

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3172H.09C
 Bill No.: HCS for SS for SCS for SB 756
 Subject: Taxation and Revenue - Property; Taxation and Revenue - General; Tax
 Incentives; State Tax Commission; Counties; County Officials
 Type: Original
 Date: April 11, 2024

Bill Summary: This proposal modifies a property tax credit for certain seniors.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 137.1050 Senior Property Tax Reduction

Officials from the **Department of Revenue (DOR)** note SB 190 adopted during the 2023 legislative session granted counties the ability to create a program for seniors to lower the amount of property tax they owe. Counties trying to implement SB 190, found problems with some of the definitions in the bill. This proposal would clarify the definitions to allow easier implementation of the program. This program is voluntary for counties. DOR does not handle property tax so is unaware of how many counties are participating or plan to participate in this program.

DOR is not directly impacted by this proposal. However, should seniors that currently receive the Senior Property Tax Credit (PTC) pay less in property tax, that could lessen the amount of the PTC credit they receive. In FY 2022, there were 56,457 senior homeowners that claimed \$33,428,661 in PTC credits. Should some of these 56,457 leave in a county that participates and their property tax is reduced, they may not be eligible for as much PTC credit as they were before. Should that happen, this could result in less PTC claims which would mean a savings to general revenue. The impact is unknown.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal makes various changes to the local property tax credit granted under SB 190 (2023). B&P notes that Section B contains an emergency clause.

This proposal:

- Clarifies that a taxpayer must be age 62 or older to qualify.
- Clarifies that the credit will apply to all taxing jurisdictions.
- Sets the initial base year as the later of: the year a taxpayer turns 62 or the year an ordinance/petition is passed. B&P notes that this will prevent the credit from being retroactive.
- Provides that any tax year with a lower liability than the base tax year will become the new base tax year. This provision could lead to additional reduced local revenues.
- Prohibits a county from limiting the amount of the credit or which individuals may qualify.
- Provides that a petition approved after an ordinance is passes shall supersede such ordinance.
- Clarifies that any political subdivision impacted by the property tax credit, not just a county, cannot increase their tax levy to compensate for lost revenue due to the property tax credit. This provision could lead to additional reduced local (sub-county) revenues.
- Clarifies that the credit applies to all taxing jurisdictions within a county.

- Clarifies that the underlying tax liability (i.e. base year amount) will be increased to reflect the value of new construction and improvements.
- Clarifies that if a home is annexed into a taxing jurisdiction the underlying tax liability (i.e. base year amount) will be increased to account for the new taxing jurisdiction(s) property tax levy.

B&P notes that that the Blind Pension Trust Fund levies a tax of \$0.03 per \$100 on all property in Missouri. B&P assumes that because that tax levy is constitutional, this provision will not affect revenues to the Blind Pension Trust Fund. Therefore, local property tax revenues will decline by the full amount of the property tax credit, even though part of the credit could be attributable to growth in the Blind Pension Trust Fund revenues through increased assessment values. B&P notes that this this interaction between state and local levies could result in additional loss to local revenues over time.

Officials from the **County Employee Retirement Fund (CERF)** note this legislation may result in an unknown fiscal impact to the County Employees' Retirement Fund.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Callaway County SB 40 Board** assume the proposed legislation has a fiscal impact of an indeterminate amount.

Officials from the **Buchanan County SB 40 Board** note SB 756 will result in an unknown decrease in levy dollars for all political subdivisions in any county that chooses to enact it. It is the 'unknown' amount of decrease that is of significant concern. A financial impact can not be determined.

Officials from the **Newton County Health Department** assume this will create a negative fiscal impact on the Newton County Health Department in the amount of decreased property tax collection created by the provisions of this bill.

Oversight assumes this proposal adds clarifying language for eligibility requirements and implementation measures for the property tax credit established in SB 190 (2023).

Oversight notes this credit is optional and a county must submit the proposal to voters or pass a county ordinance in order to participate.

Oversight notes Greene County and St. Charles County have both implemented the provisions of SB 190.

Oversight notes this proposal disallows counties from setting qualification limits other than those included in this proposal. Oversight notes that any counties that have already passed ordinances with stricter qualifications may be impacted by this proposal. Oversight notes this

amendment may allow additional taxpayers to participate in the credit. Therefore, Oversight will show an unknown, negative fiscal impact to local political subdivisions that have implemented the property tax credit established in SB 190 (2023).

Oversight notes this proposal states that any tax year with a lower liability than the base tax year will become the new base tax year. Oversight notes this may allow the base year to decrease in the future, potentially increasing the amount of credit from the credit allowed under the current base year. Therefore, Oversight will show an unknown, negative fiscal impact to local political subdivisions that have implemented the property tax credit established in SB 190 (2023).

Oversight notes this proposal provides clarifying language for adjustments to a taxpayer’s base year if new construction or improvements are made or if the home is annexed into a new taxing jurisdiction.

Oversight notes this amendment may reduce the credit amount received for taxpayers who make new construction and improvements to their homestead. Therefore, Oversight will show an unknown, positive fiscal impact to local political subdivisions that have implemented these provisions.

Oversight notes this proposal has an emergency clause (section 137.1050).

Officials from the **Phelps County Sheriff, Kansas City Police Dept., St. Louis County Police Dept, Department of Social Services, Office of the Secretary of State, and the State Tax Commission** 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 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>FISCAL IMPACT – State Government</u>	FY 2025	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> - §137.1050 - Credit base year adjusted for improvements and new construction and annexation	Unknown	Unknown	Unknown
<u>Revenue Reduction</u> - §137.1050 - Disallowance of qualification limits for credit	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §137.1050 - Base year adjustment for decreased tax liability	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed modifies a property tax credit for certain seniors.

This act contains an emergency clause.

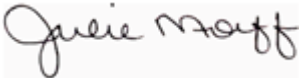
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

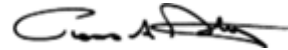
Department of Revenue
 City of Kansas City
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 Newton County Health Department
 Phelps County Sheriff
 Kansas City Police Dept.

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State Tax Commission
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County Employee Retirement Fund (CERF)
Buchanan County SB 40 Board



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April 11, 2024



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