

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2165-01
Bill No.: SB 584
Subject: Taxation and Revenue: Property, Real and Personal
Type: Original
Date: March 27, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	\$0	(\$43,800)	\$0
Total Estimated Net Effect on All State Funds*	\$0	(\$43,800)	\$0

*Fiscal impacts would begin in FY 2005 and could include possible cost to fully fund the Foundation Formula.

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

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

*Fiscal and Administrative impacts would begin in FY 2005.
 Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

State Tax Commission (TAX) officials estimated possible loss of income. The 1990 census indicated that 26.6% of occupied housing units are occupied by persons 65 or older. 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-64's account for 26.6% of residential units, that 70% are owner-occupied for FY 2002 would be \$33,938,509.

FY 2002: $\$182,269,115 \times .266 = \$48,483,585 \times .7 = \$33,938,509$

FY 2004: $\$33,938,509 \times 1.11 = \$37,671,746$

FY 2003: $\$37,671,746 / 1.055 = \$35,707,816$

FY 2006: $\$37,671,746 \times 1.11 = \$41,815,638$

FY 2005: $\$41,815,638 / 1.055 = \$39,635,676$

The Blind Pension Fund Tax, which is about .05% of total tax, would have lost about \$174,400 in FY 2002.

TAX officials note that assessors would have to maintain two sets of assessments for exempt parcels and 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 could 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 notes that the fiscal impact of the proposal would not be felt until the voters of the state approve the proposal and a county or counties approve an exemption. Assuming that the proposal would be put before the voters of the state at the November, 2002, general election and that counties would put local proposals before their voters at regularly scheduled elections in the first half of 2003, then the exemptions would affect tax year 2004 and would affect tax

ASSUMPTION (continued)

collections in FY 2005.

Advertisement costs for the proposal would be \$4,380 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2002 general election.

	FY 2002	FY 2003	FY 2004
<u>FISCAL IMPACT - State Government</u>			
GENERAL REVENUE FUND			
<u>Cost -Secretary of State</u>			
Newspaper Advertisements		(\$43,800)	
ESTIMATED NET EFFECT ON		<u>(\$43,800)</u>	
GENERAL REVENUE FUND*			

*Costs for reimbursements to local governments would begin in FY 2005.

	FY 2002	FY 2003	FY 2004
<u>FISCAL IMPACT - Local Government</u>			
POLITICAL SUBDIVISIONS			
<u>Income</u> - Reimbursements from State	\$0	\$0	\$0
<u>Loss</u> - Reduced Property Tax Collections and Payments in Lieu of Blind Pension Fund Taxes	\$0	\$0	\$0
<u>Costs</u> - Assessor and Collector Administrative Duties	\$0	\$0	\$0
ESTIMATED NET EFFECT ON	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
POLITICAL SUBDIVISIONS*			

*Administrative and tax effects would begin in FY 2005.

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 statewide vote on a proposal which would allow voters of any county in Missouri to allow a homestead exemption for purposes of real property tax relief for persons who are at least sixty-five years of age, who own and reside on property which is used as a principal residence.

DESCRIPTION (continued)

The exemption would be for the part of the assessed value of the homestead which exceeds the

assessed value of the homestead in the year in which the owner reaches sixty-five or on the effective date of the proposal and until the property is transferred to an ineligible owner.

The state of Missouri would reimburse net revenue losses of political subdivisions resulting from provisions of the proposal.

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

State Tax Commission
Secretary of State



Jeanne Jarrett, CPA
Director
March 27, 2001