

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3466-01
Bill No.: SJR 44
Subject: Taxation and Revenue - Property; Political Subdivisions; Counties; Constitutional Amendments
Type: Original
Date: February 17, 2020

Bill Summary: This proposal prohibits the levying and collecting of a tax on tangible personal property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0 or (\$7,800,000)		
Total Estimated Net Effect on General Revenue	\$0 or (\$7,800,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Blind Pension Fund (0621)	\$0	\$0 or (\$6,421,900)	\$0 or (\$6,421,900)
Total Estimated Net Effect on Other State Funds	\$0	\$0 or (\$6,421,900)	\$0 or (\$6,421,900)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0*	\$0 or (Less than \$1,528,000,000)	\$0 or (Less than \$1,528,000,000)

*Potential costs and state reimbursements net to zero in FY 2021 if a special election is called.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of the Secretary of State** assume, 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, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of 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, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. The SOS estimates \$65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

The Secretary of State's office 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 requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2021. 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 statewide

ASSUMPTION (continued)

primary election is in August 2020 and the next scheduled general election is in November 2020 (both in FY 2021). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (on a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2021.

Officials from **State Tax Commission (STC)** assume this proposal prohibits the levying and collection of taxes on tangible personal property. The STC provides the following fiscal impact:

Total Personal Property Tax 2018

- 1.\$945 million motor vehicles
 - 2.\$505 million other personal property
 - 3.\$74 million state assessed
- TOTAL \$1.524 Billion

This proposal eliminates the collection of personal property taxes, this would result in the loss of \$1.4 to \$ 1.6 billion to political subdivisions such as school districts, fire districts, cities, counties, and other local taxing jurisdictions in annual revenue. The State has over 2,800 local taxing jurisdictions, SJR 44 would have a negative fiscal impact of \$1.4 -\$1.6 billion in annual revenue.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal would end property tax on tangible personal property. For the purpose of this fiscal note, B&P assumes that if this proposal were approved by voters at the November 2020 election, it would end the property tax beginning January 1, 2021 and begin impacting revenues during the state fiscal year 2022.

Based on information provided by the State Tax Commission , B&P estimates that from 2014-2018 the average total assessed value of taxable personal property within Missouri was \$20,756,342,910. In addition, taxable personal property valuations accounted for approximately 20.1% of all taxable property valuations over that time period.

B&P notes that the Blind Pension Fund receives \$0.03 per \$100 valuation on all taxable property. Further, the 5-year average collections to the Blind Pension Fund were \$32,004,694 from SFY15-SFY19. Therefore, B&P estimates that if personal property were no longer taxable, revenues to the Blind Pension Fund would decrease by \$6,226,903 annually (\$20.756 billion x \$0.03/\$100), beginning in SFY22.

ASSUMPTION (continued)

B&P also notes that this proposal could have a significant negative impact to local revenues in counties dependent on property taxes.

Officials from the **Department of Revenue (DOR)** assume this legislation has removed the class 2 classification, "tangible personal property" currently written in Section 4(a)

Per this legislation, Section 4(a) states that all taxable property shall be classified for tax purposes as follows:

1. Class 1, real property.
2. Class 2, intangible personal property.

Section 4(b) is updated to report the updated classifications as mentioned in Section 4(a).

Section 4(e) states that no county or other political subdivision shall be authorized to levy or collect a tax on tangible personal property.

Section 6 states that all property of the state, counties and other political subdivisions and nonprofit cemeteries, and all real property used as a homestead as defined by law of any citizen of this state who is a former prisoner of war, as defined by law, and who has a total service-connected disability, shall be exempt from taxation, not held for private or corporate profit and used exclusively for religious worship, for schools, and colleges, for purposes of purely charitable, for agricultural and horticultural societies or for veterans' organizations may be exempted from taxation by general law.

Local Property Tax

This is a constitutional amendment that would need to be voted on in the November 2020 general election. The impact will be \$0 if not adopted by the voters. If adopted, personal property tax would end starting January 1, 2021.

According to the "State Tax Commission Annual Report - 2018," the total assessed valuation for tax year 2018 for Personal Property Tax equals \$20,924,550,116 and taxable personal property valuations accounted for approximately 20.1% of all taxable property valuations over time.

ASSUMPTION (continued)

Blind Pension Fund

The amount collected in the Blind Pension Fund in Fiscal Year 2018 was \$33,240,319, as reported in the Missouri Department of Revenue's Financial and Statistical Report - Fiscal Year 2018. The Blind Pension Fund receives \$0.03 per \$100 valuation on all taxable property.

Therefore, DOR estimates that if personal property were no longer taxable, revenues to the Blind Pension Fund would decrease by \$6,277,365 annually ($\$20.924 \text{ billion} \times \$0.03/\$100$), beginning in SFY22.

Officials from the **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization.

Officials from **St. Louis County Government** assume, if this proposal passed, St. Louis County would experience revenue losses of \$17 million per year, based on current values across all funds with a property tax. Countywide, this would be a loss of \$292.7 million per year for St. Louis County taxing districts.

Officials from **Ste Genevieve County Assessor's Office** assume, with regard to the elimination of Personal Property tax, Ste Genevieve County would have an annual revenue loss of \$4,781,460 based on the 2019 certified values and tax rates. This would affect 5 different School Districts within our County.

Officials from the **Cole County Collector's Office** state 2019 Personal property taxes for Cole County are \$16,168,002.20. \$12,810,196.72 of that goes to school districts. Personal property taxes are almost 20% of our overall real estate and personal property tax collections. This does not include rail road and utility taxes.

Officials from the **Cole County Assessor's Office** assume that all of our personal property taxes are tangible. The 2019 amount is \$16,168,002.20, which would be the negative fiscal impact to Cole County.

Officials from the **Boone County Assessor's Office** assume this proposal would cost the taxing entities of Boone County \$39,600,000 annually. The 2010 property tax billing was \$220,000,000. In 2019, personal property was 18% of the total assessed value of Boone County. $\$220,000,000 \times 18\% = \$39,600,000$.

ASSUMPTION (continued)

Officials from the **Perry County Assessor's Office** assume revenues lost in tax collection would be between 3.75 million and 4 million dollars per year to all taxing entities. Cost savings to my office by decreasing staff (jobs lost) would be between \$5,000 and \$15,000.

Officials from **Warren County Assessor's Office** assume revenue losses are estimated at \$7,500,000 to schools, fire, ambulance, cities, state, library, hospital and county taxing districts.

Officials from **Cape Girardeau County Collector's Office** assume Cape Girardeau County has \$15,402,451.21 of personal property taxes for 2019. This amount is 22% of the Land and Personal Tax on our Aggregate Abstract for 2019 (Form 1309). At this time, I have not heard how the entities being affected by this tax reduction would be funded. This will affect the schools, cities, libraries, fire districts, county revenue, senior citizens, mental health, Senate Bill 40, county health, among various others in many counties. If the real estate taxes are increased to offset any or part of the personal property taxes, the real estate taxes could skyrocket. This will cause increases for renters, restaurants, and clients of people owning real estate, and the like.

Officials from **Gasconade County Assessor's Office** assume Lost Revenue to all taxing jurisdictions located within Gasconade County, Missouri including schools, ambulance districts, fire districts, hospital, nursing home, library, community college, cities, county road and bridge.

Estimated Total Revenue Loss for Gasconade County:

- 2020 - \$3,809,981
- 2021 - \$3,886,181
- 2022 - \$3,963,904

Officials from the **Lawrence County Assessor's Office** assume a tax exemption on personal property would be an increase in taxes or fees somewhere else. The tax burden remains the same in each county, so if personal property is made exempt, there will be an increase in real estate taxes and licensing fees. Lawrence County would lose 28%- 30% of collected revenue that would most likely be pushed to the real estate (residential owners) taxes. This is a tax shift.

Officials from the **Sullivan County Assessor's Office** assume doing away with tangible personal property tax would decrease revenues in the county significantly.

ASSUMPTION (continued)

Estimated Revenue Loss for Sullivan County:

- 2021 - \$2,038,255
- 2022 - \$2,038,255
- 2023 - \$2,038,255

Officials from the **City of Kansas City** assume this proposal would have a negative fiscal impact to the City of Kansas City, Missouri. In 2019, the City collected personal property taxes of approximately \$28 million. In addition, approximately \$2.4 million in personal property tax was collected from Railroad Utilities (RRU).

Officials from the **City of St. Louis** assume this proposal prohibits the levying and collecting of a tax on tangible personal property. This proposal would cause an annual loss of over \$80 million in taxes to local jurisdictions as show below:

2019 PP Assessed Value \$1,011,062,978
 2019 PP Taxes \$82,520,938

	% of total rate	\$ amount lost
St. Louis Public Schools	61.20%	\$ 50,501,585
St. Louis Community College	2.43%	\$ 2,007,971
Metropolitan Sewer District	1.32%	\$ 1,088,915
Sheltered Workshop	1.64%	\$ 1,355,835
Mental Health	1.07%	\$ 879,625
Children's Services	2.25%	\$ 1,858,334
Senior Services Fund	0.60%	\$ 492,388
Metropolitan Zoo & Museum	3.12%	\$ 2,577,200
SLPL	6.65%	\$ 5,484,006
City of St. Louis	19.35%	\$ 15,971,762
MO Blind Pension	0.37%	\$ 303,319
Total	100%	\$ 82,520,938

ASSUMPTION (continued)

Additionally, the following annual losses would occur to the Collector of Revenue and Assessment funds:

Collector of Revenue	\$1,237,814.07
Assessment Fund	\$515,755.86

Officials from the **City of Springfield** assume this proposal would have a significant fiscal impact on the City. Personal Property Tax generated the following revenue in Springfield's Fiscal Year 2019:

- Art Museum: \$212,899
- Health Department: \$691,486
- Parks Department: \$1,015,198
- Level Property Tax (Municipal Purpose levy): \$1,448,580
-

Totaling \$3,368,163. Which equates to a little over 14% of the City's total property tax revenue.

Officials from the **City of Liberty** assume this proposal would reduce revenues for the General Fund by \$670,000 and Parks by \$122,000. It would reduce Road District Revenues by \$43,000. While the State really doesn't have anything but the \$0.03 Blind Pension Levy, there is no provision for equal treatment for the State.

Officials from **North Jefferson County Ambulance District** state, with funding of non-private governmental ambulance district's/departments such as ours being made up of a mix of personal/real property, sales and billing for service. This could be detrimental to many services to place further limitations on districts/departments operating on tight shrinking budgets as it is. Not to mention the decrease in payments being made by insurance companies.

Officials from the **Florissant Valley Fire Protection District** assume the loss of personal property taxes would be catastrophic for all political subdivisions, including fire districts, both career and volunteer. This would result in a significant loss of tax revenue for the Florissant Value Fire Protection District estimated at \$2,156,398 (15% of tax revenue) which in turn could significantly impact public safety services.

Officials from the **Jasper R-5 School District** assume the proposal will have a negative fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the following **County Health Departments** each indicated this proposal would result in a negative fiscal impact to their organization as represented in the table below.

Health Department	Annual Revenue Loss	FTE Loss
Cape Girardeau County Public Health Center	(\$311,000)	2
Clay County Public Health Center	(\$901,830)	Not Indicated
Cooper County Public Health Center	(Unknown)	Not Indicated
Dent County Health Center	(\$160,000)	3
Gasconade County Health Department	(\$61,500)	2
Grundy County Health Department	(\$97,000)	Not Indicated
Harrison County Health Department	(\$115,687)	2.5
Jefferson County Health Department	(\$700,000)	8
Knox County Health Department	(\$200,000)	2+
Laclede County Health Department	(\$446,000)	4+
Livingston County Health Department	(\$50,000)	.5
Miller County Health Department	(\$170,000)	4
Mississippi County Health Department	(\$56,000)	1.5
Pettis County Health Center	(\$150,750)	2+
Platte County Health Center	(\$486,938)	Not Indicated
Putnam County Health Department	(\$62,000)	Not Indicated
Pulaski County Health Center	(\$360,000)	5
Randolph County Health Center	(\$155,000)	4
St. Francois County Health Center	(\$150,000)	4+
Shelby County Health Department	(\$90,000)	2

Health Department	Annual Revenue Loss	FTE Loss
Stoddard County Public Health Center	(\$159,000)	4
Webster County Health Unit	(\$106,000)	3+
Total	(\$4,988,705)	53.5

Based on information from the State Tax Commission, **Oversight** assumes this proposal could result in the loss of \$1.524 billion in tangible personal property (TPP) tax revenues for school districts, counties, cities and other local political subdivisions.

However, **Oversight** notes property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Oversight assumes some taxing entities will be able to increase the tax rate levied on real property to make-up for the lost revenue. Therefore the revenue lost to the all taxing entities as a whole is likely less than the amount estimated above.

For instance, Greene County’s General Revenue tax rate levied is 0.1177, the tax rate ceiling is 0.2494 and the maximum authorized rate is 0.3500. Using the [Property Rate Calculator](#) on the Office of the State Auditor website, **Oversight** estimated that a loss of \$950,200,484 in TPP assessed value would raise the tax rate ceiling to 0.30145 and the tax rate levied to 0.1437 in order to collect roughly the same revenue as the prior year. The higher rate could be applied to the assessed valuation for real property to make-up the revenue lost from the TPP exemption.

However, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate rather it would result in a loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes there are over 2,500 tax entities with 4,000 different tax rates. Of those entities, 3,155 tax rate ceilings are below the entities’ statutory or voter approved maximum tax rate and 929 tax rate ceilings are at the entities’ statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Oversight assumes there could be some savings to local assessment and collection authorities if they no longer had to assess and collect personal property tax.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)*.03). Based

ASSUMPTION (continued)

on information from the State Tax Commission the total assessed value of TPP is \$21,406,332,664. Because this proposal eliminates the TPP tax, the Blind Pension Fund will experience a decrease in revenue of \$6,421,900.

Oversight notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters) to an unknown loss in revenue to the Blind Pension Fund and local political subdivisions beginning in FY 2022.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Transfer Out</u> - Local Election Authorities the cost of the special election if called for by the Governor	\$0 or <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
BLIND PENSION FUND			
<u>Revenue Reduction</u> - DSS §A(4) if voters approve the elimination of the personal property tax	<u>\$0</u>	\$0 or <u>(\$6,421,900)</u>	\$0 or <u>(\$6,421,900)</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	\$0 or <u>(\$6,421,900)</u>	\$0 or <u>(\$6,421,900)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - to Local Election Authorities the cost of a special election	\$0 or \$7,800,000	\$0	\$0
<u>Cost</u> - Local Election Authorities the cost of the special election if called for by the Governor	\$0 or (\$7,800,000)	\$0	\$0
<u>Revenue (Loss)</u> - §A(4) the elimination of the personal property tax if voter approved	\$0	\$0 or (Less than \$1,528,000,000)	\$0 or (Less than \$1,528,000,000)
<u>Savings</u> - to counties who no longer have to assess and collect personal property tax if voter approved	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or (Less than \$1,528,000,000)</u>	<u>\$0 or (Less than \$1,528,000,000)</u>

FISCAL IMPACT - Small Business

Small businesses that pay personal property taxes could be impacted by this proposal.

FISCAL DESCRIPTION

This constitutional amendment, if approved by the voters, prohibits counties and other political subdivisions from levying or collecting a tax on tangible personal property.

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

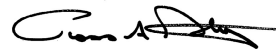
St. Louis County Government
Ste Genevieve County Assessor's Office
Cole County Collector's Office
Cole County Assessor's Office
Boone County Assessor's Office
Perry County Assessor's Office
Warren County Assessor's Office
Cape Girardeau County Collector's Office
Gasconade County Assessor's Office
Lawrence County Assessor's Office
Sullivan County Assessor's Office
City of Springfield
City of St. Louis
City of Liberty
North Jefferson County Ambulance District
Florissant Valley Fire Protection District
Jasper R-5 School District
Cape Girardeau County Public Health Center
Clay County Public Health Center
Cooper County Public Health Center
Gasconade County Health Department
Grundy County Health Department
Harrison County Health Department
Jefferson County Health Department
Knox County Health Department,
Livingston County Health Center
Miller County Health Center
Mississippi County Health Department
Pettis County Health Center
Platte County Health Center
Putnam County Health Department
Pulaski County Health Center
Randolph County Health Center

SOURCES OF INFORMATION (continued)

St. Francois County Health Center
Shelby County Health Department
Webster County Health Unit



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February 17, 2020



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