

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1915S.02I  
 Bill No.: SJR 39  
 Subject: Taxation and Revenue - Property; Constitutional Amendments  
 Type: Original  
 Date: March 7, 2023

Bill Summary: This amendment authorizes an exemption from increases in property tax assessments for certain taxpayers.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0 or (More than \$10,000,000)**	\$0	\$0 or Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$10,000,000)**</b>	<b>\$0</b>	<b>\$0 or Unknown</b>

\*The potential fiscal impact of “(More than \$10,000,000)” in FY 2024 would be realized only if a special election were called by the Governor to submit this joint resolution to voters. Also, if voters approve the joint resolution, the savings to the state from a reduction of Senior Citizen Property Tax Credits could eventually reach the \$250,000 threshold.

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

\* **Oversight** assumes the unknown fiscal impact to the Blind Pension Fund could eventually exceed (\$250,000) relative to what it would have received under current law  
 Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0*</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>

\*Transfers and costs net to zero **if** the Governor calls a special election.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would go to a public vote in November 2024. If voter approved, this provision would become effective for tax year 2025. This proposal would freeze the assessment value of real property used as a primary residence for individuals who are eligible for full Social Security benefits and who own their home.

B&P notes that the Blind Pension Trust Fund levies a property tax rate of \$0.03 per \$100 of assessed value. Therefore, freezing the assessed value of property may result in future forgone revenues to the Blind Pension Trust Fund.

Office from the **Department of Revenue (DOR)** note this constitutional amendment requires a vote at the November 2024 general election. If the proposal is not adopted, this will have no fiscal impact. Should it be adopted, then this proposal would grant citizens who are eligible for full Social Security benefits, a freeze in the increase of assessed value of any residential property owned by a person. This would no longer allow increases in their assessed value but hold their assessment value steady as of passage of the amendment.

This proposal if adopted would be effective starting January 1, 2025. However given that property tax is not paid until the end of the year (December), this would not have a fiscal impact in FY 2025 but would start in FY 2026.

The Department notes that should the valuation of the senior's property remain the same, this could result in a loss of future 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 \$0.03 cents on each \$100 valuation of taxable property in the State of Missouri. Therefore, this could result in an unknown loss of future revenue to the Blind Pension Fund.

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).

The Department is unable to determine how much of the total valuation of real property in tax year 2021 is attributed to properties owned by individuals who would qualify for this future real property tax freeze. Therefore, the impact of this proposal is unknown.

This is not expected to have an administrative impact on the Department.

Officials from the **Department of Social Services** note the Blind Pension Fund is funded from 0.03% of each \$100 assessed valuation of taxable property. Exempting individuals who are eligible for full Social Security retirement benefits or their surviving spouses from increases in the assessed valuation of real property used as their residence will affect the growth of the Blind Pension fund, but will not decrease the current amount collected in the fund. Therefore, there is no fiscal impact.

Officials from **Office of the Secretary of State** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$10 million based on the cost of the 2022 primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY24 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

**Oversight** has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2024. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2024 and the next scheduled general election is in November 2024

(both in FY 2025). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2024.

Officials from the **State Tax Commission** assume this has a possible negative fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. Under the criteria of the SJR, individuals qualifying for social security full benefits, would not be liable for any increases in the assessments of any real property that is their primary residence and meeting certain criteria. The agency would not have data to determine how many of the 1,089,714 Missourians over sixty five who meet the proposed criteria and eligibility.

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

Officials from the **Newton County Health Department** assume over time, this would create a negative fiscal impact on the Newton County Health Department in the amount of reduced revenue due to the number of citizens meeting this tax exemption.

Officials from the **St Louis County Health Department** assume if SJR 39 were to pass, there would be a negative impact on the health department's health fund. The amount of revenue loss is unknown.

Officials from the **Lincoln County Assessor** notes that any tax burden shift with any kind of exemptions - places more tax burden on those that don't qualify.

Officials from the **University of Central Missouri** assume the proposal will have no fiscal impact on their organization.

**St. Charles Community College** anticipates a negative fiscal impact. The amount can't be quantified with the information available.

Officials from the **Office of the State Auditor** 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 the SAO.

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars of assessed valuation of taxable property ((Total Assessed Value/100)\*.03). Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law.

Therefore, Oversight will show an unknown forgone income to the Blind Pension Fund.

Per the STC's website, total assessed value for residential property was \$70,953,063,714 in 2022. If this proposal reduced the total assessed value by 1.5%, the loss to the blind pension fund is estimated at \$319,289.

Total Assessed Value (Current)	\$70,953,063,714
Total Assessed Value if reduced by 1.5% (Assumed)	\$69,888,767,758
Difference	-\$1,064,295,956
Divided by 100	-\$10,642,960
Multiplied by 0.03 (Estimated Changed)	-\$319,289

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

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

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

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

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities, which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

**Oversight** will show a range of impact of \$0 (not voter approved or the tax burden is shifted to real property owner) to an unknown loss in property tax revenue for local political subdivisions.

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

The effective date of this proposal, if passed, would be 30 days after voters adopt the resolution. The next assessment cycle would not occur until calendar year 2025 with impacted revenues occurring in FY 2026 (December 2025).

**Oversight** notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters) to an unknown loss in revenue to the Blind Pension Fund and local political subdivisions beginning in FY 2026.

**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 (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>GENERAL REVENUE</b>			
<u>Transfer Out - SOS - reimbursement of local election authority election costs if a special election is called by the Governor</u>	\$0 or (More than <u>\$10,000,000</u> )	<u>\$0</u>	<u>\$0</u>
<u>Cost Avoidance – possible reduction in the amount of Senior Citizen Property Tax Credit claims</u>	\$0	\$0	\$0 or Unknown
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (More than <u>\$10,000,000</u>)</b>	<b><u>\$0</u></b>	<b><u>\$0 or Unknown</u></b>

<b>BLIND PENSION FUND</b>			
<u>Loss</u> - from a possible difference in assessed value relative to current law	<u>\$0</u>	\$0	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs</u> - Assessors - implementation and monitoring of assessed value increase exemptions on certain properties	\$0	\$0	\$0 or (Unknown)
<u>Revenue Loss</u> – from assessed value increase exemptions	\$0	\$0	\$0 or (Unknown)
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$10,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election <b>if</b> called for by the Governor	\$0 or (More than \$10,000,000)	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>

FISCAL IMPACT – Small Business

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



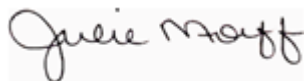
FISCAL DESCRIPTION

The proposed amendment, if approved by the voters, would authorize an exemption from increases in the assessed valuation of residential real property used as a primary residence of an individual who is eligible for full Social Security retirement benefits, is liable for the payment of real property taxes on the property, and is an owner of record of the property or has a legal or equitable interest in the property.

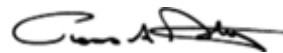
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration - Budget and Planning  
Office of the Secretary of State  
State Tax Commission  
Office of the State Auditor  
Department of Social Services  
City of Kansas City  
City of Springfield  
Newton County Health Department  
St Louis County Health Department  
Lincoln County Assessor  
University Of Central Missouri  
St. Charles Community College  
Office of the State Auditor



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March 7, 2023



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