

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3912-03
Bill No.: SB 547
Subject: Taxation and Revenue - Property; Saint Louis County
Type: Original
Date: February 14, 2020

Bill Summary: This proposal modifies provisions relating to property tax assessments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0	\$0 or (Could exceed \$2,900,000)	\$0 or (Could exceed \$2,900,000)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (Could exceed \$2,900,000)	\$0 or (Could exceed \$2,900,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 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 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 137.106 Missouri Homestead Preservation Act

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

This section renews the expired Homestead Preservation Credit beginning in tax year 2021. This proposal provides state funding to local governments to apply as credits on qualifying tax bills.

The General Assembly appropriated \$2.6M for this program in FY10, and \$0.8M in FY11. If the General Assembly chooses to fund this tax credit at FY10 levels, the state will pay \$2.6M GR to local governments. For the purpose of this fiscal note, B&P will assume a range from \$0 to \$2.6M GR dependent upon the General Assembly's discretionary appropriation amount. There should be no impact to the locals as the amount of property tax credits given will be offset by the amount of GR provided.

B&P notes that paragraph 137.106.2(4)© does not allow an individual to claim both this tax credit and the Senior Citizen Property tax credit (PTC) in sections 135.00 to 135.035. Therefore, B&P estimates that this proposal could reduce PTC claims up to the amount appropriated for the Homestead Preservation Tax Credit.

This section may impact TSR and the calculation under Article X, Section 18(e) if PTC claims are reduced as a result of enacting this section.

Officials at the **Department of Revenue (DOR)** assume this proposal creates "The Missouri Homestead Preservation Act." This proposal has an effective date of January 1, 2021, and allows for a tax credit to offset the prior year increase in property tax liability. A person receiving this credit cannot apply and receive the Senior Property tax credit.

The General Assembly is required to appropriate the funds for this program. The Department cannot issue Homestead Preservation tax credits without an appropriation. Between 2005 and 2011, a similar homestead tax credit was authorized and the General Assembly appropriated as much as \$2.5 million for the credit. An average of 7,918 taxpayers received the credit per year, with an average of \$1.6 million awarded.

The Department notes this would decrease the number of people eligible for the Property Tax Credit. The Homestead Preservation Tax Credit and the Senior Property Tax Credit are both for

ASSUMPTION (continued)

people over 65 and meet certain income requirements. While there would be increased costs from the Homestead Tax Credit there would also be a savings to the Property Tax Credit. DOR is not able to determine the fiscal impact as we are unable to determine how many properties would meet the definition of "homestead" per this proposal.

This legislation will require \$2,000 in administrative costs for forms and programming.

Oversight assumes the cost to DOR arising from this proposal can be absorbed with existing resources.

Officials from the **State Tax Commission** assume the re-authorization and funding of 137.106 Missouri Homestead Preservation Act would have a fiscal impact on the State of Missouri, estimated and based on the years 2005-2009 when the program was authorized and funded which was as follows:

- 2005: 18,069 valid applications, Total Qualifying Credits redeemed \$2,927,750
- 2006: 4,826 valid applications, Total Qualifying Credits redeemed \$1,031,017
- 2007: 1,650 valid applications, Total Qualifying Credits redeemed \$87,919
- 2008: 10,992 valid applications, Total Qualifying Credits redeemed \$2,450,012
- 2009: 4,055 valid applications, Total Qualifying Credits redeemed \$772,757

The fiscal impact to the State of Missouri would vary depending on the market valuation of the property and whether the thresholds provided in the act are met.

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

Oversight assumes this proposal would allow homeowners who are 65 years or old with an income of less than (up to) \$90,000 to claim a tax credit if the increase in their property tax liability exceeds 5% in reassessment years and 2.5% in non-reassessment years. Based on information provided to Oversight during a sunset review, Oversight notes the following number of applicants and exemption credits for the Homestead Preservation Act shown in the Table 1 below.

ASSUMPTION (continued)

Table I - Homestead Preservation Exemption Credit

Tax Year	Filed Applications	Qualified Applicants	Exemption Amount	Average Exemption per Applicant	Percent of Seniors Qualified*
2005	26,084	18,069	\$2,927,750	\$162	2.34%
2006	6,950	4,826	\$1,031,017	\$213	0.62%
2007	10,319	1,650	\$87,919	\$53	0.21%
2008	13,318	11,011	\$2,451,145	\$222	1.39%
2009	5,669	4,123	\$809,803	\$196	0.51%
Average	12,468	7,936	\$ 1,461,527	\$ 169	1.01%

*Percentage based on the 2005 U.S. Census Bureau estimates for the Missouri population aged 65 and older.

The average exemption award is estimated at \$1,338,142 (7,918 * \$169). Oversight assumes the annual award could vary based on market conditions as well as the amount appropriated by the General Assembly; therefore, Oversight will show a range of \$0 (no appropriation) to a cost that could exceed \$2,900,000 (based on the highest year appropriation/exemption credit).

Oversight assumes this proposal does not allow for individuals claiming the Homestead Preservation exemption to claim the Senior Citizen Property Tax Credit. Based on information provided to Oversight during a sunset review, Oversight notes the following number of applicants and Senior Citizen Property Tax Credits shown in the Table II below.

ASSUMPTION (continued)

Table II - Senior Citizen Property Tax Relief Tax Credit (PTC)

Year	Total PTC Claims Processed	Total PTC Refunds Issued	Total Amount of PTC Refunds	Average Refund	Percent of Seniors Receiving Refunds*
2005	252,876	218,524	\$97,815,655	\$447	28.31%
2006	246,257	212,125	\$96,989,732	\$457	27.48%
2007	232,876	202,423	\$93,156,267	\$460	26.22%
2008	249,360	217,916	\$101,382,161	\$465	28.23%
2009	260,130	219,711	\$119,569,835	\$544	28.46%

*Percentage based on the 2005 U.S. Census Bureau estimates for the Missouri population aged 65 and older.

Based on the eligibility criteria, **Oversight** assumes there could be overlap between the two programs. Oversight will show a range of potential savings to the Senior Citizen Property Tax Credit program that ranges from \$0 (no overlapping applicants) to a savings that could exceed \$2,900,000 (based on the cost of the Homestead Preservation Exemption Credit).

Oversight assumes the following net effect to General Revenue based on the following scenarios.

Table III - Net Effect on General Revenue

Scenarios	Cost	Savings	Net Effect
No Overlap	\$ (2,900,000)	\$ 0	\$ (2,900,000)
Full Overlap	\$ (2,900,000)	\$ 2,900,000	\$ 0
No Appropriation	\$ 0	\$ 0	\$ 0

Oversight assumes the funds from Homestead Exemption Credit would transfer to local political subdivisions as reimbursement for lost revenue. This section applies to all tax beginning January 1, 2021. Each applicant must submit an application by October 15th of each year to receive the exemption in the next year; therefore, Oversight will show the fiscal impact beginning in FY 2022.

ASSUMPTION (continued)

Section 137.180 Comparable Sales

Officials from **Office of Administration - Budget and Planning** assume this section states that St. Louis County shall include "comparable" properties, if such properties were used to determine assessment value, within a notice for assessed value changes, beginning January 1, 2021. This section also defines the term "comparable".

Officials from **State Tax Commission** assume the provision requires additional information on the notification of a property tax increase for St Louis County to include the assessment method and computation, a list of comparable sales of properties used in determining the valuation. These additional requirements may have an unknown fiscal impact on St Louis County in order to comply.

Oversight assumes there could be an unknown negative fiscal impact on St. Louis County for additional notification information. Oversight a will show a range of impact of \$0 (no additional cost) to an unknown cost beginning in FY 2021.

Section 138.434 Reimbursement Limits

Officials from **Office of Administration - Budget and Planning** assume this section increases the limits, starting January 1, 2021, for the fees and costs allowable for reimbursement to taxpayers for residential and subclass three property tax appeals within St. Louis County.

Officials from **State Tax Commission** assume section 138.434 increases the limits for St. Louis County as reimbursement to taxpayers for successful residential appeals to the State Tax Commission for appraisal costs , attorney fees, court costs, to \$6,000 for residential appeals and the lesser of \$10,000 or 25% of the tax savings for other non-residential appeals. This provision would have an unknown potential fiscal impact on the County.

Oversight assumes there could be an unknown negative fiscal impact on St. Louis County for increased reimbursements to taxpayers for property tax appeals. Oversight a will show a range of impact of \$0 (no additional cost) to an unknown cost beginning in FY 2021.

Bill as a Whole

In response to a similar proposal, SB 60 (2017), officials at the **Callaway County** and **St. Louis County** each assumed there was no fiscal impact from the proposal to their respective county.

ASSUMPTION (continued)

In response to a similar proposal, SB 60 (2017), officials at the **Jackson County Board of Election Commissioners, Platte County Board of Election Commissioners** and the **St. Louis County Board of Election Commissioners** each assumed there was no fiscal impact from the proposal.

Oversight received a limited number of responses from local political subdivisions 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 local political subdivisions 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.

Promulgate Rules

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Transfer Out</u> - to Local Political Subdivisions - Homestead Preservation Tax Exemption Reimbursement - §137.106	\$0	\$0 or (Could exceed \$2,900,000)	\$0 or (Could exceed \$2,900,000)
<u>Cost Avoidance</u> - Senior Citizen Property Tax Credit - §137.106	<u>\$0</u>	<u>\$0 or Could exceed \$2,900,000</u>	<u>\$0 or Could exceed \$2,900,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or (Could exceed \$2,900,000)</u>	<u>\$0 or (Could exceed \$2,900,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - from General Revenue - reimbursement of the Homestead Preservation Tax Exemption - §137.106	\$0	\$0 or Could exceed \$2,900,000	\$0 or Could exceed \$2,900,000
<u>Revenue Reduction</u> - property tax revenue loss - §137.106	\$0	\$0 or (Could exceed \$2,900,000)	\$0 or (Could exceed \$2,900,000)
<u>Cost</u> - St. Louis County - comparable sales notification - §137.180	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost</u> - St. Louis County - increase in reimbursement limits - §138.434	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

HOMESTEAD PRESERVATION ACT

This act reauthorizes the Homestead Preservation Act tax credit program, which provided a property tax credit for qualified senior citizens and disabled individuals who experience increases in property tax liabilities over a certain threshold until it expired on August 28, 2010, and was repealed on August 28, 2018. This program is reauthorized beginning with the 2021 tax year and shall sunset after six years unless reauthorized by the General Assembly. (Section 137.106)

PROPERTY TAX ASSESSMENT NOTIFICATIONS

For property tax assessments, current law provides that assessors shall notify property owners of an increase in the property owner's assessed valuation by June 15. This act requires such notifications in St. Louis County to include information regarding the assessment method and computation of value for such property and, for properties valued using sales of comparable properties, a list of such comparable properties and the address or location and purchase prices from sales thereof that the assessor used in determining the assessed valuation of the owner's property. (Section 137.180)

PROPERTY TAX APPEALS ATTORNEY FEES

Current law allows certain counties and St. Louis City to reimburse taxpayers who successfully appeal a property tax assessment to the State Tax Commission for appraisal costs, attorney fees, and court costs, with such reimbursements limited to \$1,000 for residential appeals and the lesser of \$4,000 or 25% of the tax savings resulting from the appeal for other non-residential appeals. Beginning January 1, 2021, this act increases such limits for St. Louis County to \$6,000 for residential appeals and the lesser of \$10,000 or 25% of the tax savings resulting from the appeal for other non-residential appeals. (Section 138.434)

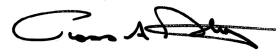
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Joint Committee on Administrative Rules
Office of the Secretary of State
State Tax Commission
Office of the State Treasurer



Julie Morff
Director
February 14, 2020



Ross Strobe
Assistant Director
February 14, 2020