

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0924-01
Bill No.: SB 281
Subject: Taxation: Property, Real and Personal
Type: Original
Date: January 24, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	\$0	(\$41,116,129)	(\$43,336,669)
Blind Pension	\$0	(\$205,347)	(\$216,683)
Total Estimated Net Effect on <u>All State Funds</u>*	\$0	(\$41,321,476)	(\$43,553,352)

*Does not include possible cost to fully fund Foundation Formula.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All Federal Funds</u>	\$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** stated that this proposal would not affect that agency, administratively.

The 1990 census indicated that 26.6% of occupied housing units are occupied by persons 65 or older and that 16.8% of occupied housing units are occupied by persons 55 through 64 years of age. Assuming that 30% of the 16.8% represent persons 62 to 64 years of age, then about 5% of units are occupied by persons 62 through 64 years of age. The Social Security Administration says that over 80% of persons eligible to take early benefits are doing so; therefore, about 4% of the 5% would be eligible for the exemption. Therefore, 30.6% of occupied housing units would be eligible for the exemption.

The increase in property taxes on residences from 1997 to 1999 was \$1,656,991,958 (or about 11%). The projected increase from 1999 to 2001 would be \$182,269,115. Assuming over-62's account for 30.6% of residential units, that 70% are owner-occupied, the projected loss for FY 2002 would have been \$39,042,044.

FY 2002: $\$182,269,115 \times .306 = \$55,774,349 \times .7 = \$39,042,044$

FY 2003: $\$18,853,873/1.055 = \$41,077,412$

FY 2004: $\$39,042,044 \times 1.11 = \$43,336,669$

The Blind Pension Fund Tax, which is about .05% of total tax, would have lost about \$195,200 in FY 2002.

State Tax Commission (TAX) officials would request one audit clerk to receive and analyze requests for payments from approximately 2,500 political subdivisions and certify for payment.

TAX officials note that assessors would have to maintain two sets of assessments for exempt parcels and, presumably, collectors would have to collect and affirm additional information from persons applying for the exemption. It is not possible to estimate how much those costs would be until assessors could determine how many parcels would be affected and collectors determined how many persons would be requesting exemptions; therefore, unknown additional costs to county assessors and collectors 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

ASSUMPTION (continued)

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.

	FY 2002	FY 2003	FY 2004
<u>FISCAL IMPACT - State Government</u>	(6 Mo.)		
GENERAL REVENUE FUND			
<u>Cost</u> - Reimbursement to Political Subdivisions	\$0	(\$41,077,412)	(\$43,336,669)
<u>Cost</u> - State Tax Commission (TAX)			
Personal Service (1 FTE)	\$0	(\$21,538)	(\$22,076)
Fringe Benefits	\$0	(\$7,179)	(\$7,358)
Expense and Equipment	<u>\$0</u>	<u>(\$10,000)</u>	<u>(\$10,300)</u>
Administrative Cost to TAX	\$0	(\$38,717)	(\$39,734)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>(\$41,116,129)</u>	<u>(\$43,376,403)</u>

*Does not include possible costs to fully fund Foundation Formula

BLIND PENSION FUND			
<u>Loss</u> - Reduced Property Tax	\$0	(\$205,347)	(\$216,683)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$205,347)</u>	<u>(\$216,683)</u>

	FY 2002	FY 2003	FY 2004
<u>FISCAL IMPACT - Local Government</u>	(6 Mo.)		
POLITICAL SUBDIVISIONS			
<u>Income</u> - Reimbursements from State	\$0	\$41,077,412	\$43,336,669
<u>Costs</u> - Reduced Property Tax Collections	\$0	(\$41,077,412)	(\$43,336,669)
<u>Costs</u> - Assessor and Collector Administrative Duties	\$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, 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 would 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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