

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3152-03
Bill No.: SB 663
Subject: Taxation & Revenue—Property; Political Subdivisions; Elderly; State Tax Commission
Type: Original
Date: December 28, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$175,200)	\$0	\$0
Blind Pension	\$0	(\$310,000 to \$410,000)	(\$317,000 to \$420,000)
Total Estimated Net Effect on <u>All</u> State Funds *	(\$175,200)	(\$310,000 to \$410,000)	(\$317,000 to \$420,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	(Unknown)	(\$61,915,000 to Unknown)	(\$63,463,000 to Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission** assume: an increase in the parcel amount paid to the counties. Should the counties be reimbursed at \$7 per parcel instead of the current \$6.20, it would cost the state \$3million. Additional assumptions are that \$21.1 billion in assessed valuation is represented by owner occupied. Of this amount \$5.1 billion assessed valuation is represented by Senior Citizens. Assuming 8% valuation growth, the increase in assessed valuation for senior citizens equals \$408 million assessed times a \$6 statewide levy reflects potential loss to local political subdivisions at \$24.5 million. Additional assumption is \$16 billion assessed valuation is represented by owner occupants <65 years of age. 8% growth in a 2 year period minus the 5% cola allowed equals 3% potential loss for local political subdivisions. \$16 billion assessed valuation times 3% equals \$480 million assessed times \$6 levy equals potential loss of \$28.8 million.

Oversight notes that this proposal does not mandate an increase in the per-parcel reimbursement to counties and has excluded that cost from the fiscal impact of this proposal.

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

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. If all owner-occupied property is occupied by persons who have lived in the property for less than five years then the loss would be 5/11ths of possible loss. Projected losses for subsequent years would increase from 2.5% to 5.5%.

ASSUMPTION (continued)

Projected Increase	\$ 189,843,000
Percentage of population under 65	x .731
Projected Increase for Under 65 Occupied	\$ 138,775,000
Percentage of owner-occupied	x .70
Projected Increase for Under 65 owner-occupied	\$ 97,143,000

Assuming the consumer price index rises more than 5% every two years, 5/11ths of the increase would be lost. Projected losses for subsequent years would increase 2.5%.

Projected Losses for FY 2003:

\$35,748,000 x 5/11 = \$16,250,000 to \$35,748,000 for 64+
\$97,143,000 x 5/11 = \$44,156,000 for under 65s.

Total = \$60,406,000 to \$79,904,000

Projected losses for FY 2004:

\$16,655,000 to \$36,642,000 for 64+
\$45,260,000 for under 65s

Total = \$61,915,000 to \$81,902,000

Projected losses for FY 2005:

\$17,072,000 to \$37,558,000 for 64+
\$46,391,000 for under 65s

Total = \$63,463,000 to \$83,949,000

There would also be losses to the Blind Pension fund of a little more than 1/2 of 1% of the losses to political subdivisions.

ASSUMPTION (continued)

Oversight assumes there would be additional unknown costs to the County Assessor, Clerk, and Collector to administer the proposal. Oversight also assumes that St. Louis County may have significant but unknown additional costs to conduct assessment appeals and to reimburse successful property owners for their appeal expenses.

In response to a similar proposal, **Department of Elementary and Secondary Education** officials noted that the proposal would decrease assessed values compared to current law, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) “hold harmless” districts would recoup their losses through state payments, 2) state payments required by this proposal are not included in the Formula, thus allowing other districts a “double dip” consisting of reimbursements from the state and increased payments through a fully funded Formula, and 3) the effects of the proposal on the Formula should disappear after three or so years because reducing the guaranteed tax base reduces the inflationary adjustment in the Formula for districts to fund inflationary increases in expenses.

Oversight assumes the Foundation Formula issues, if any, would be addressed through the appropriation process.

In response to a similar proposal, officials of the **Department of Revenue** indicated that the proposal would not affect their agency, administratively.

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 multiple printings as required by the Constitution and State Statute = \$4,380 per column inch. Estimate total number of inches for this amendment to be 50 inches, which includes title header and certification paragraph. \$4,380 x 40 inches = \$175,200.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		
GENERAL REVENUE			
<u>Cost to General Revenue Fund</u>			
<u>Secretary of State</u>			
Newspaper Advertisements	(\$175,200)	\$0	\$0
NET EFFECT ON GENERAL			
REVENUE FUND*	<u>(\$175,200)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
BLIND PENSION FUND			
<u>Loss</u> - Reduced Collections	\$0	(\$310,000 to \$410,000)	(\$317,000 to \$420,000)
NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$310,000 to \$410,000)</u>	<u>(\$317,000 to \$420,000)</u>

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

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Political subdivisions</u>			
<u>Loss</u> - Reduced Property Tax Collections	\$0	(\$61,915,000 to \$81,902,000)	(\$63,463,000 to \$83,949,000)
<u>Cost</u> - Additional administrative cost to Assessor, Collector, and Clerk <u>St. Louis County</u>	(Unknown)	(Unknown)	(Unknown)
Additional cost to Assessor	(Unknown)	(Unknown)	(Unknown)
NET EFFECT ON POLITICAL SUBDIVISIONS *	<u>(Unknown)</u>	<u>(\$61,915,000 to Unknown)</u>	<u>(\$63,463,000 to Unknown)</u>

* in excess of \$61,915,000 and \$63,463,000 in 2004 and 2005, respectively.

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would limit any increase in assessed value of residential property, excluding new construction or improvements, to the lesser of increase in the consumer price index or five percent. The proposal would also freeze assessed value of residential property owned by persons sixty-five or older who have resided on the property five years or more. This proposal does not provide for reimbursement of losses to the political subdivisions.

DESCRIPTION - continued

The proposal would require written notice to a property owner of a physical inspection of the property, require the owner to be notified of the owner's rights relating to the inspection, and allow the property owner to request an interior inspection of the property. The proposal would prohibit "drive-by" inspections.

The proposal would place the burden of proof on the assessor in the case of an assessment appeal. The proposal would also provide for reimbursement of expenses to the property owner in cases where the assessment was reduced on appeal, in St. Louis County.

This proposal is subject to statewide voter approval in the November, 2002, general election, and would have an effective date of January 1, 2003.

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