

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4146S.02I
Bill No.: SB 1001
Subject: Taxation and Revenue - Property
Type: Original
Date: February 12, 2024

Bill Summary: This proposal modifies provisions relating to property taxes.

FISCAL SUMMARY

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

*Oversight assumes the fiscal impact could exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund (0621)*	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

*Oversight assumes the fiscal impact could exceed the \$250,000 threshold.

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	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

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 SB 1001, all properties with an assessment percentage above the counties ratio study percentage could appeal their assessment to the Board of Equalization who would be required to lower the value to equal the ratio study percentage. Approximately half of the properties could qualify for the reduction so this could lead to a significant reduction of revenue for the local taxing jurisdictions.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 137.132 would allow a property owner to appeal their property tax assessment for real property in subclasses (1) and (3) if the ratio of assessed value to true value is greater than the average ratio determined during an assessment ration study.

This provision would apply to all real property excluding agriculture and horticulture, which are in subclass (2). B&P notes that based on data published by STC, residential real property accounted for 50.73% and commercial real property accounted for 19.62% of all property taxes paid in 2022.

B&P further notes that an average ratio is determined by averaging all the assessments to market value across an area. Therefore, half of all property owners would qualify for an assessment reduction under this proposal.

The Blind Pension Trust Fund levies a statewide property tax of \$0.03 per \$100 valuation. B&P estimates that this proposal could significantly reduce revenues to the Blind Pension Trust Fund as well as local property tax funds.

Oversight assumes this proposal would potentially limit the assessed value of individual properties to the overall level of assessment.

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 $((\text{Total Assessed Value}/100)*.03)$. 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.

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% (example)	\$69,888,767,758
Difference	(\$1,064,295,956)
Divided by 100	(\$10,642,960)
Multiplied by 0.03 (Estimated Changed)	(\$319,289)

Oversight notes the revenue growth in property tax is determined by the following method:

Last year’s revenues plus an allowance for growth equal to either:

- Inflation;
- Growth in total assessed value, or;
- 5%, whichever is lower.

Oversight assumes if the growth in total assessed value is the lower of the three options, then any reduction in the assessed value would reduce the maximum allowed revenue growth (relative to current law) which could potentially impact all taxing entities.

Alternatively, **if** inflation or 5% is the lower option for determining the maximum allowed revenue, the calculation of revenue growth may not be limited by the reduction in assessed personal property. However, Oversight notes 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 other property owners.

Some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate rather it would result in a loss of revenue.

Oversight assumes there could be costs for implementation and computer programming. Oversight will show an unknown cost to county assessors to implement this proposal beginning in FY 2026.

Oversight a will show a negative unknown reduction in revenue to the Blind Pension Fund and local political subdivisions beginning in FY 2026.

Oversight notes according to the Department of Revenue, in FY 2022, there were 56,457 senior homeowners that claimed \$33,428,661 in PTC credits. Should some of these 56,457 qualify for the proposal 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.

Oversight will show an unknown savings to General Revenue beginning in FY 2026. Oversight notes total property tax credit amounts claimed would need to decrease by approximately 0.75% to reach a \$250,000 impact.

Oversight assumes there could be an unknown negative fiscal impact on St. Louis County for increased reimbursements to taxpayers for property tax appeals. Oversight will show a range of impact of \$0 (no additional cost) to an unknown cost beginning in FY 2026.

Officials from the **City of Kansas City** assume the proposal will have no fiscal impact.

Officials from the **Office of the State Courts Administrator, Department of Revenue, Department of Social Services, Office of the State Treasurer,** 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.

Oversight received a limited number of responses from taxing entities 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 approval to publish a new fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Cost Avoidance</u> - §137.132 - Reduction in property tax credit redemptions if taxpayers pay less in property taxes	\$0	Unknown	Unknown
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	Unknown	Unknown
BLIND PENSION FUND			
<u>Revenue Loss</u> - §137.132 - from a change in assessed value	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> - \$137.132 - from a change in assessed value	\$0	(Unknown)	(Unknown)
<u>Costs</u> - County Assessors - computer programing, administrative costs, and implementation of proposal	\$0	(Unknown)	(Unknown)
<u>Costs</u> - St. Louis County - \$138.434 - increase in reimbursement limits	\$0	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown)	(Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

PROPERTY TAX ASSESSMENTS

This act provides that if the common level of assessment, as defined in the act, in a subclass is lower than the individual level of assessment, as defined in the act, of any parcel in such subclass, then the individual level of assessment for such parcel shall be reduced to the common level of assessment. Such reduction shall be made upon an appeal by the taxpayer. (Section 137.132)

PROPERTY TAX APPEALS

Current law provides that, in any appeal in which an assessor fails to provide evidence of a physical inspection required by law, the taxpayer shall prevail as a matter of law. This act also provides that the assessor's increased assessed valuation shall be void in its entirety and the previous assessed valuation shall be applied. (Section 138.060)

Current law authorizes any first class charter county or city not within a county to require, by ordinance or charter, the reimbursement of just and reasonable appraisal costs, attorney fees, and court costs resulting from hearings before the State Tax Commission for taxpayer appeals of property assessments. This act requires such reimbursements. This act also increases the maximum amount of fees to be reimbursed from \$1,000 to \$5,000 for residential property appeals, and from \$4,000 to \$5,000 for utility, industrial railroad, or other subclass three property appeals. (Section 138.434)

PROTESTED PROPERTY TAXES

Current law requires a taxpayer to file a written protest of property taxes with the collector at the same time such taxpayer makes full payment of such taxes. This act repeals such requirement.

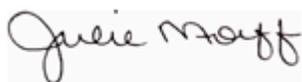
This act also provides that the interest due to a taxpayer whose protested taxes were distributed to a taxing authority shall be calculated from the date that the protested taxes were distributed to the taxing authority through the date of the refund.

Any taxpayer determined by a circuit court or the State Tax Commission to be entitled to a refund of property taxes shall receive such refund from the collector within thirty days of the final determination of the refund amount by the circuit court or State Tax Commission. If such refund is not issued within thirty days, the taxpayer shall be entitled to interest on the refund as calculated under current law. (Section 139.031)

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

State Tax Commission
Office of Administration - Budget and Planning
Office of the State Courts Administrator
Department of Revenue
Department of Social Services
Office of the State Treasurer
Office of the State Auditor
City of Kansas City



Julie Morff
Director
February 12, 2024



Ross Strobe
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February 12, 2024