

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4241S.06P  
 Bill No.: Perfected SS for SJR 41  
 Subject: Constitutional Amendments; Taxation and Revenue - Property  
 Type: Original  
 Date: April 14, 2022

Bill Summary: This proposal authorizes counties to freeze the real property assessed values of certain seniors.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue*	\$0 or (More than \$7,000,000)	\$0 or Unknown	\$0 or Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$7,000,000)</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

\*The potential fiscal impact of “(More than \$7,000,000)” in FY 2023 would be realized only if a special election were called by the Governor to submit this joint resolution to voters. Also, if voters approve the joint resolution and if local taxing jurisdictions approve exemptions the savings to the state of Senior Property Tax Credits could possibly reach the \$250,000 threshold.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Blind Pension Fund	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</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 2023</b>	<b>FY 2024</b>	<b>FY 2025</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 \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Local Government</b>	<b>\$0*</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\*Transfer out and transfer in nets to zero **if** the Governor calls a special election.

## FISCAL ANALYSIS

### ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

In response to the previous version, officials from **Office of the Secretary of State** assumed, 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 million based on the cost of the 2020 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.

For the FY22 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

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, the SOS reserves the right to request funding to meet the cost of the 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 2023. 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 primary election is in August 2022 and the next scheduled general election is in November 2022 (both in FY 2023). 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 (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2023.

Officials from the **State Tax Commission** have determined an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. The constitutional amendment, if approved by the voters, allows a taxing district to exempt taxpayers sixty-five years or older from increases in the rate of property tax. Such exemption shall either be approved by the governing body of the taxing district or approved by the voters in the local taxing district. The agency would not have data to determine how many of the 1,061,775 Missourians over sixty five who meet the proposed criteria and eligibility or how many of the 2,900 taxing jurisdictions may choose to grant the exemption from increases in the rate of property tax.

In response to the previous version, officials from **Office of Administration - Budget and Planning (B&P)** assumed this proposal would freeze the assessed value of residential property for individuals who are 65 years or older, own the property, make the property tax payment, and have income less than \$65,000 if filing single (or \$130,000 if married filing combined). The assessment freeze shall only occur in taxing jurisdictions that have approved such action and would begin with tax year 2023.

B&P further notes that it is unclear which assessed value would prevail if a taxpayer were to move between two local jurisdictions after reaching age 65: whether it would be the assessed value in the year the individual moved into the new jurisdiction or the assessed value the year of local approval of the freeze. B&P assumes that the assessment value would be frozen to the value in the year the individual moved into the taxing jurisdiction.

B&P also notes that it is unclear what would happen to the assessed value of property that is owned by a qualifying individual, but subsequently is sold or transferred to a non-qualifying individual. It is unclear if the assessed value would begin increasing from the value as of the year of sale/transfer, or if past (forgone) increases to assessed value would be applied in the year of sale/transfer.

B&P further notes that this proposal would require each taxing jurisdiction to freeze the assessed value on a property. Therefore, it is possible that one property will have multiple assessed values. This may create administrative issues for county assessors.

B&P notes that the Blind Pension Trust Fund levies a property tax rate of \$0.03 per \$100 of assessed value. However, because this proposal requires subsequent jurisdiction or voter

approval, this proposal will not have a direct impact on revenues to the Blind Pension Trust Fund.

Officials from the **Department of Revenue (DOR)** assume this proposal would freeze any increase in the assessment valuation rates of any property taxes levied on any property owned by an individual who has attained an age of at least sixty-five years and is liable for the payment of real property taxes on the property. The local political subdivision may implement income limits to qualify for this freeze in rate. This proposal does not completely eliminate what is currently owed, but would slow the rate of growth of property taxes collected in the future.

This proposal would need to be voted on by the citizens at the November 2022 general election to be adopted as a constitutional amendment. This proposal should it be adopted at the November 2022 election would not be certified until December 2022 and this proposal could not be implemented until January 1, 2023.

Should this proposal not be adopted as a constitutional amendment, this proposal would have no fiscal impact. Should the constitutional amendment, be adopted then it is up to the local political subdivisions to hold an election to adopt the proposal.

This proposal would require each political subdivision wanting to freeze the property tax of these seniors to hold an election. It is assumed the first available election that local political subdivision could put this on the ballot would be the April 2023 municipal election. The Department will assume this would start October 1, 2023, the second quarter after passage of this proposal. This would change the property tax rate during the middle of a tax year.

If no local political subdivisions adopt an ordinance this proposal will have no fiscal impact. Should any local political subdivisions choose to adopt the ordinance then that local political subdivision would receive less property tax and the state may be impacted.

The only property tax collected by the State is for the Blind Pension Fund. The Missouri Blind Pension Fund is a fund for payment of pensions for the blind. The tax, or collection for the fund, consists of 3 cents on each \$100 valuation of taxable property in the State of Missouri. Should the valuation of property hold the same, then this could result in future lost revenue.

The state may also have impact to the Senior Property Tax Credit. Some seniors paying property tax are eligible to receive the senior property tax credit. Claims for the credit are based on the actual amount of property tax paid. Freezing the property tax rates will result in a savings of future lost revenue (due to increasing property tax rates).

The Department is unable to determine how much of the total valuation of real property in tax year 2020 is attributed to properties owned by individuals who would qualify for this future real property tax freeze. The Department is also not able to predict if any political subdivisions will adopt this proposal or when they may adopt it; and therefore the impact of this proposal is unknown.

In response to the previous version, officials from the **City of Kansas City** assumed this proposal would have a negative fiscal impact on Kansas City in an indeterminate amount.

In response to the previous version, officials from the **City of Springfield** anticipated a negative fiscal impact from this bill should voters approve the exemption but does not have data from which it can determine the amount of impact.

In response to the previous version, officials from the **Boone County Commissioner Office** stated the legislation is discretionary, not mandatory, however there is the potential for an adverse fiscal impact.

In response to the previous version, officials from the **Kansas City Election Board** assumed the cost to conduct an election in the Kansas City portion of Jackson County is \$625,000. Depending on when the election is held, who else participates and if the State appropriates funds for this election, the cost could be between \$0 and \$625,000.

Officials from the **Department of Social Services** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

In response to the previous version, officials from the **Office of the State Auditor, Jackson County Board of Elections, Platte County Board of Elections, St. Louis County Board of Elections, Gasconade County Assessor's Office, City of Claycomo** and the **St. Charles Community College** each assumed the proposal would have no fiscal impact on their respective organizations.

**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). Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law. Therefore, Oversight will show an unknown loss the Blind Pension Fund.

Per the STC's website, total assessed value for residential property was \$64,061,602,665 in 2020. If this proposal reduced the total assessed value by 1.5%, the loss to the blind pension fund is estimated at \$288,277.

Total Assessed Value (Current)	\$64,061,602,665
Total Assessed Value if reduced by 1.5% (Assumed)	\$63,100,678,625
Difference	-\$960,924,040
Divided by 100	-\$9,609,240
Multiplied by 0.03 (Estimated Changed)	-\$288,277

Based on Demographic Characteristics for Occupied Housing Units from the United States Census Bureau, **Oversight** notes there are 517,775 owner-occupied housing units where the age of the householder is 65 years of age or older. Oversight is uncertain how many would have qualifying income or how many taxing districts would approve the exemption of these properties. Therefore, Oversight is uncertain how many would be exempt from increases in assessed value.

In addition, **Oversight** assumes there could be a saving to General Revenue from a reduction in the amount of Senior Property Tax Credits claimed. Oversight will show a range of impact of \$0 (no reduction) to an unknown savings.

**Oversight** notes property tax revenues are designed to be revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to real property owners who are under 65 (as the assessed values relatively decrease for credit-qualifying property owners).

**Oversight** notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were 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** will show a range of impact of \$0 (not voter approved or the tax burden is shifted to real property owner) to an unknown loss in property tax revenue for local political subdivisions.

In addition, **Oversight** assumes there could be costs to local taxing entities which approve the exemption to implement and monitor individual property assessed value freezes. Oversight will show an unknown cost to local political subdivisions for implementation.

The effective date of this proposal, if passed, would be 30 days after voters adopt the resolution. The next assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

**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 2024.

**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 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 the Missouri Legislative Information System database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>GENERAL REVENUE</b>			
<u>Cost Avoidance</u> - reduction in the amount of Senior Property Tax Credit claims (p. 5)	\$0	\$0 or Unknown	\$0 or Unknown
<u>Transfer Out</u> - SOS - reimbursement of local election authority election costs <b>if</b> a special election is called by the Governor (p. 3)	\$0 or (More than \$7,000,000)	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (More than \$7,000,000)</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>
<b>BLIND PENSION FUND</b>			
<u>Loss</u> - from a decrease in assessed value (p. 6-7)	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>



<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs</u> – Local Election Authorities – to vote on implementing assessed value increase exemptions (p. 5-7)	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> - Assessors - implementation and monitoring of assessed value increase exemptions on certain properties (p.7)	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Loss</u> – from assessed value increase exemptions (p.7)	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election (p.3)	\$0 or More than \$7,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election <b>if</b> called for by the Governor (p.3)	\$0 or (More than \$7,000,000)	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

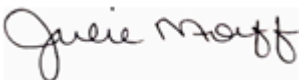
FISCAL DESCRIPTION

This constitutional amendment, if approved by the voters, allows a taxing jurisdiction to exempt taxpayers sixty-five or older meeting certain criteria, as described in the amendment, from increases in the assessed valuation of such taxpayer's residential real 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

State Tax Commission  
Office of Administration - Budget and Planning  
Department of Revenue  
Office of the Secretary of State  
Department of Social Services  
Office of the State Auditor  
City of Claycomo  
City of Kansas City  
City of Springfield  
Jackson County Board of Elections  
Kansas City Board of Elections  
Platte County Board of Elections  
St. Louis County Board of Elections  
Boone County Commissioner's Office  
Gasconade County Assessor's Office  
St. Charles Community College



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April 14, 2022



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