

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4229-02  
Bill No.: SJR 56  
Subject: Veterans; Constitutional Amendments; Taxation and Revenue - Property  
Type: Original  
Date: February 21, 2020

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Bill Summary: This proposal modifies a property tax exemption for certain veterans.

**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>
General Revenue	\$0 or (\$7,800,000)	\$0 or Could exceed \$1,147,840	\$0 or Could exceed \$1,147,840
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$7,800,000)</b>	<b>\$0 or Could exceed \$1,147,840</b>	<b>\$0 or Could exceed \$1,147,840</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>
Blind Pension Fund (0621)	\$0	\$0 or (Could exceed \$171,148)	\$0 or (Could exceed \$171,148)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 or (Could exceed \$171,148)</b>	<b>\$0 or (Could exceed \$171,148)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<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>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<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>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Local Government</b>	<b>\$0*</b>	<b>\$0 or (Could exceed \$31,205,536)</b>	<b>\$0 or (Could exceed \$31,205,536)</b>

\*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 the **State Tax Commission** have reviewed this proposal and determined an unknown fiscal impact. The U.S. Census Survey (2018) states the number of veterans in Missouri is 479,828, the Agency does not possess the data to determine the number of qualifying, eligible individuals under the proposed eighty percent combat related disability under U.S. Code Title 38 or how many of these individuals own real and personal property or the fiscal impact said exemption.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal would go to public vote in November 2020. For the purpose of this fiscal note, B&P assumes that the tax exemption would begin January 1, 2021 if voter approved.

This proposal would exempt, upon voter approval, veterans with a combat-related total combined disability rating of 80% or greater from real and personal property taxation. Current law only exempts former prisoners of war (POW) with total service-connected disabilities. B&P notes that this proposal removes the requirement that exempted property be used as a homestead. Therefore, this proposal would exempt all real and personal property owned by a qualifying veteran. This includes houses (primary and secondary), vehicles, trailers, boats, land, commercial buildings, etc.

### General Revenue

During FY19, there were 1,565 veterans that claimed the PTC as a disabled veteran, for total PTC claims of \$956,464. Under this proposal, these veterans would no longer be subject to real personal property taxes and thus would no longer claim the PTC beginning with tax year 2021. B&P notes that some veterans age 65 and older may have elected to claim the PTC as a senior rather than as a disabled veteran, and would no longer claim the PTC under this proposal. Therefore, B&P estimates that this proposal will increase GR by an amount that could exceed \$956,464 annually beginning in FY22.

### Blind Pension Trust Fund

Based on data from the U.S. Census Bureau, there were 25,718 veterans with a service-connected disability of 70% or greater in Missouri during 2017. B&P notes that not all 25,718 veterans would qualify as some would not be 80% disabled. Additionally, based on data from the U.S.

ASSUMPTION (continued)

Census bureau, the average median housing value in Missouri was \$145,400 and the average median real estate taxes paid was \$1,435 in 2017.

B&P notes that the Blind Pension Trust Fund has a property tax levy of \$0.03 per \$100 valuation. Based on the U.S. Census Bureau data, B&P estimates that the Blind Pension Trust Fund receives a median of \$8.29 per real property within Missouri (\$145,400 median real estate value x 0.0003 Blind Pension levy). Therefore, B&P estimates that this proposal could reduce funding to the Blind Pension Trust fund by less than \$213,202 (\$8.29 x 25,718 veterans).

Median Home Value	\$145,400
	x .19
Assessed Value	\$27,626
Blind Pension Trust Fund levy	x (0.03/100)
Median Blind Pension Tax	\$8.29

Qualifying veterans	x 25,718
Loss to Blind Pension Trust Fund	(\$213,202)

Local Property Tax Collections

This proposal will also reduce local property tax collections. B&P adjusted the median real estate tax paid (\$1,435 in 2017) to account for the estimated portion that would go to the Blind Pension Trust Fund (\$8.29). Therefore, B&P estimates that the median local real estate taxes paid in Missouri during 2017 was \$1,427 (\$1,435 median taxes - \$8.29 median Blind Pension Trust Fund taxes). Therefore, B&P estimates that this proposal could reduce local property tax collections by less than \$36,699,586 (\$1,427 local median property taxes x 25,718 veterans).

Median Real Estate Taxes Paid	\$1,435
Median Blind Pension Tax	+ (\$8.29)
Median Local Real Estate Taxes	\$1,427

Qualifying Veterans	x 25,718
Local Real Estate Taxes Lost	(\$36,699,586)

B&P notes that the estimates for local property tax loss only include real estate and not commercial or personal property. Therefore, the loss to locals could be significantly higher than the amount estimated above.

ASSUMPTION (continued)

Summary

B&P estimates that this proposal would increase GR by an amount that could exceed \$956,464 annually beginning in FY22. This proposal will also reduce the Blind Pension Trust Fund by an amount that could exceed \$213,202 annually beginning in FY22. Finally, this proposal may reduce local property tax collections by an amount that could exceed \$36,699,586 annually beginning in FY22.

B&P notes that while this proposal will impact state funds, neither TSR nor the calculation under 18(e) would be impacted since it is voter-approved.

Officials from **Department of Revenue (DOR)** assume Section 6 states that all property, real and personal, of the state, counties, and other political subdivisions and of nonprofit cemeteries shall be exempt from taxation. This section also states that property, real and personal, of any citizen of this state who is a veteran with a combat-related disability and a total combined disability rating of eighty percent or higher, as determined by the United States Department of Veterans Affairs under the provisions of Title 38 of the United States Code, up to two hundred thousand dollars of actual value in the year 2020 and adjusted for inflation thereafter shall be exempt from taxation.

The Department believes that there are approximately 384,150 veterans residing in Missouri (per the US. Census Bureau). According to the US Census Bureau American Community Survey for 2018, Missouri reported the following disability rating for veterans:

Total Number of Veterans	384,150
Has no service-connected disability rating	294,634
Has a service-connected disability rating	89,516
0 Percent	3,632
10 or 20 Percent	27,270
30 or 40 Percent	12,800
50 or 60 Percent	11,946
70 Percent or Higher	28,203
Rating Not Reported	5,665

ASSUMPTION (continued)

The Department will use the 28,203 veterans reported with a disability of 70% or higher for the fiscal note.

Assuming that all of these individuals own their dwelling and or tangible personal property, specific by the various classifications of property tax, they would pay Missouri property tax. The Tax Foundation estimates that the per capita state and local property tax collections for Missouri equals \$971. If each veteran were exempt from state and local property tax, property tax collections would decrease by \$27,385,113 (\$971 per person x 28,203 veterans).

The Missouri Blind Pension fund receives \$.03 for each \$100 valuation of taxable property in the state of Missouri. The Department is unable to determine the actual valuation of the taxable property owned by Missouri veterans, as there are no publications specifying assessed value of property owned by Missouri veterans.

The Department estimates that the Missouri Blind Pension Fund could decrease by a minimum to substantial amount.

Additionally, DOR notes that if a disabled veteran is exempt from paying real property tax, they would no longer be eligible to claim the Senior Property Tax Credit. Currently a person can claim the Senior Property Tax Credit if:

- A. They are 65 years or older
- B. 100% Disabled Veteran as a result of military service
- C. 100% Disabled or
- D. 60 years of age or older and receiving surviving spouse benefits

In TY 2017 - 1,917 taxpayers checked the disabled veteran box on the PTC form. They claimed \$1,230,232 in property tax credits.

In TY 2018 - 1,602 taxpayers checked the disabled veteran box on the PTC form. They claimed \$1,065,447 in property tax credits.

Two year average claimed by disabled veterans is \$1,147,840.

DOR assumes this would result in a savings to General Revenue of Could Exceed \$1,147,840 annually from veterans no longer owing property tax and being ineligible for the property tax credit.

ASSUMPTION (continued)

DOR notes that if a disabled veteran is also over the age of 65 years of age they may have just checked the 65+ box instead of the Veterans box so the amount that could be exempt could be higher.

Officials from the **Office of the State Auditor**, the **Department of Public Safety - Missouri Veterans Commission** and the **Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from **Ste Genevieve County Assessor's Office** state currently I can only estimate the loss of property tax revenue based on census data, as my current software does not calculate information on veterans with disabilities. Estimated revenue loss based on the census data could be in excess of \$100,000, and in addition the County would incur programming and software costs.

Officials from the **St. Louis County Department of Public Health** assume this proposal could impact St. Louis County Department of Public Health revenues, however, we cannot determine what the fiscal impact could be.

Officials from the **City of Kansas City** assume this proposal will have a negative fiscal impact on their organization.

Officials from the **City of Springfield** state there is a negative fiscal impact to the City of Springfield. The impact is unquantifiable without knowing the exact number of veterans with property within the City, but assuming the City has a similar percentage of disabled veterans as the national average, the negative impact could exceed \$500,000 per year.

Officials from **Warren County Assessor's Office** assume it is unknown what the decrease to this county and any other county would be without the information as to the total number of veterans with a combat related disability and total combined disability rating of eighty percent or higher.

Officials from the **City of St. Louis** assume this proposal would have a negative fiscal impact of an undetermined amount.

Based on estimates from the [Housing Assistance Council](#), **Oversight** notes the home ownership rate for veterans is 77.7% with a median house value of \$137,000. Assuming a similar home ownership rate for veterans with a 70% or higher service-connected disability rating, Oversight estimates 21,914 veterans may qualify for the property tax exemption ( $28,203 * .777$ ).



ASSUMPTION (continued)

**Oversight** notes property tax levies differ based on the location of the property and the varying taxing entities. Based on information from the [Greene County Collector's](#) website, Oversight estimated the property tax levy for a property in the City of Springfield at 5.471 as shown in the table below (not counting the .03 collected for the Blind Pension Fund).

Taxing District	2019 Tax Levy
County General Revenue	0.1177
Road	0.1177
Co. Dev. Disability Programs	0.0463
Library	0.2413
OTC College	0.1990
Springfield R-12 Schools	4.1361
City of Springfield	0.6129
<b>Total</b>	<b>5.4710</b>

Using the median house value of \$137,000, the estimated median assessed value is \$26,030 (19% of market value). Using a tax levy of 5.471, Oversight estimates a loss of revenue of \$1,424 per veteran ( $(\$26,030 \text{ in assessed value}) / 100 = 260.3) * 5.471$ ). Oversight estimates real property revenue losses at \$31,205,536 ( $21,914 \text{ veterans} * \$1,424 \text{ revenue loss per veteran}$ ).

**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 ( $(\text{Total Assessed Value}/100)*.03$ ). Oversight estimates a reduction in residential real property tax revenue to the Blind Pension Fund at \$7.81 per veteran ( $\$137,000 *.19 = \$26,030 \text{ in assessed value} / 100 = \$260.30 *.03$ ) for an estimated total of \$171,148 ( $21,914 * \$7.81$ ). Oversight notes this number includes some veterans that are less than 80% disabled and assumes the loss of residential real property tax could be less than estimate above.

However, **Oversight** only estimated the revenue loss from residential real property. Oversight notes this proposal also exempts qualifying veterans from personal property and other classes of real property tax as well. Therefore, Oversight will show the loss of revenue could exceed the estimates provided above.

ASSUMPTION (continued)

**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 a loss in revenue to the Blind Pension Fund and local political subdivisions beginning in FY 2022 (December 2021 tax collections). In addition, Oversight will show a savings to General Revenue as estimated by DOR.

**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.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>GENERAL REVENUE</b>			
<u>Savings</u> - DOR veterans no longer claiming the Senior Property Tax Credit	\$0	\$0 or Could exceed \$1,147,840	\$0 or Could exceed \$1,147,840
<u>Transfer Out</u> - Local Election Authorities the cost of the special election <b>if</b> called for by the Governor	\$0 or <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or <u>(\$7,800,000)</u></b>	<b>\$0 or Could exceed <u>\$1,147,840</u></b>	<b>\$0 or Could exceed <u>\$1,147,840</u></b>

FISCAL IMPACT - State Government  
 Continued

FY 2021  
 (10 Mo.)

FY 2022

FY 2023

**BLIND PENSION FUND**

Revenue Loss - no real or personal  
 property tax collected from veterans with  
 a service-connected disability

\$0

\$0 or (Could  
 exceed  
\$171,148)

\$0 or (Could  
 exceed  
\$171,148)

**ESTIMATED NET EFFECT ON  
 BLIND PENSION FUND**

**\$0**

**\$0 or (Could  
 exceed  
\$171,148)**

**\$0 or (Could  
 exceed  
\$171,148)**

FISCAL IMPACT - Local Government

FY 2021  
 (10 Mo.)

FY 2022

FY 2023

**LOCAL POLITICAL SUBDIVISIONS**

Cost - to implement and monitor

\$0

\$0 or  
 (Unknown)

\$0 or  
 (Unknown)

Revenue Loss - no real or personal  
 property tax collected from veterans with  
 a service-connected disability

\$0

\$0 or (Could  
 exceed  
 \$31,205,536)

\$0 or (Could  
 exceed  
 \$31,205,536)

Transfer In - Local Election Authorities -  
 reimbursement of election costs by the  
 State for a special election

\$0 or More than  
 \$7,800,000

\$0

\$0

Costs - Local Election Authorities - cost  
 of a special election **if** called by Governor

\$0 or (More  
 than  
\$7,800,000)

\$0

\$0

**ESTIMATED NET EFFECT ON  
 LOCAL POLITICAL SUBDIVISIONS**

**\$0**

**\$0 or (Could  
 exceed  
\$31,205,536)**

**\$0 or (Could  
 exceed  
\$31,205,536)**

### FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

Current law provides a property tax exemption for real property owned by a former prisoner of war with a total service-connected disability. This constitutional amendment, if approved by the voters, modifies such provision to provide a property tax exemption for real and personal property owned by a veteran with a combat-related disability and a total combined disability rating of 80% or higher, as determined by the U.S. Department of Veterans Affairs.

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  
State Tax Commission  
Office of Administration - Budget and Planning  
Department of Revenue  
Office of the State Auditor  
Department of Social Services  
Ste Genevieve County Assessor's Office  
St. Louis County Department of Health  
City of Kansas City  
City of Springfield  
Warren County Assessor's Office  
City of St. Louis



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