

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3172S.08T
Bill No.: Truly Agreed To and Finally Passed SS for SCS for SB 756
Subject: Taxation And Revenue - Property; Political Subdivisions
Type: Original
Date: June 4, 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 - Property Tax Credit for Seniors

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). This proposal:

- Clarifies that a taxpayer must be age 62 or older to qualify.
- 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.
- Provide 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.
- removed the prohibition that individuals with delinquent taxes may not receive the property tax credit.

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)** 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 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.

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

Officials from the **Newton County Health Department** assume this proposal will create a negative fiscal impact on the Newton County Health Department in the amount of decreased property taxes collected due to provisions of this bill.

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

Officials from the **Branson Police Department** assume while there is a risk of decrease of tax revenue available to public safety agencies, this would be limited and this bill helps prevent seniors on fixed income from having to absorb drastic tax increases due to inflation or increase in property values.

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

Officials from the **Phelps County Sheriff, Department of Social Services, State Tax Commission, St. Louis County Police Department, and Office of the Secretary of State** and the **Kansas City Police Department** 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 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 some counties, including Greene County and St. Charles County, have 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 proposal 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 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 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain - §137.1050 - Credit base year adjusted for improvements and new construction and annexation</u>	Unknown	Unknown	Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<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

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" and adds a definition of "initial credit year". 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.

This act also provides that an ordinance authorizing a property tax credit that is adopted by a county shall not preclude such ordinance from being subsequently amended or superseded by a petition adopted pursuant to the act.

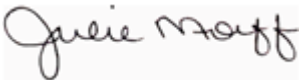
This act also provides that the real property tax liability for the eligible taxpayer's initial credit year shall be increased to reflect the real property tax liability attributable to any new construction and improvements made to the taxpayer's homestead in addition to any property tax liability owed to a taxing jurisdiction that has annexed the taxpayer's homestead subsequent to the taxpayer's initial credit year.

Finally, this act requires that a county granting a tax credit shall notify each political subdivision within such county of the total credit amount applicable to such political subdivision by no later than November 30th of each year.

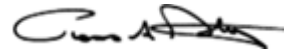
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
City of Kansas City
Newton County Health Department
Calloway County Health Department
Branson Police Department
County Employees Retirement Fund (CERF)
Phelps County Sheriff
Department of Social Services
State Tax Commission
St. Louis County Police Dept
Office of the Secretary of State
Kansas City Police Dept.



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June 4, 2024



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June 4, 2024