

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 3012-01
BILL NO. SB 635
SUBJECT: Taxation and Revenue-Property: Property Tax
TYPE: Original
DATE: January 18, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Blind Pension	\$0	(\$237,000)	(\$265,000)
General Revenue	\$0	(\$45,300,000)	(\$50,700,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$45,537,000)	(\$50,965,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue** stated that this proposal would not affect that agency, administratively. (Oversight notes that there could be a savings to the General Revenue Fund since the circuit breaker property tax credit is a refund of property taxes paid by an individual. Since the proposal would limit the amount of property taxes paid, some circuit breaker payments would be less than under current law it is unknown how many individuals would claim this property tax exemption, or how much payments would be reduced. Oversight assumes the effect would not be material.)

State Tax Commission (TAX) officials estimated possible loss of income. The 1990 census indicated that 25% of occupied housing units are occupied by persons 65 or older. Recent increases in assessments for residential properties have been 12% per year (or about \$3,100,000,000 affecting FY 2002). Assuming over-64's account for 25% of the increase and an average tax rate of \$5.87 per \$100 assessed valuation, the possible loss computes to about \$46,500,000 for FY 2002 and \$52,000,000 for FY 2003. The Blind Pension Fund, which is \$.03 per \$100 assessed valuation, reimbursement would be approximately \$237,000 in FY 2002 and \$265,000 in FY 2003.

TAX officials would also request one audit clerk to receive and analyze requests for payments from approximately 2,500 political subdivisions and certify for payment by Office of Administration.

(Note: TAX officials note that social security recipients include persons who are not yet 65 or older. Social Security Insurance recipients can be of any age and persons who are 62 or older may collect "regular" social security. They also note that there are some relatively large group of persons who are not eligible for social security payments. For example, some teachers and some older state and local government employees. The assumption is that the number of persons eligible for this exemption would be about the same as an exemption for persons 65 and older.)

TAX officials and the Cole County Assessor note that assessors would have to maintain two sets of assessments for exempt parcels. It is not possible to estimate how much those costs would be until assessors could determine how many parcels would be affected.

Department of Elementary and Secondary Education officials note that the proposal would decrease tax collections, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) "on the formula" districts would recoup their losses through state payments, 2) "hold harmless" districts would not receive increased state payments through

ASSUMPTION (continued)

the Formula, and 3) state reimbursements required by this proposal are not included in the Formula, thus allowing “on the formula” districts a “double dip” consisting of reimbursements from the state and increased payments through a fully funded Formula.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(6 Mo.)		
GENERAL REVENUE FUND			
<u>Cost - Reimbursements to Political Subdivisions</u>	\$0	(\$46,500,000)	(\$52,000,000)
<u>State Tax Commission (TAX)</u>			
Personal Service (1 FTE)	\$0	\$ 21,012	\$ 21,538
Fringe Benefits	0	6,280	6,438
Expense and Equipment	<u>0</u>	<u>10,000</u>	<u>10,300</u>
Administrative Cost to TAX	\$0	(\$ 37,292)	(\$ 38,276)
NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 (\$46,537,292) (\$52,038,276)</u>		

BLIND PENSION FUND

<u>Loss - Reduced Property Tax Collections</u>	\$0	(\$237,000)	(\$265,000)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0 (\$237,000) (\$265,000)</u>		

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
	(6 Mo.)		
POLITICAL SUBDIVISIONS			
<u>Income - Reimbursements from State</u>	\$0	\$46,500,000	\$52,000,00

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
<u>Costs</u> - Reduced Property Tax Collections and Payments in Lieu of Blind Pension Fund Taxes	\$0	(\$46,500,000)	(\$52,000,000)
<u>Cost</u> - Assessor costs to keep two sets of books	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill authorizes a homestead exemption for purposes of real property tax relief for persons eligible for and receiving social security benefits.

The exemption would be for the part of the assessed value of the homestead which exceeds the assessed value of the homestead after the effective date of the proposal.

The state of Missouri would reimburse political subdivisions for losses incurred due to the exemption.

This proposal has an effective date of January 1, 2001.

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

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SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
Cole County Assessor

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is cursive and somewhat stylized, with a large initial "J".

Jeanne Jarrett, CPA
Director
January 18, 2000