COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0966H.04C
Bill No.: HCS for SB 247
Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Taxation and Revenue - Sales and Use; Revenue, Department of; Retirement Systems and Benefits - General; Tax Credits; Utilities
Type: Updated#
Date: May 2, 2023

#Updated the impacts to the Blind Pension Fund and to local political subdivisions from §137.115, as an updated local personal property tax rate and current depreciation schedule data was obtained by the Office of Administration - Budget and Planning p. (1, 2, 13-15, 38,40)

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
General Revenue	Could exceed ($410,341,809 to $434,479,409)	Could exceed ($1,086,287,902 to $1,115,253,022)	Could exceed ($1,109,686,915 to $1,138,652,035)	Could exceed ($1,607,771,088 to $1,636,736,208)
Total Estimated Net Effect on General Revenue	**Could exceed ($410,341,809 to $434,479,409)**	**Could exceed ($1,086,287,902 to $1,115,253,022)**	**Could exceed ($1,109,686,915 to $1,138,652,035)**	**Could exceed ($1,607,771,088 to $1,636,736,208)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Blind Pension Fund	$0	#Could exceed ($2,499,449)	#Could exceed ($2,499,449)	#Could exceed ($2,499,449)
School District Trust Fund (0688)	Could exceed ($1,846,864 to $9,892,731)	(Could exceed $2,216,237 to $11,871,277)	Could exceed ($2,216,237 to $11,871,277)	(Could exceed $2,216,237 to $11,871,277)

Parks and Soils State Sales Tax Fund(S) (0613 & 0614)	Could exceed ($184,687 to $989,273)	Could exceed ($221,624 to $1,187,128)	Could exceed ($221,624 to $1,187,128)	Could exceed ($221,624 to $1,187,128)
Conservation Commission Fund (0609)	Could exceed ($230,858 to $1,236,592)	Could exceed ($277,030 to $1,483,910)	Could exceed ($277,030 to $1,483,910)	Could exceed ($277,030 to $1,483,910)
Total Estimated Net Effect on Other State Funds	**Could exceed ($2,262,409 to $12,118,596)**	**#Could exceed ($5,214,340 to $17,041,764)**	**#Could exceed ($5,214,340 to $17,041,764)**	**#Could exceed ($5,214,340 to $17,041,764)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Total Estimated Net Effect on FTE	**0**	**0**	**0**	**$0**

☒ 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Local Government	**Could exceed ($7,516,737 to $40,263,415)**	**#(Could exceed $598,002,661 to $637,298,675)**	**#(Could exceed $598,002,661 to $637,298,675)**	**#(Could exceed $624,398,994 to $663,695,008)**

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints relative to the complexity of this proposal, **Oversight** has performed limited analysis of agency responses and of the bill. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Oversight will continue to review to determine if an updated fiscal note should be prepared.

Sections 135.010, 135.025, 135.030 – PTC Increase

Officials from the **Department of Revenue (DOR)** note the following:

Background of Current PTC Program

This proposal makes several modifications to the Senior Property tax credit (PTC). The PTC provides two tax credits, one to homeowners and one to renters that pay property tax. In order to qualify for the PTC program there are income eligibility requirements and a person must:

Be over the age of 65,
Or 100% disabled,
Or a 100% disabled veteran,
Or at least 60 and the qualifying widow of someone in the previous categories.

For homeowners, the PTC provides a credit to offset the amount of actual property tax paid by the homeowner. The credit is up to $1,100 in property tax actually paid but the credit amount phases out as an individual's income rises. The homeowner's credit is for those with incomes of less than $30,000. It should be noted, there is no limit on the number of individuals who can receive the credit annually.

The PTC also currently provides a credit to offset the amount of property tax included in a taxpayer's rent payment. The tax credit for renters is up to $750 in property tax paid and to qualify a renter must have an income less than $27,500. The amount of the credit does phase out as income rises and there is no limit on the number of renters who can receive the credit annually.

This proposal says that all modifications of the property tax credit will begin on January 1, 2024. DOR notes that the majority of the PTC tax returns are received in DOR's office between January and April of each year. DOR assumes that the changes made by this proposal would fully impact FY 2024.

Proposed Change
This proposal makes numerous changers to the PTC credit.

The first modification would increase the income allowance for PTC claimants by $800 for renters and $1,800 for homeowner's starting with calendar year 2024. This bill impact revenue starting in FY 2025 when the taxpayer's file for their credit.

The second modification in this proposal is in Section 135.025, and will increase the credit amounts for both homeowners from $1,100 to $1,550 and for renters from $750 to $1,055 in fiscal year 2024. Additionally, beginning in calendar year 2025 this proposal will allow that new credit amount to be adjusted for inflation in future fiscal years. DOR uses a 2% inflation rate annually for estimating the increase in the credit. The new credit amount are estimated to be:

PTC Credit Increase

Tax Year	Renters	Homeowners
Current	$750	$1,100
2024	$1,055	$1,550
2025	$1,076	$1,581
2026	$1,098	$1,613
2027	$1,120	$1,645

*Assumes 2% average annual inflation, starting with tax year 2025.

The third modification of the proposal is found in Section 135.030.1, and will increase the maximum income limit to qualify for the credit starting in 2024. Each credit has a maximum income limit that once exceeded means the taxpayer no longer qualifies for the credit. Currently homeowners can have an income up to $30,000 while renters can have up to $27,500. This proposal will increase those amounts starting in tax year 2024. Then beginning in calendar year 2025, this proposal will allow the income limits to be inflation adjusted in future fiscal years.

Maximum Income

Calendar Year	Renter	Homeowner
Current	$27,500	$30,000

2024	$38,200	$42,200
2025	$38,964	$43,044
2026	$39,743	$43,905
2027	$40,538	$44,783

*Assumes 2% average annual inflation, starting with tax year 2025.

This proposal in section 135.025.2 would increase the phase-out income increments from the current $300 to $495 with calendar year 2024.

Lastly in Section 135.030.3 this caps the reduction in the tax credit to 2%. Currently, the tax credit is reduced by (1/16)% for each $300 increase in a taxpayer's income, with a maximum reduction of 4.0%. Under this 4% the reduction cap is never met with the existing income limits. This proposal would change the reduction calculation to (1/16%) for every $495 increase in a taxpayer's income, with a maximum reduction of 2.0%. Therefore, after 32 reductions (i.e. income of $29,645 under this proposal) the tax credit will remain a constant amount. Table 3 shows the minimum and maximum PTC amount for renters and homeowners.

Table 3: Minimum and Maximum PTC Credit

Calendar Year	Renter		Homeowner	
	Min	Max	Min	Max
2024	$445	$1,055	$940	$1,100
2025	$466	$1,076	$971	$1,550
2026	$488	$1,098	$1,003	$1,581
2027	$510	$1,120	$1,035	$1,613

*Assumes 2% average annual inflation, starting with tax year 2025.

Homeownership

In order to run calculations, DOR first had to determine how many taxpayer's file as a homeowner or a renter. DOR used their internal individual income tax system to pull the current PTC claimants and determine the percentage of homeowners and renters. While DOR recognizes that as incomes increase there could be more homeowners at the higher rate, for the simplicity of the fiscal note DOR will hold the rates steady.

PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	65.1%	34.9%
Widow(er)	70.5%	29.5%
Disabled	23.1%	76.9%

Impact of the Increase in the Maximum Credit and the Slower Credit Phase-Out

Renters
This proposal will increase the maximum credit allowed for renters from $750 to $1,055 as well as slowing down the income phase-out all the while capping the credit value reduction at 2%. . DOR's PTC records indicate that in tax year 2021, there were 66,717 renters that claimed the PTC credit. Using their data, DOR estimates that these changes would reduce general revenue by $16,657,443 in fiscal year 2024 for renters. By tax year 2027 making these changes will reduce general revenue by $20,207,310.

Homeowners
This proposal will increase the maximum credit allowed of homeowners of $1,100 to $1,550. Additionally, it will slow the phase-out of the credit from its current $300 to $495 all the while capping the credit value reduction at 2%. DOR's PTC records indicate that in tax year 2021, there were 64,463 homeowners that claimed the PTC credit. Using their data, DOR estimates that these changes would reduce general revenue by $19,344,757 in fiscal year 2024 for homeowners. By tax year 2027 making these changes will reduce general revenue by $23,428,736 due to the inflating maximum credit.

Summary of Maximum Credit and Slower Credit Phase-Out
Therefore these modifications of the credit will result in the following loss to general revenue.

Higher Credit and Slower Phase-Out

Tax Year	Fiscal Year	Renter	Homeowner	Total
2024	2024	($16,657,443)	($19,344,757)	($36,002,200)
2025	2025	($17,804,387)	($20,677,519)	($38,481,906)
2026	2026	($19,005,853)	($22,053,173)	($41,059,025)
2027	2027	($20,207,310)	($23,428,736)	($43,636,047)

Impact of the Maximum Income Limits

DOR notes that in order to determine the impact of the change in the maximum income limits, DOR used their tax year 2020 PTC filing data, and determined that if the cap had been raised, how many more taxpayers could have qualified for the credit. DOR has to calculate the renters and homeowners separately, due to the different maximum income limits being applied. Below is the yearly impact estimated for the next four fiscal years:

Renters -2024
The data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $38,200.

206	Qualified Widows
55,061	Age 65 & Older
5,722	Disabled
60,989	Total Income Qualifiers

Using the renter/homeowner split, DOR mentioned above, this would result in the potential new renters:

61	Qualified Widows
19,194	Age 65 & Older
4,399	Disabled
23,654	New Renters Qualifying

They note that the average PTC credit for these renters would be approximately $445. Therefore, DOR assumes that the maximum income increase for renters would reduce general revenue by $10,526,099 (23,654 * $445) in FY 2024.

Renters – 2025
The data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $38,964.

219	Qualified Widows
58,495	Age 65 & Older
6,119	Disabled
64,833	Total Income Qualifiers

Using the renter/homeowner split, DOR mentioned above, this would result in the potential new renters:

65	Qualified Widows
20,391	Age 65 & Older
4,507	Disabled
25,160	New Renters Qualifying

They note that the average PTC credit for these renters would be approximately $466. Therefore, DOR assumes that the maximum income increase for renters would reduce general revenue by $11,724,700 (25,160 * $466) in FY 2025.

Renters - 2026
The data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $39,743.

232	Qualified Widows

61,898	Age 65 & Older
6,476	Disabled
68,606	Total Income Qualifiers

Using the renter/homeowner split, DOR mentioned above, this would result in the potential new renters:

69	Qualified Widows
21,577	Age 65 & Older
4,979	Disabled
26,625	New Renters Qualifying

DOR notes that the average PTC credit for these renters would be approximately $488. Therefore, DOR assumes that the maximum income increase for renters would reduce general revenue by $12,992,945 (26,625* $488) in FY 2026.

Renters – 2027
The data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $40,538.

250	Qualified Widows
65,541	Age 65 & Older
6,837	Disabled
72,628	Total Income Qualifiers

Using the renter/homeowner split, DOR mentioned above, this would result in the potential new renters:

74	Qualified Widows
22,847	Age 65 & Older
5,257	Disabled
28,178	New Renters Qualifying

DOR notes that the average PTC credit for these renters would be approximately $236. Therefore, DOR assumes that the maximum income increase for renters would reduce general revenue by $6,655,972 (28,178 * $236) in FY 2027.

Renters – Future Fiscal Years
The PTC program is modified to allow the maximum income limit and the credit amount to inflation adjust annually. Therefore this proposal will continue to have a fiscal impact beyond the fiscal note years.

Homeowners – 2024

The data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $42,200.

236	Qualified Widows
57,100	Age 65 & Older
6,080	Disabled
63,416	Total Income Qualifiers

Using the renter/homeowner split, DOR mentioned above, this would result in the potential new homeowners:

166	Qualified Widows
37,195	Age 65 & Older
1,405	Disabled
38,767	New Homeowners Qualifying

DOR notes that the average PTC credit for these homeowners would be approximately $940. Therefore, DOR assumes that the maximum income increase for homeowners would reduce general revenue by $36,440,935 (38,767 * $940) in FY 2024.

Homeowners – 2025
The data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $43,044.

255	Qualified Widows
60,826	Age 65 & Older
1,487	Disabled
62,568	Total Income Qualifiers

Using the renter/homeowner split, DOR mentioned above, this would result in the potential new homeowners:

180	Qualified Widows
39,622	Age 65 & Older
1,487	Disabled
41,289	New Homeowners Qualifying

DOR notes that the average PTC credit for these homeowners would be approximately $971. Therefore, DOR assumes that the maximum income increase for homeowners would reduce general revenue by $40,091,915 (41,289 * $971) in FY 2025.

Homeowners – 2026
The data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $43,905.

269	Qualified Widows
64,521	Age 65 & Older
6,780	Disabled
71,570	Total Income Qualifiers

Using the renter/homeowner split, DOR mentioned above, this would result in the potential new homeowners:

190	Qualified Widows
42,029	Age 65 & Older
1,567	Disabled
43,786	New Homeowners Qualifying

DOR notes that the average PTC credit for these homeowners would be approximately $1,003. Therefore, DOR assumes that the maximum income increase for homeowners would reduce general revenue by $43,917,450(43,786 * $1,003) in FY 2026.

Homeowners - 2027
The data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $44,783.

292	Qualified Widows
68,205	Age 65 & Older
7,130	Disabled
75,627	Total Income Qualifiers

Using the renter/homeowner split, DOR mentioned above, this would result in the potential new homeowners:

206	Qualified Widows
44,429	Age 65 & Older
1,648	Disabled
46,283	New Homeowners Qualifying

DOR notes that the average PTC credit for these homeowners would be approximately $1,035. Therefore, DOR assumes that the maximum income increase for homeowners would reduce general revenue by $47,902,884 (46,283 * $1,035) in FY 2027.

Homeowners – Future Fiscal Years
The PTC program is modified to allow the maximum income limit and the credit amount to inflation adjust annually. Therefore this proposal will continue to have a fiscal impact beyond the fiscal note years.

Summary of the Maximum Income Limits
Increasing the maximum limit would reduce general revenue starting in FY 2024 by $23,413,215. It is estimated to have an impact in the future:

Higher Maximum Income Limit

Calendar Year	Fiscal Year	Renter	Homeowner	Total
2024	2024	($10,526,099)	($36,440,935)	($46,967,034)
2025	2025	($11,724,700)	($40,091,915)	($51,816,615)
2026	2026	($12,992,945)	($43,917,450)	($56,910,395)
2027	2027	($14,370,620)	($47,902,884)	($62,273,504)

<u>Summary – Total Impact of PTC Changes</u>
These modifications to the Senior Property tax credit will reduce general and total state revenue as follows:

Summary of GR Impact

Fiscal Year	Renter		Homeowner		Total GR Loss
	Higher Income	Increased Credit	Higher Income	Increased Credit	
2024	($10,526,099)	($16,657,443)	($36,440,935)	($19,344,757)	($82,969,234)
2025	($11,724,700)	($17,804,387)	($40,091,915)	($20,677,519)	($90,298,521)
2026	($12,992,945)	($19,005,853)	($43,917,450)	($22,053,173)	($97,969,420)
2027	($14,370,620)	($20,207,310)	($47,902,884)	($23,428,736)	($105,909,551)

This proposal will require DOR to make annual changes to their MO-PTC form, website, and individual income tax computer system. Those costs are estimated at $7,193 per year.

Oversight notes that DOR & B&P provided information extrapolated directly from the Department's database. Whenever a taxpayer files for the tax credit, he or she must indicate the reason for the tax credit on the PTC form, or MO-1040 form. However, any taxpayer who has a disability and is over 65 will usually mark only one box for the qualification. Since the over 65 box is the first option to be marked on this form most of the taxpayer filing the PTC form will chose to mark the first box. Therefore, DOR notes, it is likely, there are many more in other categories who are unaccounted for.

Oversight notes DOR, for fiscal note purposes, held the population percentage between renters and homeowner constant; therefore, the proposal calculations could be underestimated. Therefore, Oversight will present the fiscal impact and reflect the totals could exceed the final estimated impact in the fiscal note.

Oversight notes that there is currently no independently produced data/statistics, or study, providing any similar statistic information on the specific subsets of taxpayer population presented in this proposal. Therefore, **Oversight** does not have any information to the contrary and will reflect B&P's and DOR's estimated fiscal impact in the fiscal note.

<u>Section 137.115 – Motor Vehicle Property Tax Assessment</u>

Officials from the **Department of Revenue (DOR)** note this provision changes how the assessment rate will be determined for motor vehicles. Property tax assessments are handled by county assessors and the State Tax Commission and per this proposal would be responsible for the creation of the manufacturer's suggested retail value database. This provision does not impact the Department and DOR defers to the State Tax Commission and the counties for their estimated fiscal impact.

Officials from the **State Tax Commission (STC)** assume this has 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 bill would require additional FTE for the State Tax Commission to receive the Manufacturer Suggested Retail Price (MSRP) from a vendor and then configure that data to fit the multiple assessment programs used in the state. The cost of the data as well as the cost of licensing for each county in the state has been estimated to be less than $200,000.

The bill allows for all currently assessed vehicles to use a previously assessed value in the depreciation schedule, but the MSRP would have to be obtained for each new vehicle and used vehicles purchased from outside of the state by Vehicle Identification Number. The current system uses average trade in value listed in the October issue of the National Automobile Dealers Association guide and that value will be less than the starting value of MSRP in most cases which could cause an increase in assessments.

The use of a depreciation schedule would require that the vehicle values decrease each year regardless of the true market values which could cause a decrease in the assessments generated. The depreciation schedule stopping after 10 years would cause a reduction due to approximately 50% of vehicles being removed from assessment and that would lead to approximately a 35% reduction of the total assessment for motor vehicles. The impact varies by county as the percentage of real and personal property in each county depends on several factors. The range of personal property assessed value compared to the total assessed value goes from 15.8% to 46.5% with the average being 29.5% in 2022, so the higher percentages would be impacted at greater amounts.

The bill also includes farm machinery which would follow the same pattern as the motor vehicles. Farm machinery and equipment accounts for small percentage of the total personal property but it would have a greater impact on rural counties. The bill also requires all of the software used in the counties to meet minimum standards which could require a cost to some counties for upgrades.

The **County Employees' Retirement Fund (CERF)** notes this section would likely result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how changes to motor vehicle assessments would impact contribution revenue but CERF assumes there would be a negative impact.

#Officials from the **Office of Administration - Budget and Planning (B&P)** note for tax year 2023, this proposal would require county assessors to use a national publication other than the currently required NADA guide when determining the market value for motor vehicles. The STC shall determine which publication all assessors will use and the assessors may then use the values published in any of the three previous October issues.

#For tax years beginning with 2024, each county assessor must use the MSRP and then depreciate the motor vehicle value following the proposed 10-year depreciation schedule. B&P notes that the definition of motor vehicle includes all property required to be licenses and registered plus farm tractors and machinery which are capable of moving on the roads at low speeds. For used vehicles, county assessors are to take the 2023 market value and apply the appropriate depreciation rate(s) going forward.

#Using sales data published by the U.S. Bureau of Transportation Statistics, B&P was able to determine the average price for new vehicles from 1990 – 2021. B&P then used published articles to estimate the average sales price for new vehicles in 2022 and 2023. Based on research, B&P was able to obtain a depreciation schedule similar to the one historically shown in the NADA publications. In addition, DOR provided data to B&P with the number of motor vehicles registered in Missouri by model year. Table 1 shows the comparison between the estimated current depreciation schedules used in NADA versus the proposed schedule for model years 2003 - 2023. B&P notes that the amounts shown are the percentage of market value remaining after depreciation.

#Table 1: Proxy and Proposed Depreciation Schedule

Model Year	Current Remaining Value	Proposed Remaining Value	Difference		Model Year	Current Remaining Value	Proposed Remaining Value	Difference
2023	85.0%	85.0%	0.0%		2012	26.1%	0.1%	(26.0%)
2022	75.0%	75.0%	0.0%		2011	23.5%	0.1%	(23.4%)
2021	67.5%	67.5%	0.0%		2010	21.2%	0.1%	(21.1%)
2020	61.7%	54.7%	(7.0%)		2009	19.1%	0.1%	(19.0%)
2019	54.7%	49.7%	(5.0%)		2008	17.2%	0.1%	(17.1%)
2018	49.2%	44.2%	(5.0%)		2007	15.4%	0.1%	(15.3%)
2017	44.3%	39.9%	(4.4%)		2006	13.9%	0.1%	(13.8%)
2016	39.9%	24.8%	(15.1%)		2005	12.5%	0.1%	(12.4%)

2015	35.9%	16.8%	(19.1%)
2014	32.3%	12.8%	(19.5%)
2013	29.0%	10.0%	(19.0%)
2004	11.2%	0.1%	(11.1%)
2003	10.0%	0.1%	(9.9%)

**2002 and older estimates calculated, but not shown.*

#B&P then took the original sales data and applied the current depreciation schedule and the proposed schedule to determine the difference in market values. B&P notes that motor vehicles are then assessed at 33.33% of their market value, while farm machinery is assessed at 12% of market value. Table 2 shows the estimated average current and proposed assessed values for model years 2003 – 2023.

#Table 2: Estimated Current and Proposed Average Assessed Value

Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference
2023	$14,213	$14,213	$0
2022	$11,909	$11,909	$0
2021	$10,218	$10,218	$0
2020	$8,065	$7,150	($915)
2019	$6,922	$6,290	($632)
2018	$6,130	$5,507	($623)
2017	$5,482	$4,937	($545)
2016	$4,901	$3,046	($1,855)
2015	$4,353	$2,037	($2,316)
2014	$3,818	$1,513	($2,305)
2013	$3,416	$1,178	($2,238)
2012	$3,028	$12	($3,016)
2011	$2,789	$12	($2,777)
2010	$2,500	$12	($2,488)
2009	$1,669	$9	($1,660)
2008	$1,516	$9	($1,507)
2007	$1,382	$9	($1,373)
2006	$1,243	$9	($1,234)
2005	$1,032	$8	($1,024)
2004	$898	$8	($890)
2003	$762	$8	($754)

**2002 and older estimates calculated, but not shown.*

#Using data published by STC, B&P estimates that the statewide average personal property tax rate is 6.8%. B&P notes that the Blind Pension Trust Fund levies a statewide property tax of $0.03 per $100 value. Table 3 shows the estimated state and local revenue impact by model year.

#Table 3: Estimated Revenue Impact by Model Year

Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss
2023	93,124	$0	$0
2022	250,577	$0	$0
2021	281,533	$0	$0
2020	287,551	($77,639)	($17,716,017)
2011	233,800	($194,054)	($43,718,262)
2010	204,757	($153,568)	($34,300,893)
2009	170,742	($85,371)	($19,083,833)
2008	241,668	($108,751)	($24,522,052)

2019	331,860	($63,053)	($14,120,643)
2018	338,301	($64,277)	($14,191,727)
2017	366,085	($58,574)	($13,435,320)
2016	348,732	($195,290)	($43,556,627)
2015	348,451	($240,431)	($54,340,933)
2014	318,691	($219,897)	($49,464,030)
2013	297,730	($199,479)	($44,864,934)
2012	273,170	($245,853)	($55,475,364)
2007	244,129	($100,093)	($22,569,726)
2006	234,404	($86,729)	($19,476,628)
2005	221,323	($68,610)	($15,260,221)
2004	214,644	($57,954)	($12,861,468)
2003	179,193	($41,214)	($9,097,629)
2002 and older	1,403,602	($238,612)	($54,529,938)
#Total Estimated Impact		**($2,499,449)**	**($562,586,245)**

#Therefore, B&P estimates that this proposal could reduce revenues to the Blind Pension Trust Fund by up to $2,499,449 and local revenues by up to $562,586,245. B&P notes that this provision would affect tax year 2024 assessments, which are not collected until FY25.

<u>#B&P notes the following about the above estimates:</u>

- Sales date reflects actual sales and not MSRP. B&P notes that MSRP is typically higher (sometimes significantly) than the original actual sales price paid. Therefore, it is possible that newer vehicles could be assigned a higher market value (and hence assessed value and property tax liability) than they would under current law. This would result in a lower revenue loss than the amount shown above.
- This proposal would set all older vehicles (model year 2023 and prior) to their tax year 2023-estimated market value. B&P notes that tax year 2023 assessments are not yet complete. Therefore, in order to provide estimates, B&P applied the depreciation schedule to each model year's average original sales price. B&P notes that 2023 determined market values could vary significantly from the proxy value that B&P has estimated. This could result in a larger or smaller revenue loss than the amounts shown above.
- The historical depreciation schedule is based on pre-COVID depreciation patterns. B&P is unable to determine how quickly motor vehicle depreciation will return to pre-COVID levels. Therefore, actual revenue loss could be different from the amount shown above.
- These estimates are based on averages. These estimates <u>do not include</u> farm tractors or machinery. B&P does not have depreciation data on farm tractors or machinery. The composition of vehicle types, model years, etc. in any given location could result in significantly different revenue impacts than the estimates shown above.

#Oversight notes officials from the Office of Administration - Budget and Planning assume the proposal will have a direct fiscal impact on state revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect B&P's estimated impact in the fiscal note.

#**Oversight** notes B&P's estimated impact does not include farm tractors or machinery. Oversight is unable to estimate the quantity and current value of farm machinery that may be impacted by this proposal. Oversight notes per the STC website, agricultural property makes up 1.45% of the total assessed value, or about $1,959,656,045. Oversight will show a negative unknown impact for this provision.

Oversight notes this section of the proposal has an emergency clause.

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.)

Officials from the **Lincoln County Assessor** assume this will be a significant assessed value loss and property tax loss in using a 10 depreciation schedule and with almost zero value for the floor. Lincoln county has over 60% of its vehicles that are over 10 years old. This could potentially lose $100,000's of tax revenue to taxing districts. The worry is that the tax burden will shift to the real property owners to make up any lost revenues.

In response to a similar proposal, SB 493 (2023), officials from the **Ste Genevieve County Assessor** estimate the revenue loss if vehicles 20 yrs.+ will be assessed at a $300 market value / $100 assessed value at $38,704.60 for total revenue lost for the county and $657.98 loss in revenue to the assessment fund.

In response to a similar proposal, SB 493 (2023), officials from the **Adair County SB40 Board** note the county board currently has approximately $104M in Personal Property Assessed Valuation taxed at .1456 for an estimated Personal Property Tax revenue of $150,000. The local assessor estimated 61% of all vehicles are over 10 years old. It's difficult to calculate what the impact will be with a depreciation schedule of 20 years. The most important statement to understand is that ANY loss in property tax revenues WILL result in a reduction of essential services to people with intellectual and developmental disabilities in Adair County. Types of services that could be significantly reduced include sheltered employment, supported employment, transition services and other collaborative programs with the public schools, educational courses such as citizenship, relationships, healthcare self-advocacy, etc. Also, the agency's contribution of 20% share to leverage another 20% from state and 60% from federal Medicaid waiver dollars ('Partnership for Hope funds') would be reduced.

In response to a similar proposal, SB 493 (2023), officials from the **St Louis City SB40 Board** note per data from their county assessor, they assume the following fiscal impacts:

		Before Legislation	Taxes
Vehicles	**2013-2022**	518,399,258	$42,851,401
	2012 & Older	85,768,109	$7,089,678
		604,167,367	**$49,941,079**
		After Legislation	**Taxes**
		213,195,500	$17,622,953
Difference from changes to vehicles		390,971,867	$32,318,126

Total 2022 PP Value at 33.33%		1,259,655,321	
Vehicles		604,167,367	
All other Personal Property	**@ 33.33%**	655,487,954	$54,183,290
	Market Value	1,966,463,861	
	@ 31%	609,603,797	$50,390,459
	AV decrease (non-vehicles)	**45,884,157**	**$3,792,830**

Loss in taxes from change to 31% assessment rate and applying vehicle depreciation schedule	$32,318,126
Loss in taxes from change to 31% assessment on personal property other than vehicles	$3,792,830
Loss from Legislation to all taxing jurisdictions	$36,110,956
City Portion (loss)	$7,226,909
Developmentally Disabled (loss)	$598,493
Loss to Collector of Revenue Fund	$541,664
Loss to Assessment Fund	$225,693

Officials from **Howell County** note Section 137.115(10) of this bill will have a major adverse impact on local government revenues. In Howell County, the personal property this targets is 67% of the total personal property assessed value and generated $3,410,920 of local funding in 2022. Statewide it is 21% of total assessed value generating $1,987,103,270 of local funding. This proposal does not offer any method of replacement as required by law.

A 9 year depreciation schedule is too rapid for vehicles, the most appropriate schedule is 15 years and it will still reduce taxes annually but not create as large a shift in the tax burden to real property.

Adding farm machinery to this is problematic as there is no centralized list of who owns farm machinery and the assessment of farm machinery is voluntary reporting under current statutes. This will add another $300,000 in lost revenue.

Total estimated local revenue loss in Howell County $4,183,400

Total estimated local revenue loss Statewide $3,000,000,000 or more.

Officials from **Andrew County** note the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. The number of motor vehicles in the county 10 years old or older stands at 16,292, while the number of farm machinery 10 years or older in the county is 1,522.

Officials from **Barton County** note they have more than 8,000 motor vehicles that are 10 years or older and only 3,323 motor vehicles newer than 10 years old. The county projects it would lose $563,437 in tax revenue. For farm machinery, the county projects it would lose $311,291 in tax revenue, as the county has more than 4,500 pieces of farm machinery 10 years old or older.

Officials from **Boone County** note Boone County has about 81,000 motor vehicles that ace 10 years old or older, which makes up 72% of the county's motor vehicles. If the deprecation schedule in SB 8 was implemented the assessed value of motor vehicles would decrease from $605 million to $225.4 million.

By applying the average Boone County levy of $6.5000, the loss of revenue due to change in depreciation would be $24,680,000. Boone County billed approximately $55,000,000 in personal property tax revenue in 2022. Boone County would see a 45% decrease in personal property tax revenue due to SB 8.

The county also says 82% of the farm machinery is 10 years old or older. Applying the proposed depreciation table in SB 8 the total assessed value of (farm machinery) would decrease from $3.060,694 to $545,577. Again, by applying the average Boone County levy of $6.5000 loss of revenue due to change in depreciation would be $163,500,

Officials from **Buchannan County** note Buchannan County has 19,677 motor vehicles registered that are more than 20 years old and 47,114 that are 10 years old or older. The amount of tax revenue the county is expected to lose if SB 8's depreciation schedule is implemented would be $2.92 million. The county expects it would lose more than $71,000 on pieces of farm machinery that are 10 years old or older.

The revenue loss on motor vehicles 10 years old or older to the St. Joseph School District would be more than $1.5 million, while the county's 12 fire district could lose $59,000 in personal property tax revenue.

Officials from **Butler County** note Butler County officials say 69% of the total vehicles for the county are 10 years old or older with a total value of 103,894,020. At current assessed rate of 33.33% the tax dollars are $1,539,832 vs 31% $1,432,187. Difference of $107,645, If all vehicles over 10 years old go to $1 assessed the tax dollars would drop to $1,730,524. A difference of $1,430,619 just in 10+ year old vehicles (doesn't include farm equipment).

Officials from **Calloway County** note county officials claim that there are 36,712 motor vehicles that are 10 years old or older in the county. The new depreciation schedule in SB 8 would result in a revenue loss of more than $1.6 million on those vehicles if SB 8 was implemented.

Officials from **Chariton County** note changing the depreciation table to only assess vehicles for 10 years would have a very negative effect on assessed valuation. Currently 69% of the vehicles in Chariton County are older than 10 years and they have an assessed valuation of $6,645,660. Assuming a $7.00 levy this portion would result in a $465,196.00 loss of revenue to taxing entities,

Second, changing the depreciation table to only assess farm machinery for 10 years would have a greater affect than vehicles. Currently 90% of the farm machinery in Chariton County is older than 10 years and has an assessed valuation of $8,627,140. Assuming a $7.00 levy this portion would result in a $603,890 loss of revenue to taxing entities.

Lastly, the accelerated depreciation table to get the vehicles depreciated by the time that they are 10 years old could be the costliest of all. This figure is impossible to produce, but Chariton County officials are confident that it would be a least another $1,000,000.00 loss of revenue to the taxing entities.

Chariton County officials would like to stress that while schools may have the ability to increase levies and pass the expense onto another sub-class. Many of the fire districts, ambulance districts, road districts etc. have a statutory limit to their tax rate, which many are already charging. They have no way to recoup the loss of revenue. The legislature is limiting them on both sides of the equation

Officials from **Clinton County** note Clinton County has 15,357 motor vehicles that are 10 years old or older and 1,516 pieces of farm machinery that are 10 years old or older. Under the new depreciation schedule in SB 8, the county would expect to lose $1.34 million on motor vehicles and nearly $96,000 on farm machinery.

Officials from **Cole County** note Cole County has 49,146 motor vehicles that are 10 years old or older. Under the new depreciation schedule in SB 8, the county would expect to lose $2.2 million in personal property tax on those vehicles

Officials from **Dallas County** note their County has nearly 12,100 motor vehicles that are 20 years old or older and 21,750 motor vehicles that are 10 years old or older, which makes up for 74% of the motor vehicles in Dallas County.

Dallas County says 75% of the farm machinery in the county is over 10 years old. This will cause a $1,457,991 decrease in assessed value which is about a $70,000 loss in tax revenue.

Officials from **Franklin County** note the county has nearly 25,000 motor vehicles that are 20 years or older, and more than 58,500 motor vehicles that are 10 years or older. If SB 8 is implemented, Franklin County projects it's assessed valuation on motor vehicles to decrease by $70.6 million.

Franklin County also has more than 4,900 pieces of farm machinery that is 10 years or older and projects the assessed valuation on those items will decrease by $1.1 million.

Officials from **Greene County** note the county has 168,311 motor vehicles that are 10 years old and older and applying the new depreciation scheduled in SB 8 could cause a revenue loss of nearly $16 million. The county has 2,991 items registered as farm machinery and would expect a loss of more than $97,000 in tax revenue if 8B 8 is implemented.

Officials from **Harrison County** note the county had an assessed valuation of more than $8.86 million on vehicles that were 10 years old or older in 2022. If SB § is implemented the projected loss in assessed valuation would be $8.85. The estimated loss in assessed valuation for farm machinery in the county would be more than $2.8 million.

Officials from **Holt County** note Holt County has nearly 6,200 motor vehicles in the county that are 10 years old or older and 3,201 that are 20 years old and older. The fiscal impact on the county if the new depreciation schedule in SB 8 is implemented would be a revenue loss of more than $291,000, the revenue impact on farm machinery 10 years old or older would be a loss of more than $133,000,

Officials from **Lincoln County** note the county estimates it has 44,000 vehicles in the county that are 10 years old or older and 23,000 vehicles that are 20 years old or older. If the depreciation schedule change in SB 8 on motor vehicles and farm machinery was implemented, it could take the normal assessment value of more than $50 million on those motor vehicles/farm machinery 10 years old or older in the county and drop it to an assessed valuation of more than $46,000.

Officials from **Miller County** note the bill would basically zero out 34,921 items (all motorized vehicles and farm machinery older than 10 years.

Officials from **Newton County** note the county has 55,516 motor vehicles that are 10 years old or older and 26,442 motor vehicles that fall into the category of 20 years old or older. If the depreciation schedule in SB 8 was implemented the county projects a tax revenue loss of nearly $3 million.

Newton County has 1,665 pieces of farm machinery in its county but is unable to identify how many of those pieces are 10 years old or older at this time.

Officials from **Nodaway County** note according to county officials, there are more than 17,251 motor vehicles that are 10 years old and older, which would account for more than $935,000 loss in tax revenue generated from those vehicles.

Officials from **Oregon County** note Oregon County has 9,719 motor vehicles/farm machinery that are 10 years old or older in the county and that the tax revenue generated from the personal property on those items will be significantly
reduced.

Officials from **Pettis County** note the county projects a loss of $1.5 million in tax revenue the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. The county also projection a loss of more than $134,000 on farm machinery that is 10 years old or older is the depreciation schedule in SB 8 is implemented.

Officials from **Phelps County** note the amount of tax revenue lost by the taxing entities in the county if the new depreciation schedule was implemented on motor vehicles and farm machinery 10 years old or older would be more than $612,000. The county has 22,445 motor vehicles that are 10 years old or older and 746 pieces of farm machinery that is 10 years old or older.

Officials from **Ralls County** note the county has 13,207 vehicles that are 10 years old or older and, if the new depreciation scheduled in SB 8 was implemented, county officials project a $12.56 million loss in assessed value.

Officials from **Randolph County** note the county has more than 8,000 motor vehicles that are 10 years old or older and would stand to lose $772,000 if the new depreciation table was implemented.

Officials from **Scotland County** note 64% of the vehicles assessed in Scotland County are 10 years old or older

Officials from **Scott County** note the county has more than 45,000 vehicles with more than 29,000 of them being 10 years old and older. Scott County projects a loss of more than $2.3 million from vehicles that are 10 years old or older. The county also has 1,624 items dedicated as farm machinery with more than 1,300 being 10 years old or older. The estimated loss on tax revenue from farm machinery if SB 8 was implemented would be nearly $450,000.

Officials from **Shelby County** note this will have a huge impact on the assessed valuation of Shelby County.

There will be an estimated assessed valuation loss of $23,710,683 by using this new 10 year depreciation schedule on vehicles and farm equipment. That is 54% of the county's total personal property valuation in Shelby County and would be an estimated loss in tax revenue in excess of $1,707,169 to taxing entities. There is no clear answer as to how these revenue losses will be replaced.

Officials from **St Clair County** assume SB 8 would negative affect the county's budget, as well as other taxing entities in the county. As a rural county, St. Clair County does not take in much sales tax revenue to offset any loss of tax revenue on personal property tax.

At this time, the county cannot determine the number of vehicles in the county that are 10 years old or older but does project that 75% of the farm equipment would be over 10 years of age. This new depreciation schedule in SB 8 would impact tax revenue generated from farm machinery is already assessed at a lower percentage of 12%.

Officials from **Sullivan County** note a loss of $315,000 in tax revenue on 6,173 motor vehicles 10 years old or older due to the new depreciation schedule in SB 8. Farm machinery 10 years old or older is estimated to generate $152,000 less in tax revenue because of the depreciation schedule in SB 8.

Officials from **Washington County** note the number of motor vehicles in the county 10 years old or older stands at 21,749.

Officials from **Andrew County** state they have 64% of vehicles 11 years and older. This will shift the short fall to the real-estate. Then the county will need to increase the values higher and higher and they are having problems keeping up with the market as it is. And to make it worse they are adding farm machinery to the 10 year table. Andrew County is running at 89% on farm machinery that is over 10 years old. The County has items that will last 30-50 years and more.

<u>Section 137.1050 Local Property Tax Credit</u>

Officials from the **Department of Revenue (DOR)** note this provision establishes a tax credit for seniors who own their own home. Any county is allowed to pass an ordinance or have an election to grant seniors this tax credit. If no county chooses to have an election or pass an ordinance, this provision will have no fiscal impact.

If a county chooses to pass an ordinance or have an election in which the measure passes then they are allowed to grant a tax credit to eligible seniors. The eligible senior must be a resident of Missouri, eligible for social security benefits, be the owner of record of a residence and pay the property tax on that residence. No taxpayer can claim a credit for more than one property. The credit is equal to the difference between the amount of property tax liability owed in a year minus the property tax liability owed in the year they met all the eligibility requirements. This is creating a system that would prevent seniors from paying higher property taxes.

Based on information from the U.S. Census Bureau there are 517,086 seniors owning houses in Missouri. Using information pulled from the State Tax Commission 2021 Annual Report and the U.S. Census Bureau, the Department was able to estimate the median home price in Missouri is $163,600, the average real estate taxes paid is $1,690. Therefore seniors paid approximately $873,875,340 in real property tax.

However this proposal is a reduction of what is owed and not a total elimination. The Department is unable to estimate the number of counties that would adopt such a proposal and how many seniors may be located in that county. The loss of revenue per county will depend on the number of seniors who own homes in their county. For example, St. Louis City only has about 10% of its homeowners over 65 while Morgan County has 44% of their homeowners are over 65. Property tax is assessed and collected by the county assessors and State Tax Commission. This will result in an unknown loss to the locals of future increased revenue.

The only property tax collected by the State is 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. Since this is a constitutional created tax, the county would still be responsible for ensuring it was paid. It would appear this would cost the county the amount that the seniors owed.

The Department administers the Senior Property Tax Credit program which allows seniors based on their income to claim a tax credit based on the property tax they actually pay. Freezing the property tax rates will result in a savings of future lost revenue (due to increasing property tax rates).

In FY 2021, there were 50,895 seniors that checked the box on the PTC form indicating they were over the age of 65+ and owned their home. They claimed $32,069,167 in tax credits. Freezing the amount each senior would owe in property tax would result in the taxpayer qualifying for a small future amount of the Senior Property Tax Credit. This could potentially result in an unknown savings of future foregone revenue.

This provision will not have an administrative impact on the Department as DOR does not do property tax assessment.

Officials from the **County Employees' Retirement Fund (CERF)** note this section would likely result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how changes to motor vehicle assessments would impact contribution revenue but CERF assumes there would be a negative impact.

Oversight assumes this proposal would grant qualifying individuals tax credits for the increases in property taxes.

Oversight notes, per Article III Section 38(b) of the Missouri Constitution, 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). Oversight notes this proposal does not appear to alter a property's assessed value. Therefore, Oversight assumes this proposal would not impact the Blind Pension Fund.

However, **Oversight** notes the Blind Pension Fund receives increased property taxes from increases in assessed value. For example:

Assessed Value Year 1 = $100,000
Blind Pension Tax Liability = ($100,000 /100) * .03 = $30

Assessed Value Year 2 = $110,000
Blind Pension tax liability = ($110,000 /100) * .03 = $33

For purposes of this fiscal note, **Oversight** assumes qualifying taxpayers (or the taxing political subdivisions) would still pay the increases due to the Blind Pension Fund. If this assumption is incorrect, this could potentially change the fiscal impact as presented in this fiscal note.

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 of these homeowners would having qualifying income or how many taxing districts would approve the tax credits. Therefore, Oversight will show a range of impact of $0 (not voter approved) to an unknown loss in revenue to local political subdivisions.

In addition, **Oversight** assumes there could be costs to implement and monitor individual credits for local taxing entities which approve a property tax credit. Oversight will show a range of impact of $0 (no subdivision ordinance or voter approval) to an unknown cost to local political subdivisions for implementation.

Oversight will show a range of impact of $0 (not ordinance or voter approved) to an unknown savings to General Revenue from a reduction in Senior Property Tax Credit due the issuance of local property tax credits. Oversight does not anticipate the savings to exceed $250,000.

<u>Section 143.011 Individual Income Tax Rate Reduction</u>

Officials from the **Department of Revenue (DOR)** DOR notes the current individual income tax rate for tax year 2023 is 4.95% per SB 3 (2022) and is projected to be 4.8% for tax years 2024 & 2025. Per SB 3, the individual income tax rate is then scheduled to drop over a period of years to 4.5% based on certain state revenue growth. The Department is unable to determine when these scheduled drops in the rate will actually occur, but for fiscal note purposes only DOR will assume they will drop over the next consecutive years.

This provision changes the rate for tax year 2024 to 4.5% and then allows the rest of the SB 3 rate reductions to continue for tax year 2026 and beyond based on current revenue projections. Therefore, the current and proposed rates are:

Current and Proposed Income Tax Rates

Tax Year	Current Rate	Proposed Rate
2024	4.8%	4.5%
2025	4.8%	4.5%
2026	4.7%	4.35%
2027	4.6%	4.25%
2028	4.5%	4.15%
2029+	4.5%	4.05%

The Department used its internal Income Tax Model that contains confidential taxpayer data to estimate the fiscal impact. The model calculates the calendar/tax year impact, then converts the data to fiscal year using a 42% in the first year and 58% in the second year split for conversion. The loss to General Revenue is projected as follows:

By Tax Year

Tax Year	Amount
2024	($343,871,165)
2025	($342,453,209)
2026	($404,858,833)
2027	($406,254,255)
2028	($407,377,145)
2029	($522,057,242)

By Fiscal Year

Fiscal Year	Loss to GR
2024	($143,830,348)
2025	($343,275,623)
2026	($368,663,571)
2027	($405,444,910)
2028	($406,725,869)
2029	($455,542,786)
2030	($522,057,242)

This provision will require modification to the MO-1040 form and to the MO-1040P form. Additionally DOR will need to modify their website and their individual income tax computer system. These changes are estimated to cost $7,193.

At this time, the Department believes it can handle this work with existing resources. However, should DOR reach the number of errors or correspondence to justify additional FTE from this proposal or in combination with other proposals that will pass, DOR will seek the required number of FTE through the appropriation process. The Department is providing the number of errors or correspondence that require additional FTE.

1 FTE Associate Customer Service Rep for every 14,700 errors created
1 FTE Associate Customer Service Rep for every 5,700 pieces of correspondence generated

<u>Section 143.071 Corporate Income Tax Rate Reduction</u>

Officials from the **Department of Revenue (DOR)** note the current corporate tax rate is 4% a year. The FY 2022 net collections were $711.1 million. Starting January 1, 2024 this proposal will reduce the corporate tax rate to 2% for tax year 2024. Since this proposal is effective January 1, 2024 it is assumed only 6 months of collections will be impacted in FY 2024.

Then starting in tax year 2026, this proposal provides that another 1% reduction can occur if the amount of revenue received in FY 2025- 2026 exceeds the FY 2024-2025 collections by $50 million. If it does, the 1% rate reduction will occur starting the following tax year. Therefore, the earliest this reduction could occur is tax year 2027.

Additionally in Section 143.071.6, this proposal establishes a procedure by which the corporate tax rate could be reduced to zero. It says that if the FY 2028 net general revenue collections are greater than $250 million over the FY 2027 net general revenue collections then the corporate rate will be reduced to zero. At this time, the Department is unable to predict if reducing the corporate rate to 1% would increase revenue by the $250 million for the trigger.

This provision then allows a final reduction to 0% if it meets the $250 million trigger. This will result in a loss to general revenue.

Corporate Rate Reduction	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	($177,765,669)	($355,531,338)	(355,531,338)	($444,414,173)	($533,297,007)	($711,062,676)

This provision in Section 143.071.8(1) states that upon the corporate tax rate being eliminated, corporations would no longer be allowed to claim tax credits. Many of the state tax credits are allowed to be sold, transferred, and assigned and it is assumed corporations would continue that practice. Additionally some companies may choose to no longer participate in tax credit programs, freeing up credits for other organizations to claim.

Per Section 148.720 whenever there is a reduction in the corporate tax rate there shall be a proportional decrease in the financial institutions tax. This proposal will eventually be a 100% reduction in the corporate tax so the financial institutions tax would also have a 100% decrease. The financial institutions tax is currently 4.48% with 98% of it distributed to locals and 2% retained by general revenue. In FY 2022, DOR collected $53,870,066 in tax. Per Section 148.720 the reduction in the financial institutions tax is reduced in the following year. The tax rates are expected to be:

Tax Year	Corporate Rate	Financial Institutions Rate
2023 current	4.0%	4.48%
2024	2.0%	2.24%
2025	2.0%	2.24%
2026	2.0%	12.24%
2027	1%	1.12%
2028	0%	0%
2029	0%	0%

The Department used its internal Income Tax Model that contains confidential taxpayer data from the 2020 tax year (the most recent complete tax year data) to calculate the fiscal impact.

State and Local Impact from Corporate Rate Reduction

	FY24	FY25	FY26
State Impact			
Corporate Tax Rate Reduction	($177,765,669)	($355,531,338)	($355,531,338)
Financial Institutions Tax Rate Reduction (2%)	$0	($538,701)	($538,701)
Total GR Loss	($177,765,669)	($356,070,039)	($356,070,039)
Local Impact	FY24	FY25	FY26
Financial Institutions Tax Rate Reduction (98%)	$0	($26,396,332)	($26,396,332)

State and Local Impact from Corporate Rate Reduction (cont.)

	FY27	FY28	FY29
State Impact			
Corporate Tax Rate Reduction	($444,414,173)	($622,179,842)	($711,062,676)
Financial Institutions Tax Rate Reduction (2%)	($538,701)	($808,051)	($1,077,401)
Total GR Loss	($444,952,874)	($622,987,893)	($712,140,077)

Local Impact	FY27	FY28	FY29
Financial Institutions Tax Rate Reduction (98%)	($26,396,332)	($39,594,499)	($52,792,665)

This provision will result in changes needing to be made to their computer programs and forms. These changes are estimated at $7,193.

Section 143.114 Employee Stock Ownership Plan Deduction

Officials from the **Department of Revenue (DOR)** note this proposal extends the Employee Stock Ownership Plan Deduction. This deduction was to sunset on December 31, 2022 and the sunset language is removed thereby assuring this deduction will be permanent. Extending or removing the sunset language of an existing program is not expected to have impact.

For informational purposes, this deduction began in 2017. No one claimed the credit in 2017. In 2018, 17 people claimed the credit. However, in 2019 & 2020 more than zero but less than the minimum reportable number filed for this deduction. Under Section 32.057, the Department does not disclose the number of tax returns or amounts claimed if the number is so low it could identify the taxpayer. The minimum number of returns to report is 10. What DOR can provide is the grand total claimed from 2017-2020 which was $722,342.

Oversight is unable to estimate the amount to be claimed under this deduction in future years. However, using DOR's total of $722,342 in deductions claimed from 2017-2020 (4 years), DOR could estimate the average annual impact over that time period was $9,751 ($722,342 / 4 years x 5.4% individual income tax rate). Therefore, Oversight will show a negative unknown impact for this provision, not reaching the $250,000 threshold.

Section 143.124 & 143.125 Retirement Benefits

Officials from the **Department of Revenue (DOR)** note currently some retirement benefits are subtracted from a taxpayer's adjusted gross income for determining taxable income. State, federal, and local government pensions are public pensions and when calculating taxable income, based on certain income limits part of the taxpayer's public pensions are not taxable. Additionally, some social security benefits are not considered taxable when determining taxable income. These subtractions phase out at $85,000 for single and HOH filers and phase out at $100,000 for married filing combined filers.

This proposal broadens that subtraction by removing the current income limits and allows all public pension and social security retirement income to be excluded from the calculation of taxable income.

The Department notes this additional subtraction begins January 1, 2024 (FY 2025 based on when the tax returns are filed).

Using their internal Individual Income Tax Database for Missouri DOR found the following distribution of filers of public and private pensions.

Pensions	Public	Private
Singles	39%	61%
Married Filing Joint	49%	51%
Head of Household (HOH)	42%	58%

DOR then used information reported by taxpayers on their federal returns to calculate the amount of additional revenue that would be exempt from tax. DOR notes that SB 3 (2022) will set the individual income tax rate at 4.95% starting in tax year 2023. After that it will continue to reduce the tax rate over a period of several years until the rate equals 4.5%. However, due to the changes in this proposal, the rate will be lower in future years. For fiscal note purposes only, DOR will show the loss at each of those tax rates. This will result in a loss to general revenue.

Retirement Income	Top Tax Rate				
	4.50%	4.35%	4.25%	4.15%	4.05%
Pensions/Annuities (Public)	($145,108,694)	($140,271,738)	($137,047,100)	($133,822,463)	($130,597,825)
Social Security	($144,686,314)	($139,863,436)	($136,648,185)	($133,432,934)	($130,217,682)
Total GR Loss	($289,795,008)	($280,135,174)	($273,695,285)	($267,255,397)	($260,815,507)

Administrative Impact
This proposal will would require modification to the MO-A form and to the MO-1040P form. Additionally DOR will need to modify their website and their individual income tax computer system. These changes are estimated to cost $7,193.

At this time the Department believes it can handle this work with existing resources. However, should DOR reach the number of errors or correspondence to justify additional FTE from this proposal or in combination with other proposals that will pass, DOR will seek the required number of FTE through the appropriation process. The Department is providing the number of errors or correspondence that require additional FTE.

1 FTE Associate Customer Service Rep for every 14,700 errors created
1 FTE Associate Customer Service Rep for every 5,700 pieces of correspondence generated

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes the DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight notes DOR's estimates include data from their internal Income Tax Model.

Oversight notes that it does not currently have the resources and/or access to state tax data to produce a thorough independent revenue estimate and is unable to verify the revenue estimates provided by DOR.

Oversight will utilize DOR's projected fiscal estimated impacts of this provision throughout the implementation of the tax rate reductions from SB 3 (2022) to show the impact of the proposal.

<u>Section 144.030 & 144.615 Used Personal Property Sales Tax Exemption</u>

Officials from the **Department of Revenue (DOR**) note this proposal attempts to exempt from sales and use tax items that are considered used tangible personal property. It defines "used tangible personal property" as an item that is sold at an auction.

Currently when an item is purchased the customer owes sales or use tax on the item and each time it is resold, sales and/or use tax is owed. Whether you pay sales or use tax on the item depends on the business' nexus with the state. This proposal will exempt from sales tax an item that is used and sold at an auction. Therefore, when it was purchased the item would have been subject to tax and then when auctioned off it would not be subject to tax.

Currently, when an auctioneer has an auction at your house, all items sold are exempt from sales tax. However, when the auctioneer adds multiple owner's items together in a joint auction, sales tax is required to be collected. This proposal would make all items sold at an auction no longer subject to sales tax.

The Department is not able to estimate the amount of items sold at auctions that collect sales tax. This proposal would result in an unknown loss to state and local sales tax funds.

In response to HB 1141 (2023), officials from the **Department of Natural Resources** defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight assumes the proposed sales tax exemption could reduce the amount of funds distributed to the Park, Soil, and Water Sales Tax Fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for DNR's funds.

In response to HB 1141 (2023), officials from the **Missouri Department of Conservation** anticipate an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC=s sales taxes are constitutional mandates. Oversight assumes the proposed sales tax exemption could reduce the amount of funds distributed to the Conservation Sales Tax fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

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 listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Oversight notes officials from B&P and DOR both assume the proposal will have a direct fiscal impact on state and local revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR's and B&P's estimated impact in the fiscal note.

Section 144.058 Electricity Production Sales Tax Exemption

Officials from the **Department of Revenue** note this proposal creates an exemption for electrical energy and gas, water, coal, and energy sources, chemicals, machinery, equipment, parts and materials used and consumed in the generation, transmission, distribution, sale, or furnishing of electricity for light, heat, or power to customers. It is assumes that "parts and materials" would exempt most of the inputs to production of the utilities. This legislation also exempts the local sales tax.

The Current Sales and Use tax rate is 4.225%
General Revenue is 3%
School District Trust Fund is 1%
Conservation Commission Fund is .125%
Parks, Soil & Water Funds .1%

The Department uses a local weighted average to calculate the local sales tax of 4.07%.

Using information from the DOR's taxable sales and use tax database the following amount of sales and use tax was collected in CY 2021 (the most recent complete year of data).

Method 1 - Lower Bound Estimates

Tax Type	SIC	NAICS	Description	CY 2021	Percent
Use	491, 493	221111	HYDROELECTRIC POWER GENERATION	$67,433,811	100%
Use	491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	$0	100%

Use	491, 493	221113	Nuclear Electric Power Generation	$0	100%
Use	491, 493	221114	Solar Electric Power Generation	$0	100%
Use	491, 493	221115	Wind Electric Power Generation	$0	100%
Use	491, 493	221116	Geothermal Electric Power Generation	$0	100%
Use	491, 493	221117	Biomass Electric Power Generation	$0	100%
Use	491, 493	221118	Other Electric Power Generation	$0	100%
Use	491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	$18,092,714	100%
Use	491, 493	221122	ELECTRIC POWER DISTRIBUTION	$54,022,755	100%
Use	493	221210	NATURAL GAS DISTRIBUTION	$24,047,495	100%
Sales	364	332216	Saw Blade and Hand tool Manufacturing	$0	100%
Sales	369	333318	Other Commercial and Service Industry Machinery Manufacturing	$0	60%
Sales	369	333992	Welding and Soldering Equipment Manufacturing	$37,408	60%
Sales	364	335110	Electric Lamp Bulb and Part Manufacturing	$0	100%
Sales	364	335121	Residential Electric Lighting Fixture Manufacturing	$1,125,045	100%
Sales	364	335122	Commercial, Industrial, and Institutional Electric Lighting Fixture Manufacturing	$0	100%
Sales	364, 369	335129	Other Lighting Equipment Manufacturing	$0	60%
Sales	361	335311	Power, Distribution, and Specialty Transformer Manufacturing	$12,884,552	100%
Sales	362	335312	Motor and Generator Manufacturing	$2,362,762	100%
Sales	361	335313	Switchgear and Switchboard Apparatus Manufacturing	$0	100%
Sales	362	335314	RELAY AND INDUSTRIAL CONTROL MANUFACTURING	$123,528	100%
Sales	364	335931	Current-Carrying Wiring Device Manufacturing	$1,999,974	100%
Sales	364	335932	Noncurrent-Carrying Wiring Device Manufacturing	$0	100%

Sales	362	335991	Carbon and Graphite Product Manufacturing	$0	100%
Sales	362, 369	335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing	$39,493,650	100%
Total Exempt Sales				$221,623,693	

This would result in a loss to total state revenue of $9,363,602. The Department notes that this method of estimation may not capture all the taxable sales that could become exempt under this proposal. DOR notes this may be the lower range of projected loss.

In order to calculate an upper range, the Department utilized the US BEA Input-Output Use Tables. According to the Input-Output Use Tables, inputs from commodities that might qualify under these exemptions are roughly 25.0% of the total output of the "utilities" industry. The Department's report indicate that taxable sales of electric related utilities in 2021 were about $4,745,325,173. This suggests that this proposal might exempt $1,187,127,714 in taxable sales from taxation.

Method 2 - Upper Bound Estimate

SIC	NAICS	Description	CY 2019
491, 493	221111	HYDROELECTRIC POWER GENERATION	$1,906,978,672
491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	$44,542,910
491, 493	221113	Nuclear Electric Power Generation	$0
491, 493	221114	Solar Electric Power Generation	$0
491, 493	221115	Wind Electric Power Generation	$0
491, 493	221116	Geothermal Electric Power Generation	$0
491, 493	221117	Biomass Electric Power Generation	$0
491, 493	221118	Other Electric Power Generation	$0
491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	$29,154,298
491, 493	221122	ELECTRIC POWER DISTRIBUTION	$2,296,158,628
492, 493	221210	NATURAL GAS DISTRIBUTION	$468,490,665

492	486210	PIPELINE TRANSPORTATION OF NATURAL GAS	$0
Total Sales			$4,745,325,173
BEA Input / Output Adjustment			25.0%
Total Exempt Sales			$1,187,127,714

Using this method it could reduce total state revenue by $50,156,146 ($1,187,127,714 x 4.225%). The Department notes this method could be overestimating the impact. Therefore DOR will show the impact as a range between the estimates.

Fund	FY 2024		FY 2025+	
	Low	High	Low	High
GR	($5,540,593)	($29,678,193)	($6,648,711)	($35,613,831)
Education	($1,846,864)	($9,892,731)	($2,216,237)	($11,871,277)
Conservation	($230,858)	($1,236,592)	($277,030)	($1,483,910)
DNR	($184,687)	($989,273)	($221,624)	($1,187,128)
TSR Impact	($7,803,002)	($41,796,789)	($9,363,602)	($50,156,146)
Locals (4.07%)	($7,516,737)	($40,263,415)	($9,020,084)	($48,316,098)

This proposal will require updates to DOR's tax computer system and website. These changes are estimated at $7,193.

<u>Sections 273.050 and 273.060 Dog Tax (Repealed)</u>

Officials from the **Department of Revenue (DOR)** note this provision removes the dog tax language from statutes. This will not fiscally impact DOR.

<u>Responses regarding the proposed legislation as a whole</u>

Oversight will show the total costs for upgrades to the Department of Revenue's sales and income tax forms and systems, estimated at $35,965, as a one-time cost beginning in FY 2024.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed SB 247 as amended. SB 247 has no direct fiscal impact to the Joint Committee on Public Employee Retirement.

The JCPER's review of SB 247 indicates that its provisions may constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665.

Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Officials from the **Newton County Health Department** assume this would create a negative fiscal impact on the Newton County Health Department in the difference of the amount of property taxes that would have been collected without the exemptions and the amount of property taxes collected with the exemptions dependent upon the number of citizens eligible for exemptions.

Officials from the **City of Kansas City** assume there is a substantial negative impact of an indeterminate amount.

Officials from the **City of Springfield** anticipate a negative fiscal impact of an undetermined amount.

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 listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>Rule Promulgation</u>

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

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves 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.

Officials from the **Kansas City Police Dept**. and the **St. Louis County Police Dept** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Department of Commerce and Insurance** 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 for these agencies.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY Unknown)
GENERAL REVENUE FUND				
Revenue Loss – §135.010 & §135.030 - Changes to the Property Tax Credit program p. (11)	More or Less than ($82,969,234)	More or Less than ($90,298,521)	More or Less than ($97,969,420)	More or Less than ($105,909,551)
Costs – State Tax Commission – §137.115 - Software/programming and additional FTE costs p. (12)	(Unknown, less than $200,000)	(Unknown, less than $200,000)	(Unknown, less than $200,000)	(Unknown, less than $200,000)
Revenue Savings *- §137.1050 - Reduction in Senior Property Tax Credits due the issuance of local property tax credits p. (25)	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
Revenue Reduction - §143.011 - Individual Income Tax Rate Reduction p. (27)	($143,830,348)	($343,275,623)	($368,663,571)	($522,057,242)
Revenue Reduction - §143.071 - Corporate Income Tax Rate Reduction p. (28)	($177,765,669)	($355,531,338)	($355,531,338)	($711,062,676)

Revenue Reduction - §143.071 – Financial Institutions Tax Rate Reduction p. (29-30)	$0	($538,701)	($538,701)	($1,077,401)
Revenue Loss – §143.114 Employee Stock Ownership Deduction – extends sunset date p. (30)**	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction – §143.124 & §143.125 Allowance of maximum deduction to all taxpayers p. (31)	$0	($289,795,008)	($280,135,174)	($260,815,507)
Revenue Reduction - §144.030 & §144.615 - Sales tax exemption on used goods p. (32)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity p. (36)	($5,540,593 to $29,678,193)	($6,648,711 to $35,613,831)	($6,648,711 to $35,613,831)	Could exceed ($6,648,711 to $35,613,831)
Costs – DOR – Form and computer upgrades p. 11, 21, 28, 30 & 36	($35,965)	$0	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**Could exceed ($410,341,809 to $434,479,409)**	**Could exceed ($1,086,287,902 to $1,115,253,022)**	**Could exceed ($1,109,686,915 to $1,138,652,035)**	**Could exceed ($1,607,771,088 to $1,636,736,208)**
BLIND PENSION FUND				

<u>Revenue Loss</u> - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method p. (15)	$0	#($2,499,449)	#($2,499,449)	#Could exceed ($2,499,449)
<u>Revenue Change</u> - §137.115.9 – farm machinery - reduction in property taxes from change in personal property assessed valuation method p. (15)***	$0	<u>#(Unknown)</u>	<u>#(Unknown)</u>	<u>#(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**<u>$0</u>**	**<u>#Could exceed ($2,499,449)</u>**	**<u>#Could exceed ($2,499,449)</u>**	**<u>#Could exceed ($2,499,449)</u>**
SCHOOL DISTRICT TRUST FUND				
<u>Revenue Reduction</u> - §144.030 & §144.615 - Sales tax exemption on used goods p. (32)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity p. (36)	<u>($1,846,864 to $9,892,731)</u>	<u>($2,216,237 to $11,871,277)</u>	<u>($2,216,237 to $11,871,277)</u>	<u>($2,216,237 to $11,871,277)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**<u>Could exceed ($1,846,864 to $9,892,731)</u>**	**<u>(Could exceed $2,216,237 to $11,871,277)</u>**	**<u>Could exceed ($2,216,237 to $11,871,277)</u>**	**<u>(Could exceed $2,216,237 to $11,871,277)</u>**

PARKS AND SOILS STATE SALES TAX FUNDS				
Revenue Reduction - §144.030 & §144.615 - Sales tax exemption on used goods p. (32)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity p. (36)	($184,687 to $989,273)	($221,624 to $1,187,128)	($221,624 to $1,187,128)	Could exceed ($221,624 to $1,187,128)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	**Could exceed ($184,687 to $989,273)**	**Could exceed ($221,624 to $1,187,128)**	**Could exceed ($221,624 to $1,187,128)**	**Could exceed ($221,624 to $1,187,128)**
CONSERVATION COMMISSION FUND				
Revenue Reduction - §144.030 & §144.615 - Sales tax exemption on used goods p. (32)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity p. (36)	($230,858 to $1,236,592)	($277,030 to $1,483,910)	($277,030 to $1,483,910)	Could exceed ($277,030 to $1,483,910)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**Could exceed ($230,858 to $1,236,592)**	**Could exceed ($277,030 to $1,483,910)**	**Could exceed ($277,030 to $1,483,910)**	**Could exceed ($277,030 to $1,483,910)**

* **Oversight** assumes the revenue savings from the reduction of the claims for the Senior Property Tax Credit Program would *not* reach the $250,000 threshold
** **Oversight** assumes the revenue loss from the proposed income tax deductions would *not* reach the $250,000 threshold

#*** **Oversight** assumes the revenue reduction from the change in the farm machinery assessed valuation method could reach the $250,000 threshold.

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY Unknown)
LOCAL POLITICAL SUBDIVISIONS				
Costs – §137.1050 – Vote on implementing property tax credits p. (26)	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Costs – §137.1050 – Implementation and monitoring of property credits p. (26)	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Loss – §137.1050 – From property tax credit p. (26)	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Costs – Counties – §137.115 - to administer the changes in assessment from this proposal p. (12)	$0	$0	(Unknown)	(Unknown)
Revenue Loss - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method p. (15)	$0	#Up to ($562,586,245)	#Up to ($562,586,245)	#Up to ($562,586,245)
Revenue Change - §137.115.9 – farm	$0	#(Unknown)	#(Unknown)	#(Unknown)

machinery - reduction in property taxes from change in personal property assessed valuation method p. (15)				
Revenue Reduction - §143.071 – Financial Institutions Tax Rate Reduction p. (29-30)	$0	($26,396,332)	($26,396,332)	($52,792,665)
Revenue Reduction - §144.030 & §144.615 - Sales tax exemption on used goods p. (32)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity p. (36)	($7,516,737 to $40,263,415)	($9,020,084 to $48,316,098)	($9,020,084 to $48,316,098)	Could exceed ($9,020,084 to $48,316,098)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Could exceed ($7,516,737 to $40,263,415)**	**#(Could exceed $598,002,661 to $637,298,675)**	**#(Could exceed $598,002,661 to $637,298,675)**	**#(Could exceed $624,398,994 to $663,695,008)**

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that is obligated to pay taxes.

FISCAL DESCRIPTION

The proposed legislation modifies provisions relating to taxation.

Section 137.115 of the proposal contains an emergency clause.

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
Department of Natural Resources
Missouri Department of Conservation
State Tax Commission
County Employees Retirement Fund (CERF)
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
Newton County Health Department
City of Kansas City
City of Springfield
Missouri Association of Counties
Andrew County
Barton County
Boone County
Buchannan County
Butler County
Calloway County
Chariton County
Clinton County
Cole County
Dallas County
Franklin County
Greene County
Harrison County
Holt County
Howell County
Lincoln County
Miller County
Newton County
Nodaway County
Oregon County
Pettis County
Phelps County
Ralls County
Randolph County
Scotland County
Scott County
Shelby County
St Clair County
Sullivan County

Washington County

Julie Morff
Director
May 2, 2023

Ross Strope
Assistant Director
May 2, 2023