

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3489S.01I
 Bill No.: SB 975
 Subject: Taxation and Revenue - Property; Children and Minors
 Type: Original
 Date: February 7, 2024

Bill Summary: This proposal authorizes a property tax exemption for certain property used for childcare.

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
Blind Pension Fund (0621)	\$0	\$0 or (Unknown)*	\$0 or (Unknown)*
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or (Unknown)*	\$0 or (Unknown)*

*Oversight assumes the fiscal impact to the Blind Pension Fund would likely not reach the \$250,000 threshold based upon the number of licensed childcare providers provided by the Office of Childhood (DESE).

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

*Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal

FISCAL ANALYSIS

ASSUMPTION

Section 137.100 - Child Care Facilities Property Tax Exemption

Officials from the **Office of Administration - Budget and Planning (B&P)** assume Section B requires enabling language to be voter approved prior to the enactment of this proposal. B&P notes that the next General Election will be held in November 2024. Therefore, B&P assumes that the earliest this property tax exemption could become effective is for tax year 2025.

This proposal would allow certain property to become exempt from real and/or personal property taxation. The property must be used primarily for childcare outside of a child's home. B&P notes that the Blind Pension Trust Fund has a property tax levy of \$0.03 per \$100 valuation.

B&P further notes that the phrase "...for the care of a child outside of his or her home..." is vague and could encompass many different types of facility and property. Therefore, B&P estimates that this proposal could reduce revenues to the Blind Pension Trust Fund and local property tax revenues by a significant amount.

Officials from the **Department of Social Services (DSS)** assume Section 137.100 RSMo is amended to exempt from taxation all real and personal property used primarily for childcare provided to children outside of their home.

Blind Pension is funded from 0.03% of each \$100 assessed valuation of taxable property. Property Tax income for the BP fund in SFY 2023 was \$41,900,031 or approximately \$41.9 million (rounded down). The amount collected from real and personal property used primarily for child care provided to children outside of their home is unknown. To determine the impact of this legislation, FSD made the assumption that up to 1% of all property is used to provide childcare. 1% of the property tax revenue collected for the BP fund is \$419,000 ($\$41,900,031 * .01 = \$419,000.31$, rounded down).

Therefore, the impact to the BP fund is up to \$419,000 beginning in SFY 26.

Officials from the **State Tax Commission** have determined an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. The constitutional amendment, if approved by the voters, exempts childcare facilities from any real or personal property tax. The agency would not have data to determine how many childcare facilities would meet the proposed criteria and eligibility.

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

Officials from the **Newton County Health Department** assume this would create a negative fiscal impact on the Newton County Health Department depending on the amount of exemption and loss of tax collection because of the exemption.

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 **Department of Health and Senior**, the **Services Department of Revenue** 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 **Phelps County Sheriff, Kansas City Police Department, St. Louis County Police Department**, and the **Eureka Fire Protection District (EURE) - St. Louis** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight will show the impact to local taxing entities as either \$0 (Constitutional Amendment is not approved by voters AND/OR the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from qualifying childcare facilities) or an unknown negative fiscal impact to all local taxing entities beginning in FY 2026.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)*.03).

Oversight notes this proposal requires enabling language to be voter-approved prior to the enactment of this proposal. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters) or an unknown amount to the Blind Pension Fund beginning in FY 2026.

Oversight notes that for informational purposes the Office of Childhood (DESE), in response to a similar proposal HB 870 (2023), provided Oversight the licensed childcare facilities in Missouri as follows:

Year	Licensed Childcare Providers
2017	1,676
2018	1,594
2019	1,488
2020	1,191
2021	1,324
Reported as of 11/2022	1,176

Oversight notes if the average value of the 1,176 facilities above is \$200,000, the amount of reduction to the Blind Pension fund would be approximately \$13,406 ($1,176 \times \$200,000 \times 19\% \times .03/100$) for residential day-cares to \$22,579 ($1,176 \times \$200,000 \times 32\% \times .03/100$) for commercial/business daycares.

Oversight notes this would *not* take into account the personal property associated with the care of a child. Also, it would not take into account the day care centers that are not registered with the Department of Elementary and Secondary Education – however, Oversight assumes with the language “used primarily for the care of a child outside of his or her home”, these would not be eligible for the exemption. Therefore, Oversight assumes this proposal would not reach the \$250,000 threshold impact to the Blind Pension Fund.

Oversight notes property tax revenues are designed to be relatively 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.

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.

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.

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
BLIND PENSION FUND			
<u>Revenue Loss</u> - §137.100 - Childcare Facility property tax exemption if approved by voters	\$0	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> - counties - administrative expense to exempt portions of property from taxation if approved by voters	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Loss</u> - §137.100 - Childcare Facility property tax exemption* if approved by voters	\$0	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

***Oversight** notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue from this proposal.

FISCAL IMPACT – Small Business

Certain small childcare business owners may be impacted, pending voter approval and if enacting general laws are passed.

FISCAL DESCRIPTION

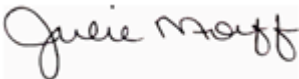
This act exempts from property tax all real and personal property used primarily for the care of a child outside of his or her home.

This act shall only become effective upon the passage and approval by the voters of a constitutional amendment permitting a property tax exemption for real and personal property used primarily for the care of a child outside of his or her home.

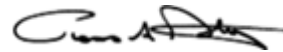
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning (B&P)
Department of Social Services (DSS)
State Tax Commission
Joint Committee on Public Employee Retirement (JCPER)
Department of Health and Senior Services
Department of Revenue
Office of the State Auditor
Joint Committee on Administrative Rules
Office of the Secretary of State
City of Kansas City
Newton County Health Department
Phelps County Sheriff
Kansas City Police Department
St. Louis County Police Department
Eureka Fire Protection District (EURE) - St. Louis



Julie Morff
Director
February 7, 2024



Ross Strobe
Assistant Director
February 7, 2024