

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1229H.03C
Bill No.: HCS for SS for SB 222
Subject: Cities, Towns, and Villages; County Government; Landlords and Tenants;
Political Subdivisions
Type: Original
Date: April 24, 2023

Bill Summary: This proposal modifies and establishes provisions relating to political subdivisions and establishes provisions relating to landlord/tenant proceedings.

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
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

§44.251 – Protecting Missouri’s Small Businesses Act

In response to a similar proposal from 2023 (Perfecting HCS for HB 1263), officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal would require a reduction of fees, personal property tax, and real property tax in political subdivisions with shutdown orders. Qualifying shut down orders must be caused by reasons outside of a business’ control.

Beginning January 1, 2024, any political subdivision with a shutdown order that lasts for at least 21 consecutive days or 45 cumulative days must:

- Waive all business license fees during the shutdown order or six months, whichever is longer.
- Reduce real and personal property tax liabilities based on the number of days a business was closed due to the shutdown order.

This proposal would not:

- Waive individual license or certification fees related to the practice of a profession.
- Require the state to provide restitution or replacement revenue to the political subdivision.

For shutdown orders that end before June 1st, the county assessor must reduce the property tax liability for all real and personal property located within the boundaries of the shutdown order. The reduction shall be based on the number of days a business was closed due to the shutdown order. Affected taxpayers must then pay the reduced tax amount by December 31st.

For shutdown orders that end on or after June 1st, the taxpayer must pay the full property tax liability by December 31st. The county assessor must then provide information on how such taxpayer may apply for a refund. The taxpayer must apply for a tax refund by January 15th. The county assessor must then calculate the allowable refund amount by February 15th and pay all refund claims by March 15th.

B&P notes that Section 44.251.4(2) requires business owners that rent or lease their real property distribute the property tax savings to all renters and lessors.

B&P further notes that it is unclear whether this proposal would impact state property tax levies, if there were a statewide shutdown order. B&P also notes that the Blind Pension Trust Fund levies a \$0.03 per \$100 assessed value property tax on all real and personal property located within Missouri.

B&P is unaware of any restrictive public health orders currently in effect. Therefore, this proposal may have an unknown impact on state and local revenues in the future.

B&P notes the following concerns with the proposed language:

- State Impact
 - It is unclear whether this proposal would impact state property tax levies, if there were a statewide shutdown order. Section 44.251.2(2) includes orders by the state within the definition of “shutdown order”.

Therefore, B&P assumes that if there were a statewide shutdown order, state revenues would be impacted through the reduction in license fees as well as reductions in real and personal business property.

- Business License Fees
 - Section 44.251.4(1)(a) would require political subdivisions to waive business license fees for six months for any shutdown order that lasts less than 180 days. If a business is closed due to a shutdown order for 22 consecutive days, the political subdivision must still waive the fees for the full 180 days.

B&P further notes that the last sentence Section 44.251.4(1)(a) allows business license fees to be prorated, but the language provides no information as to how they may be prorated. B&P assumes that the license fees may be prorated for the remaining six months (or less depending on the length of the closure) of the year. B&P further assumes that the license fees may not be prorated to account for only the days a business was actually closed (if less than six months).

- Property Taxes – Shutdown orders ending before June 1st
 - B&P notes that this proposal does not provide information on what would happen if a taxpayer paid the reduced tax after December 31. It is unclear whether the taxpayer would be assessed interest and penalties on the reduced tax liability or on the full tax liability.
 - In addition, because the language is vague, it is also unclear if taxpayers would be liable for the full tax amount (amount before reduction) if they pay the tax liability after December 31st.
- Property Taxes – Shutdown orders ending on or after June 1st
 - B&P notes that it is unclear what would happen if a taxpayer paid the tax liability after December 31st. Whether a late payment would disqualify such taxpayer from receiving a refund, or whether interest and penalties would be assessed on the full tax liability or the remaining tax liability accounting for the refund amount.
 - B&P further notes that one month may not be enough time for a county assessor to review and calculate the eligible refund amount for all refund claims within that county. B&P notes that as of 2019, the median number of businesses per county was 385 and there were 25 counties with over 1,000 businesses.

In response to a similar proposal from 2023 (HB 1263), officials from the **Jackson County Assessor** assumed this proposed legislation could have a significant negative impact on County and other taxing jurisdiction's operations if the County were required to adjust property tax amounts for days closed due to public health order. This fiscal impact could be measured in the millions of dollars when applied across all taxing jurisdictions such as school districts and fire protection districts.

In 2020, Jackson County asked for the closure of all businesses deemed non-essential only after receiving guidance from the state Department of Health and federal Center for Disease Control (CDC). As soon as those closure recommendations changed at the federal and state levels, Jackson County eliminated its closure guidelines. A future national public health or public safety emergency may require the temporary closure of certain facilities to maintain public safety. Jackson County and its taxing jurisdictions should not be penalized for acting in the best interest of public health or safety.

Officials from the **City of Kansas City** noted this legislation could have a substantial negative impact of an indeterminate amount.

Officials from the **City of Springfield** anticipate a potential negative fiscal impact if the City needs to issue a shutdown order due to a public health emergency.

In response to a similar proposal from 2023 (Perfected HCS for HB 1263), officials from the **State Tax Commission** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

In response to a similar proposal from 2023 (Perfected HCS for HB 1263), officials from the **City of O'Fallon**, the **City of Claycomo**, **Cole Camp Ambulance District**, and the **St. Louis County Police Department** each assumed the proposal would 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.

In response to a similar proposal from 2023 (Perfected HCS for HB 1263), officials from the **Department of Social Services** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary.

In response to a similar proposal from 2023 (Perfected HCS for HB 1263), officials from the **St. Charles Community College** and **Kansas City Police Department** each assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary.

For purposes of this fiscal note, **Oversight** assumes this proposal would not impact the Blind Pension Fund. If this assumption is incorrect, it could substantially alter the impact provided in this fiscal note.

Oversight will present an impact on this fiscal note as a \$0 (no shutdown order in implemented) to an unknown loss in revenue to local political subdivisions for the reduced property tax revenues and the waived business license fees.

§§64.570, 64.820, 65.665, 89.380 & 182.819 – Library Boards and County Planning Commissions

In response to a similar proposal from 2023 (Perfected HCS for HB 986), officials from the **City of Jefferson** assumed 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 sections.

§67.137 – Moratorium on Eviction Proceedings

In response to a previous version, officials from the **Office of the State Courts Administrator** and **Department of Commerce and Insurance** each assumed 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.

In response to a similar proposal from 2022 (SB 1044), officials from the **Attorney General's Office** assumed the proposal would have no fiscal impact on their organization.

In response to a previous version, officials from the **City of Jefferson** assumed there could be a fiscal impact if a court were to vacate a judgement a municipality has on a property as a result of the referenced court hearing. If a municipality had to hire an attorney to assist with such a court action, there could be a small fiscal impact.

In response to a previous version, officials from the **City of Kansas City** and the **City of Springfield** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this section..

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties 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.

§62.2677 – Video Service Providers

In response to a similar proposal from 2023 (HB 647), officials from the **Department of Commerce and Insurance, Kansas City** and the **City of Springfield** each assumed the proposal would have no fiscal impact on their respective organizations.

In response to a similar proposal from 2022 (SB 1232), officials from the **City of Springfield** anticipated a possible negative fiscal impact of an indeterminate amount from this bill if a court case in pending litigation involving another city determines that streaming services are obligated to pay video service licensing fees, since this bill would revise the definition of "video service" to exclude businesses offering streaming content.

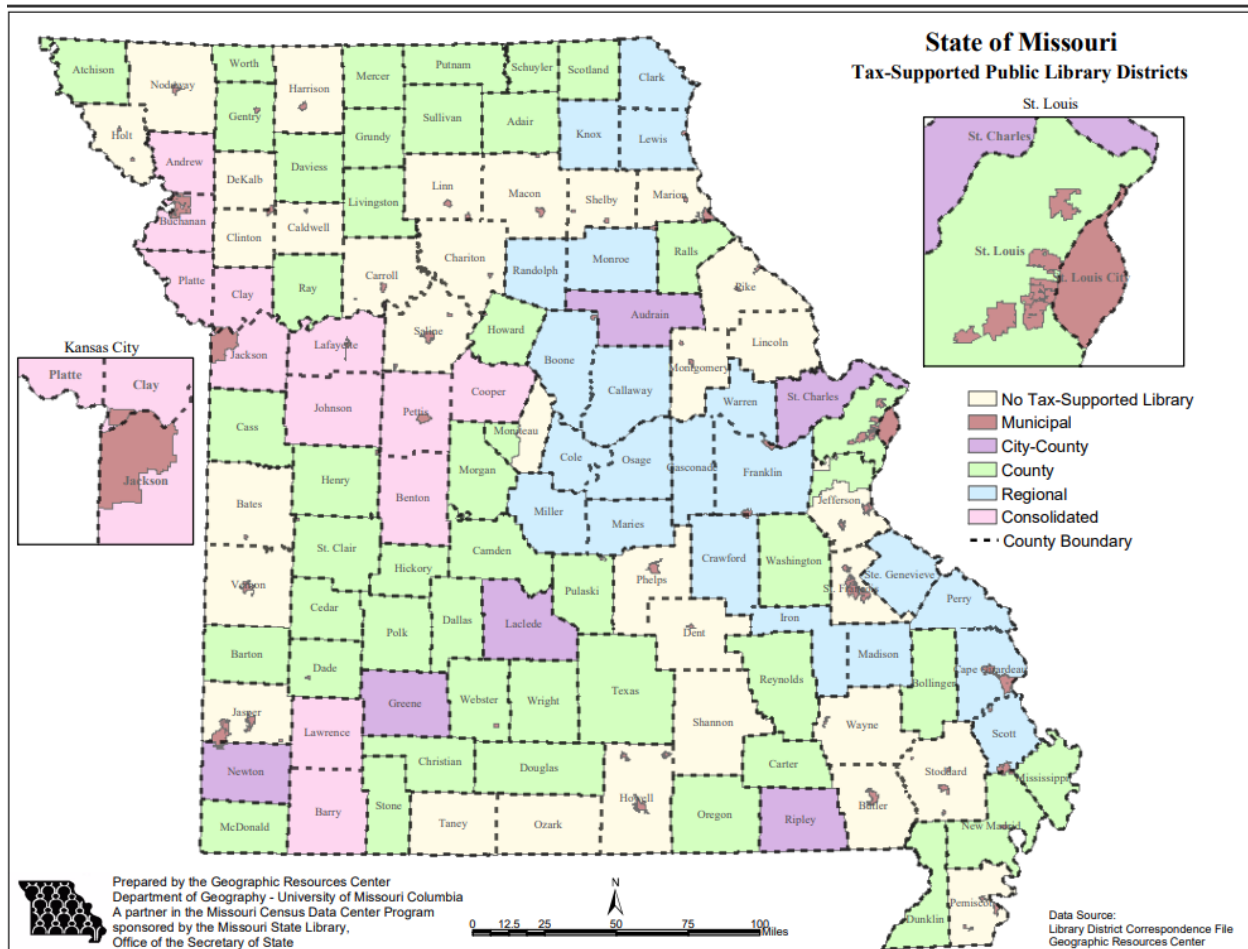
Oversight assumes this proposal may create a fiscal impact to local political subdivisions that collect the franchise entity fee in Section 67.2689, as that fee utilizes the "video service" definition, which is being amended by this bill. Oversight will reflect a \$0 to potential unknown revenue and potential unknown loss to local political subdivisions for this section.

§182.645 – Dates for the Fiscal Year of Consolidated Public Library Districts

In response to a similar proposal from 2023 (HB 437), officials from the **Office of the Secretary of State (SOS)** and the **Office of the State Auditor** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight assumes the proposal would not have a direct fiscal impact to public library districts.

Oversight notes according to the SOS's website there are 12 counties (Cooper, Pettis, Benton, Johnson, Lafayette, Lawrence, Barry, Jackson, Clay, Platte, Buchanan & Andrew) in the state that have consolidated public library districts as listed in the chart below:



§436.337 – Home Inspections

In response to a similar proposal from 2023 (HB 1145), officials from **St. Louis City (STL)** noted the Building Commissioner in STL estimates that 30-40% of Housing Conservation District inspections occur because of a residential property sale. Eliminating the requirement for these inspections could reduce Building Division revenue by up to \$800,000.

Oversight inquired with STL regarding their response. The STL states that their response falls under two municipal ordinances: 67914 regarding the City Housing Conservation Program and 69202 regarding revised legislation on the City Housing Conservation Program. According to ordinance 67914, Section 5C:

Upon determining that a dwelling unit has undergone a complete change of occupancy or a sale of the property as reflected in the Recorder of Deeds Office without first obtaining a Certificate of Inspection, the Code Official shall serve notice on the owner of such dwelling unit, by either first class mail or personal service that a Certificate of Inspection must be obtained within thirty (30) calendar days of notification or unit will be condemned for occupancy and must be vacated.

Section 8 states:

- A. Fees for a Certificate of Inspection prior to occupancy when the application for inspection is: 1. General inspection of exterior of building and all common areas and premises plus one dwelling unit is \$70.00. Each additional dwelling unit included in the General Inspection, if inspection is performed within the same building and on a common date is \$25.00 per each additional dwelling unit.*
- B. The fee for a Certificate of Inspection per unit which is unlawfully occupied shall be as follows: 1. \$110.00 per unit.*

Oversight will reflect a \$0 or negative unknown for locals.

In response to a similar proposal from 2023 (HB 1145), officials from the **Attorney General’s Office**, the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **City of Kansas City** and the **City of Springfield** each assumed the proposal would 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 only reflects the responses received from state agencies and political subdivisions; however, other cities and counties 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.

§534.157 – Rental Properties Transfers of Titles

Oversight assumes this section will have no fiscal impact.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS	FY 2024 (10 Mo.)	FY 2025	FY 2026
<u>Revenue Reduction</u> - §44.251 – Reduction in real and personal property tax revenues in the event of a shutdown order (p. 6)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Reduction</u> - §44.251 – Waiving of business license fees in the event of a shutdown order (p. 6)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue/Loss</u> – §67.2677 - potential Video Service Provider Fees change from definition change to “video service” (p. 7)	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown
<u>Loss</u> – Cities – §436.337 - revenues from building inspection fees done on residential property for sale (p. 9)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown) to Unknown</u>	<u>\$0 or (Unknown) to Unknown</u>	<u>\$0 or (Unknown) to Unknown</u>

FISCAL IMPACT – Small Business

§44.251 - This proposal could impact small businesses that may be shut down by waiving and reimbursing business license fees.

§67.137 - Small business landlords could be positively impacted as a result of this proposal.

§436.337 - Small businesses who do home inspections on residential properties for sale could be impacted as a result of this proposal.

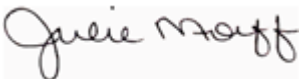
FISCAL DESCRIPTION

This proposal modifies and establishes provisions relating to political subdivisions and establishes provisions relating to landlord/tenant proceedings.

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

SOURCES OF INFORMATION

Office of the State Courts Administrator
Attorney General's Office
Department of Commerce and Insurance
Department of Economic Development
City of Kansas City
City of Springfield
City of Jefferson
Office of Administration - Budget and Planning
State Tax Commission
Department of Social Services
Jackson County Assessor
City of Kansas City
Kansas City Police Department
City of Springfield
City of O'Fallon
St. Charles Community College
City of Claycomo
St. Louis County Police Department
Cole Camp Ambulance District
St. Louis City



Julie Morff
Director
April 24, 2023



Ross Strope
Assistant Director
April 24, 2023