

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0843-01
Bill No.: SB 208
Subject: Taxation and Revenue - Property: Veterans
Type: Original
Date: January 4, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	(\$1,180,000)	(\$1,380,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$1,180,000)	(\$1,380,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)**, the **State Tax Commission (TAX)**, and the **Office of Administration (COA)** stated that this proposal would not affect their agencies materially. (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. DOR officials noted that there were 485 property tax credit returns filed by disable veterans. Oversight assumes that if the returns resulted in an average \$250 refund, the reduced credits would be \$121,250.)

State Tax Commission (TAX) officials estimated possible loss of income. The Veterans Administration has identified about 3,000 service-connected 100% disabled veterans in Missouri. If all 3,000 had a \$50,000 home, the exemption would total approximately \$1,700,000 statewide. ($3,000 \times \$50,000 = \$150,000,000 \times .19 = \$28,500,000 / \$100 = 285,000 \times \$5.90 = \$1,681,500$. Oversight notes that Blind Pension Fund losses would be $285,000 \times \$0.03 = \$8,550$, an amount Oversight does not consider material.) The 1990 census indicated that about 70% of occupied housing units are occupied by persons who own the units. Recent increases in assessments for residential properties have been 12% in reassessment years. ($\$1,681,500 \times .7 = \$1,177,050 \times 1.12 = \$1,318,296$ for tax year 2002, which would be felt in FY 2003. There will be a general reassessment in 2003, therefore projected losses in FY 2004 would be $\$1,318,296 \times 1.12 = \$1,476,492$.)

TAX officials 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; therefore, unknown additional costs to county assessors are reflected in the fiscal impact to local governments.

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, and 2) "hold harmless" districts would not recover losses through additional payments through the Foundation Formula.

Oversight assumes that:

- 1) 70% of disabled veterans could use the proposed exemption;
- 2) possible losses will increase 12% in the fiscal years following reassessment (e.g. FY 2002 and ASSUMPTION (continued)

FY 2003 following the 2001 reassessment and FY 2004 following the 2003 reassessment); and

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3) some political subdivisions could recoup all or part of lost collections through adjustments in rates, but subdivisions with tax rates at or above tax rate ceilings could not do so.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Savings</u> - Reduced Circuit Breaker Payments	\$0	\$120,000	\$120,000
<u>Cost</u> - Reimbursements to Political Subdivisions	\$0	(\$1,300,000)	(\$1,500,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$1,180,000)</u>	<u>(\$1,380,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
POLITICAL SUBDIVISIONS			
<u>Income</u> - Reimbursements from State	\$0	\$1,300,000	\$1,500,000
<u>Loss</u> - Reduced Real Property Tax	\$0	(\$1,300,000)	(\$1,500,000)
<u>Cost</u> - Assessors Administration	\$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 proposal would authorize a homestead exemption for purposes of real property tax relief for veterans who are one hundred percent (100%) disabled due to service-related conditions and who own and reside on property which qualifies as a homestead under terms of section 135.010, RSMo.

The proposal would also require the state to reimburse political subdivisions for lost revenues which are not recouped through adjustments in tax rates or increases in payments through the Foundation Formula.

DESCRIPTION (continued)

This homestead exemption would be effective for years beginning on or after January 1, 2002.

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission



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Director
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