

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3172S.05I  
 Bill No.: SB 756  
 Subject: Taxation and Revenue - Property; Political Subdivisions  
 Type: Original  
 Date: January 15, 2024

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

\***Oversight** notes the potential savings to the General Revenue Fund is from reduced Senior Property tax credits issued if the proposed changes in the base year result in lower property tax bills for qualifying seniors in the future. Oversight assumes the potential savings will *not* reach the \$250,000 threshold in the next three years because the change in the base years will be relatively small until future years.

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

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</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 2025</b>	<b>FY 2026</b>	<b>FY 2027</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 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal makes various changes to the local property tax credit granted under SB 190 (2023). This proposal clarifies that a taxpayer must be age 62 or older to qualify and does not allow a tax credit for taxpayers with delinquent local taxes.

B&P notes that this proposal also sets the base year for the tax credit to the year after the local ordinance (or voter approval) has been adopted.

- Multiple jurisdictions have already adopted local ordinances granting the tax credit. B&P assumes that this provision will require them to change the base year they use when determining the tax credit after tax year 2024. This could result in a tax increase for currently qualifying taxpayers.
- Current language requires the base year to be the year a taxpayer becomes eligible for the credit. For individuals who have not yet reached age 62 (but will in the future), this proposal would set a (could be significantly) earlier base year. This would essentially grant younger taxpayers a significantly more beneficial tax credit over time. In turn, this could have a significant negative impact on local revenues over time, beyond the impact already incurred under SB 190 (2023).

○ For Example:

	Taxpayer A	Taxpayer B	Taxpayer C
Age	62	55	40
Year First Qualified (Current Base Year)	2024	2031	2046
Tax Liability First Year Qualified (Current Base Year)	\$1,000	\$1,149	\$1,546
Year Ordinance Passed (Proposed Base Year)	2024	2024	2024
Tax Liability First Year Qualified (Proposed Base Year)	\$1,000	\$1,000	\$1,000
Difference in Credit First Year Qualifying	\$0	\$149	\$546

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 interaction between state and local levies could result in additional loss to local revenues over time.

Officials from the **Department of Revenue (DOR)** assume 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 live 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.

**Oversight** notes this proposal adds clarifying language for eligibility requirements and the base year for calculation of the property tax credit established in SB 190 (2023).

**Oversight** notes current language requires the base year to be the year a taxpayer becomes eligible for the credit. This provision appears to modify the base year for the tax credit to the year after the local ordinance (or voter approval) has been adopted. 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 is unable to determine what/when counties will participate and is unable to determine if the change in base year could result in higher credit amounts in the future.

Oversight notes Greene County and St. Charles County have both implemented the provisions of SB 190. Therefore, Oversight will show an unknown impact to local political subdivisions.

**Oversight** notes if 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. Therefore, Oversight will show an unknown savings to general revenue.

Officials from the **Department of Social Services, State Tax Commission,** and the **Office of the State Auditor** 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 **Howell County Assessor** assume the fiscal impact is unknown as the legislation is vague on which part of the property tax will be credited. Loss of revenue to local political subdivisions can range from \$10,000 to \$5,000,000 or more.

The legislation leaves the county commissions open to lawsuits from many directions and needs more definition in several areas as in the suggested language provided by a Missouri Association of Counties Task Force.

Officials from the **Lincoln County Assessor** assume this appears to be a cleanup to Senate Bill 190 from 2023 - most counties are adopting last year's bill, but litigation may come into play from taxing entities who will lose tax revenue due to the exemption.

Officials from the **City of Osceolo** assume a fiscal impact but did not provide any additional information.

Officials from the **Branson Police Dept** assume there is the potential to reduce the tax revenue available for emergency services.

Officials from the **Eureka Fire Protection District (EURE) - St. Louis** are not sure on the amount of the impact since it deals with increases due to reassessment on approx. 10% of the district's housing stock. Additionally, not sure if a County can impact the Fire Districts ability to collect authorized taxes, that may be an issue for the courts

Officials from the **Fruitland Area Fire Protection District (FRUI) - Cape Girardeau** assume there would be a fiscal impact, however it is unknown how much revenue would actually be lost if this legislation passes.

Officials from the **Adair County SB 40 DD Board** note it is difficult to determine what percentage of Real Estate Property Tax revenues would be lost associated with SB756. Below is an estimate of real estate taxes paid of around \$80,000 which are paid by homeowners over the age of 65 in Adair County. Any loss of revenue would result in a reduction of essential services and supports to people with Developmental Disabilities in Adair County.

For example, residential services and supports which enable individuals to live in their community would have a reduction in funding. Employment services would have reduced funding. The amount that the funding is reduced would be relative to the percentage of the \$80,000 lost due to tax credits associated with SB756

Source: US Census 2021	Real Estate	
Adair County Total Population		25,185
Persons 65 years and over		15.1%

Persons 65 years and over		3,803
Housing Units		11,366
Owner Occupied Housing		62%
Est Owner Housing Units 65 years and over		2,343
Median Value of Owner-Occupied Housing	\$	123,500
Est Value of Housing Units 65+	\$	289,312,083
Est Assessment Value 65+ Homes at Current 19%	\$	54,969,296
SB40 Tax rate		0.1457
Estimated Revenue Loss for 65+ Real Estate		(\$80,090)

Officials from the **St Louis Budget Division** assume according to the City of St. Louis Assessor, this legislation offers clarifying language to an already existing statute. These changes would not be expected to have any significant effect from a fiscal point of view.

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

The JCPER's review of this legislation indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

Officials from the **Newton County Health Department, City of Kansas City, 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.

#### Rule Promulgation

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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE</b>			
<u>Revenue Savings - §137.1050 - Savings in PTC Credits from County Senior Property Tax Reduction</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue change - §137,1050 – Change in Base Year for Personal Property Tax Credit Qualification</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

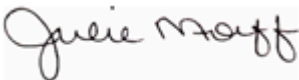
Current law authorizes a property tax credit for certain seniors who are eligible for Social Security retirement benefits. This act modifies the definition of "eligible credit amount".

This act also modifies the definition of "eligible taxpayer" by providing that a taxpayer shall be 62 years of age or older, rather than eligible for Social Security retirement benefits, and that the taxpayer shall not owe delinquent taxes, interest, or penalties to the county.

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 Administration - Budget and Planning (B&P)  
Department of Revenue (DOR)  
Department of Social Services  
State Tax Commission  
Office of the State Auditor  
Howell County Assessor  
Lincoln County Assessor  
City of Osceolo  
Branson Police Dept  
Eureka Fire Protection District (EURE) - St. Louis  
Fruitland Area Fire Protection District (FRUI) - Cape Girardeau  
Adair County SB 40 DD Board  
St Louis Budget Division  
Joint Committee on Public Employee Retirement (JCPER)  
Newton County Health Department  
City of Kansas City  
Kansas City Police Dept.  
St. Louis County Police Dept  
Joint Committee on Administrative Rules  
Office of the Secretary of State (SOS)



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