

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3542-01
Bill No.: SB 550
Subject: Taxation and Revenue - Property
Type: Original
Date: January 6, 2020

Bill Summary: This proposal modifies provisions relating to the assessment of certain tax-exempt properties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 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 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of Administration - Budget and Planning** assume this proposal may impact Total State Revenues (TSR) and may impact the calculation under Article X, Section 18(e).

Section 137.073.1 (4) Excess Fees

Officials from **Office of Administration - Budget and Planning** assume this provision removes the inclusion of excess home dock city or county fees as defined in Section 313.820.4 from the inclusion of "tax revenue" for political subdivisions. B&P notes that Section 313.820.4 no longer exists. This provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **State Tax Commission** assume the removal of casino fees from the calculation of tax revenue under section 137.073 would have an unknown positive fiscal impact on local taxing jurisdictions that collect said fees.

Officials from the **Missouri Gaming Commission** assume the proposal will have no fiscal impact on their organization.

Oversight assumes this provision removes a reference to section 313.820.4 that no longer exists. Oversight assumes this provision will have no fiscal impact.

Section 137.073.4 (1) Ad Valorem Tax Exemptions

Officials from **Office of Administration - Budget and Planning** assume this provision would expand the inclusion of total and partial ad valorem tax exemptions that shall be included in the value of new construction and improvements from Sections 99.800 to 99.865, Sections 135.200 to 135.225, and Section 353.110 to include Sections 68.010 to 68.075, Sections 99.300 to 99.660, Sections 100.010 to 100.620, and all provisions of law. If this expansion increases the valuation for certain properties, B&P estimates that this proposal may have a minimal positive impact to TSR and the Blind Pension Trust Fund.

Officials from the **State Tax Commission** state, in current law, properties in sections 99.800 - 99.865 (TIF, Enterprise Zones), sections 135.200 -135.255, and Urban Redevelopment (Chapter 353) are defined as "new construction" for taxing and assessment purposes when the duration of the exemption or reduction expires (usually 10 or more years). Senate Bill 550 would include this

ASSUMPTION (continued)

application to Industrial Development Projects (Chapter 100) and Enhanced Enterprise Zones (sections 135.950 - 135.970) and Land Clearance Redevelopment Act properties (sections 99.300 - 99.715) when any of the properties no longer qualifies for an exemption or phases out of a program it would be considered "new construction". The fiscal impact on local taxing jurisdictions such as schools, cities, counties and other taxing jurisdictions would be an unknown positive fiscal impact as the assessments of these projects would increase as "new construction". The Agency does not have the data to determine the number, status or scale of those projects under this definition that are affected.

Officials from the **Warren County Assessor's Office** assume the proposed language changes the manner in which an Assessor would report Assessed values the first year any abated property would first come onto the tax rolls. Currently, the Assessor would add the depreciated value of the parcel onto the tax rolls, when the abatement program expired. Under the proposed legislation, the Assessor would report the depreciated value of the parcel onto the tax rolls, when the abatement program expired and add the value as new construction, which allows taxing jurisdictions the ability to exempt those values from the calculations utilized when setting their tax levy. Taxing jurisdictions will see a benefit the year of new construction reporting.

Oversight notes that Article III, Section 38(b) of the Missouri Constitution states there is an assessment of up to three cents on every one hundred dollars of valuation of taxable property that is collected for the state's Blind Pension Fund (0621). Should local tax assessments increase under this proposal, it could increase collections into the Blind Pension Fund. For illustrative purposes, Oversight presented a range of increases in assessed value and the potential impact it would have on the Blind Pension Trust Fund.

Table I: Blind Pension Fund

Increase in Assessed Value	Impact on Blind Pension Fund ((Assessed Value/100)* .03)
\$10,000,000	\$3,000
\$100,000,000	\$30,000
\$1,000,000,000	\$300,000

Oversight is unable to determine how many properties would be impacted by the proposal; and therefore cannot estimate the increase in assessed value. Oversight notes that should a property meet the definition in this proposal then in the future the property could be assessed as "new

ASSUMPTION (continued)

construction.” That would increase the local property tax assessments at that time. Oversight will show the impact to Local Political Subdivisions and the Blind Pension Fund as \$0 (no properties or if there are properties, a modified tax levy) to an unknown increase in property tax revenues.

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
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BLIND PENSION FUND

<u>Revenue</u> - change in “new construction” assessments §137.073	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue</u> - change in “new construction” assessments §137.073	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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FISCAL IMPACT - Small Business

Oversight assumes there could be a fiscal impact to small businesses’ tax assessments as a result of this proposal.

FISCAL DESCRIPTION

Current law provides that property that was partially or completely exempt from ad valorem property taxes under the tax increment financing, enterprise zone, and urban redevelopment corporations programs shall be included in the value of new construction and improvements for the purposes of assessed valuations once such property becomes partially or completely subject to taxation. This act expands such provision to cover all such properties under any ad valorem property tax abatement program.


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 Administration - Budget and Planning
State Tax Commission
Missouri Gaming Commission
Warren County Assessor's Office



Julie Morff
Director
January 6, 2020



Ross Strobe
Assistant Director
January 6, 2020