COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3040-01
Bill No.: SB 759
Subject: Taxation and Revenue - Property; State Tax Commission; Elderly; Property, Real and Personal; Revenue Department; Cities, Towns and Villages; Counties
Type: Original
Date: December 28, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue*	($43,800)	$0	(Up to $37,558,000)
Blind Pension	$0	$0	(up to $188,000)
Total Estimated Net Effect on All State Funds*	**($43,800)**	**$0**	**(Up to $37,746,000)**

*Excludes possible cost to fully fund the Foundation Formula.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Political subdivisions *	(Unknown)	(Unknown)	(Unknown)
Local Government	**(Unknown)**	**(Unknown)**	**(Unknown)**

* Significant revenue losses from reduced taxes and offsetting state reimbursements starting in FY2005.
Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission** assume it is unknown how many counties will vote in the provision. Residential property assessed valuation is $30 billion. In the year of reassessment, statewide increase of residential property is 8%. 70% of residential properties are owner occupied and 24% of residents contain a member who is 65 years and older. Statewide levy is 6$ per $100 assessed valuation. Calculations are as follows $30 billion assessed valuation times 8% increase equals $2.4 billion increase. $2.4 billion times 70% owner occupied is $1.68 billion times 24% senior citizens equals $400 million times $6 levy equals $24 million in revenues the state would need to replace.

In response to a similar proposal in the prior session, **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 estimated possible losses as follows:

An increase in taxes on residential property of 11% per 2-year cycle of reassessment, an inflation rate of 3.5%, 70% of residential property is owner occupied, and 26.9% of residential property owners are over 64.

Total property tax paid in 2000	$	3,922,378,000	
Percent residential		x .44	
Residential Property Tax paid in 2000		$	1,725,846,000
Projected Tax 2002	$	1,915,689,000	
Projected Increase	$	189,843,000	
Percentage of population 64+			x .269
Projected Increase for 64+ Occupied	$	51,068,000	
Percentage of owner-occupied			x .70
Projected Increase for 64+ owner-occupied	**$**	**35,748,000**	

Projected Losses for FY 2003: $35,748,000

Projected losses for FY 2004: $36,642,000

Projected losses for FY 2005: $37,558,000

ASSUMPTION (continued)

Oversight notes that the fiscal impact of the proposal would not be felt until after 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 first affect tax year 2004 taxes to be collected in FY 2005.

If all senior citizen owner-occupied property is occupied by persons who have lived in the property for five years or more then the total amount would be lost. **Oversight** has ranged the loss up to the maximum calculated since it is impossible to determine how many senior citizen owners have occupied their properties for the required five years and how many counties would vote to authorize the exemption.

There would also be losses to the Blind Pension fund of a little more than ½ of 1% of the losses to the political subdivisions.

Officials from the **Office of the Secretary of State** assume statewide newspaper publications of constitutional amendments cost approximately $1,460 per column inch based on estimate provided by the Missouri Press Service x3 for muliple printings as required by the Constitution and State Statute = $4,380 per column inch. Estimate total number of inches for this amendment to be 10 inches, which includes title header and certification paragraph.
$4,380 x 10 inches = $43,800.

Oversight assumes there would also be unknown election costs to the counties for the local approval required to implement this proposal.

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
Election cost	($43,800)		
Cost - Increased Transfers to State School Moneys Fund	$0	$0	(Unknown)
Cost - Reimbursements to Political Subdivisions	$0	$0	(Up to $37,558,000)
NET EFFECT ON GENERAL REVENUE FUND*	**($43,800)**	**$0**	**(Up to $37,558,000)**

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
BLIND PENSION FUND			
Loss - Reduced Collections	$0	$0	(up to $188,000)
NET EFFECT ON BLIND PENSION FUND	**$0**	**$0**	**(up to $188,000)**

FISCAL IMPACT - Local Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
POLITICAL SUBDIVISIONS			
Income - Reimbursements from State*	$0	$0	up to $37,558,000
Election costs	(Unknown)	(Unknown)	(Unknown)
Loss - Reduced Property Tax Collections	$0	$0	(up to $37,558,000)
NET EFFECT ON POLITICAL SUBDIVISIONS*	**(Unknown)**	**(Unknown)**	**(Unknown)**

***Does not include possible increased distributions to school districts**.

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 measure which would authorize 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.

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.

DESCRIPTION (continued)

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
Secretary of State

Jeanne Jarrett, CPA
Director
December 28, 2001