audrain County Assessor's Office** assumed the office would have to hire a certified appraiser instead of someone with appraisal knowledge. This would cost Audrain County more than \$70,000 a year.

In response to a similar proposal, SB 655 (2020), officials from the **Andrew County Assessor's Office** assumed if the burden is changed the office / county will be paying for appraisals to prove the system we pay greatly for is correct.

In response to a similar proposal, SB 655 (2020), officials from **Cape Girardeau County Assessor's Office** assumed passage of this bill would adversely impact Cape Girardeau County as much as \$100,000 or more, as it would require additional appraisal staff and/or contract appraisals to perform market appraisals upon owner appeal. Assessment is already underfunded, and staff is at a minimum.

In response to a similar proposal, SB 655 (2020), officials from the **St. Francois County Assessor's Office** stated in St. Francois County Missouri we are continuing to work on a conversion to a new software system in valuing all real properties. In 2019 we completed the conversion in the largest school district in the county. We mailed out 6,451 residential increase notices and 604 commercial increase notices. We had 1,610 informal hearings and 429 BOE hearings. The cost of a residential appraisal is approximately \$400.00. A commercial appraisal is based on the complexity of the appraisal but could be up to \$2,000.00. The burden of proof being on the Assessor would be a huge hardship to St. Francois County.

As we continue to convert the remainder of the county to the new software system we anticipate the possibility of 16,000 increase notices being sent in 2021.

**Oversight** notes Missouri has 2 counties and one city not in a county which are already subject to the burden of proof requirements listed in this proposal (St. Charles County, St. Louis County and the City of St. Louis). Oversight notes this proposal expands the burden of proof requirements to the other 112 counties in Missouri. The average salary for a certified appraiser is \$55,190 per the Missouri Economic Research and Information Center (MERIC) Occupational Employment and Wage Estimates (OES). If half of the 112 counties had to hire an appraiser at

\$55,190 the cost to counties is estimated at \$3,090,640 ( $\$55,190 * 56$ ).

ASSUMPTION (continued)

**Oversight** assumes some counties may be required to hire more than one appraiser and/or other staff as well as additional software or equipment. Therefore, Oversight will show a cost to counties that could exceed \$3,090,640 for additional staff, equipment or services to meet the requirements of this proposal.

Based on information from the Department of Revenue FY 2021 Budget Request, **Oversight** notes the State of Missouri may provide local assessment jurisdictions with up to 60% of all costs associated with implementing a two-year reassessment plan per section 137.750, RSMo. The current assessment maintenance appropriation reimburses at 50 cents on the dollar for costs associated with implementing a two-year reassessment plan until funds are depleted.

The State Tax Commission's core request is \$10,022,739 which will provide reimbursements to counties at just under \$3.00 per parcel based upon the 2018 parcel count of 3,340,913. In addition, the State Tax Commission is requesting \$31,536 as a new decision item to provide funding at \$3.00 per parcel utilizing the 2019 parcel count of 3,351,425 for FY 2021.

The median cost per parcel required to implement the statewide assessment program stands at \$18.64. The core request provides funding to pay for 13% of the actual cost required to assess property in the State of Missouri with the balance of 87% being borne by local government and public school districts.

Based on information provided in a [program evaluation](#) done by Oversight in 2015, the per parcel reimbursement rate has ranged from \$3 to \$6.20 over the previous 20 years. However, Oversight notes the \$3 dollar per parcel minimum reimbursement does not change as a result of this proposal. Therefore, Oversight will not show an impact to the General Revenue fund for reimbursement of increased assessment costs.

**Oversight** received a limited number of responses from counties related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.



<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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**LOCAL COUNTY ASSESSORS**

<u>Cost</u> - additional staff costs to adhere to the new deadlines	(Unknown)	(Unknown)	(Unknown)
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<u>Cost</u> - additional staff, equipment or services to meet burden of proof requirements	(Could exceed <u>\$3,090,640</u> )	(Could exceed <u>\$3,090,640</u> )	(Could exceed <u>\$3,090,640</u> )
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<b>ESTIMATED NET EFFECT ON LOCAL COUNTY ASSESSORS</b>	<b>(Could exceed <u>\$3,090,640</u>)</b>	<b>(Could exceed <u>\$3,090,640</u>)</b>	<b>(Could exceed <u>\$3,090,640</u>)</b>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Current law requires assessors to conduct a physical inspection of residential real property prior to increasing the assessed valuation of a property by more than fifteen percent since the last assessment. Additionally, the St. Louis County assessor is required to send notice to property owners when increasing the assessed valuation by more than fifteen percent, and such property owners may request an interior inspection. This act applies such notification and physical inspection provisions to all counties in the state. (Section 137.115)  
 This provision is identical to a provision contained in SB 579 (2020).

For property tax assessments and appeals of such assessments, current law provides that, in first class counties, assessors shall notify property owners of an increase in the property owner's assessed valuation by June 15, taxpayers shall appeal to the county board of equalization by the third Monday in June, and the county board of equalization shall meet on the first Monday in

FISCAL DESCRIPTION (continued)

July. For all other counties, assessors shall notify property owners of an increase in the property owner's assessed valuation by June 15, taxpayers shall appeal to the county board of equalization by the second Monday in July, and the county board of equalization shall meet on the third Monday in July.

This act modifies such deadlines to provided that, for all counties, assessors shall notify property owners of an increase in the property owner's assessed valuation by June 1, taxpayers shall appeal to the county board of equalization by the first Monday in July, and the county board of equalization shall meet on the third Monday in July. (Sections 137.180 to 137.385, 138.090)

For property assessment appeals to the boards of equalization in the City of St. Louis, St. Charles County, and St. Louis County, current law provides that the assessor shall have the burden to prove that the valuation does not exceed the true market value of the property. Additionally, if a physical inspection of a property is required for assessment, the assessor shall have the burden to prove that such inspection was performed. If the assessor fails to provide sufficient evidence that the inspection was performed, the property owner shall prevail on the appeal as a matter of law.

This act applies such provisions to all counties. (Section 138.060)

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

State Tax Commission  
Lawrence County Assessor's Office  
Wright County Assessor's Office  
Perry County Assessor's Office  
Wright County Assessor's Office  
Howell County Assessor's Office  
Caldwell County Assessor's Office  
Audrain County Assessor's Office  
Ste Genevieve County Assessor's Office  
Holt County Assessor's Office  
Andrew County Assessor's Office  
Cape Girardeau County Assessor's Office  
St. Francois County Assessor's Office

SOURCES OF INFORMATION (continued)

Taney County Assessor's Office  
Jasper County Assessor's Office  
Stone County  
Randolph County Assessor's Office  
Lincoln County Assessor's Office  
Sullivan County  
Boone County Assessor's Office  
Warren County Assessor's Office



Julie Morff  
Director  
February 20, 2020



Ross Strobe  
Assistant Director  
February 20, 2020