

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1078S.01I
Bill No.: SB 151
Subject: Taxation and Revenue - Property; Children and Minors
Type: Original
Date: February 1, 2023

Bill Summary: This proposal authorizes a property tax exemption for certain property used for childcare.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension Fund*	\$0	\$0	\$0 or (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 or (Unknown)

*Oversight assumes the fiscal impact, if the joint resolution is approved by voters, would not reach the \$250,000 threshold to the Blind Pension Fund. Oversight has ranged the fiscal note from \$0 (resolution defeated by voters) to an unknown fiscal impact.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	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
Local Government	\$0	\$0	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 137.1 Property Tax Exemption for Childcare Facilities

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section B requires enabling language to be voter approved prior to the enactment of this proposal. B&P notes that the next General Election will be held in November 2024. Therefore, B&P assumes that the earliest this property tax exemption could become effective is for tax year 2025.

B&P notes this proposal would allow certain property to become exempt from real and/or personal property taxation. The property must be used primarily for childcare outside of a child's home. B&P notes that the Blind Pension Trust Fund has a property tax levy of \$0.03 per \$100 valuation.

B&P further notes that the phrase "...for the care of a child outside of his or her home..." is vague and could encompass many different types of facility and property. Therefore, B&P estimates that this proposal could reduce TSR and revenues to the Blind Pension Trust Fund by a significant amount. This proposal could also reduce local property tax revenues by a significant amount.

Officials from the **State Tax Commission (STC)** assume this proposal will have 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, exempts childcare facilities from any real or personal property tax. The STC would not have data to determine how many childcare facilities would meet the proposed criteria and eligibility.

Officials from the **Department of Social Services (DSS) – Family Support Division** note Section 137.100, RSMo, is amended to exempt from taxation all real and personal property used primarily for child care provided to children outside of their home. The Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Exempting properties from taxation will affect the growth of the Blind Pension fund, but will not decrease the current amount collected in the fund.

DSS notes property tax income for the BP fund in SFY 2022 was \$39,771,524 or approximately \$39.8 million (rounded up). The amount collected from real and personal property used primarily for child care provided to children outside of their home is unknown. To determine the impact of this legislation, FSD made the assumption that up to 1% of all property is used to provide childcare. 1% of the property tax revenue collected for the BP fund is \$397,715 ($\$39,771,524 * .01 = \$397,715.24$, rounded down).

Therefore, the impact to the BP fund is up to \$397,715 beginning in SFY 25. Officials from the **Gasconade County Assessor** and the **Lincoln County Assessor** each stated this proposal would have a negative fiscal impact on their respective counties of an indeterminate amount.

Officials from the **City of Kansas City** and the **City of Springfield** each stated this proposal would have a negative fiscal impact on their respective cities of an indeterminate amount.

Officials from the **City of O’Fallon** assume the proposal will have no fiscal impact on their organization.

Officials from the **Newton County Health Department** note his proposal would cause a negative fiscal impact to the Newton County Health Department depending upon the number of citizens eligible for reduced property tax and the amount of tax reduction if the reduced tax collection is not made up elsewhere.

Officials from the **Cole Camp Ambulance District** state, as a relatively small ambulance district, they rely heavily on property taxes to maintain quality staff and services they provide. Any reduction in property tax revenue without a replacement such as increasing the maximum sales tax that ambulance and fire district can propose to citizens, would greatly reduce their funds to provide quality care and maintain competent staff that is becoming more competitive in today’s society.

Oversight will show the impact to local taxing entities as either \$0 (Constitutional Amendment is not approved by voters AND/OR the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from qualifying childcare facilities) or an unknown negative fiscal impact to all local taxing entities beginning in FY 2026.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ($((\text{Total Assessed Value}/100) \cdot .03)$).

Oversight notes this proposal requires enabling language to be voter-approved prior to the enactment of this proposal. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters AND/OR the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from qualifying childcare facilities) or an unknown amount to the Blind Pension Fund beginning in FY 2026.

Oversight notes according to the Department of Elementary and Secondary Education’s [website](#), the following childcare providers were active in Missouri as of January 2023:

Facility Type	Count of Facility Type
Child Care Center	1,696
Family Home	608
Group Home	130
License Exempt Program	443

Grand Total	2,877
--------------------	--------------

Oversight notes if the average assessed value of the 2,877 facilities above is \$200,000, the amount of reduction to the Blind Pension fund would be approximately \$33,000 (2,877 x \$200,000 x 19% x .03/100) for residential day-cares to \$55,000 (2,877 x \$200,000 x 32% x .03/100) for commercial/business daycares. This would not take into account the personal property associated with the care of a child. Also, it would not take into account the day care centers that are not registered with the Department of Elementary and Secondary Education – however, Oversight assumes with the language “used primarily for the care of a child outside of his or her home”, these would not be eligible for the exemption. Therefore, Oversight assumes this proposal would not reach the \$250,000 threshold impact to the Blind Pension Fund.

Officials from the **Office of the Secretary of State, Department of Revenue**, and the **Department of Health and Senior Services** 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.

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 2024 (10 Mo.)	FY 2025	FY 2026
BLIND PENSION FUND			
<u>Revenue Loss – Childcare Facility property tax exemption - §137.100</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – counties – administrative expense to exempt portions of property from taxation	\$0	\$0	\$0 or (Unknown)
<u>Revenue Loss</u> – Childcare Facility property tax exemption - §137.100	\$0	\$0	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

Certain small childcare business owners may be impacted, pending voter approval and if enacting general laws are passed.

FISCAL DESCRIPTION

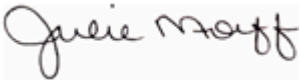
This act exempts from property tax all real and personal property used primarily for the care of a child outside of his or her home.

This act shall only become effective upon the passage and approval by the voters of a constitutional amendment permitting a property tax exemption for real and personal property used primarily for the care of a child outside of his or her home.

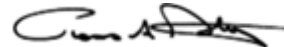
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission
Office of the Secretary of State
Department of Revenue
Department of Health and Senior Services
Office of Administration - Budget and Planning
Department of Social Services
Gasconade County Assessor
Lincoln County Assessor
Newton County Health Department
Cole Camp Ambulance District



Julie Morff
Director
February 1, 2023



Ross Strobe
Assistant Director
February 1, 2023