

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4143-05
Bill No.: HCS for SB 989 with HA 2, HA 3, & HA 4
Subject: Taxation and Revenue - Property; Cities, Towns and Villages; Counties
Type: Original
Date: May 15, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Blind Pension	(\$489,000)	(\$270,000)	(\$561,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$489,000)	(\$270,000)	(\$561,000)

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)	(Unknown)	(Unknown)

*Offsetting revenues and withholdings. Expected to exceed \$100,000 per year.
 Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

New Construction Assessment Provisions

Officials from **Cass County** assume this proposal would result in no significant fiscal impact to Cass County.

In response to a previous version of this proposal, officials from the **Department of Revenue** and the **State Tax Commission** assumed this proposal would have no fiscal impact on their organization. Officials from **Cass County** assumed this proposal will increase their withholding from political subdivision tax collections for the assessment fund by \$57,000-\$60,000 per year.

Oversight assumes this proposal would have no fiscal impact on the state of Missouri. Oversight also assumes there would be an unknown increase in tax revenues to political subdivisions in Cass County since new construction would not be subject to current tax rate reduction requirements. Oversight further assumes this proposal would become effective on January 1, 2003, and that the earlier estimate of \$60,000 per year in additional withholdings from Cass County political subdivisions to the Cass County Assessment Fund is reasonable.

Property Tax Refund Procedures

In response to a previous version of this proposal, officials from the **Department of Revenue** and the **State Tax Commission** assumed no fiscal impact to their organizations.

Officials from the **Office of Administration, Division of Budget and Planning, Cole County, Boone County, St. Louis County, Green County, the City of St. Louis, and the City of Kansas City**, did not respond to this proposal.

Oversight assumes this proposal would have no significant fiscal impact to the state or to political subdivisions.

HA#2 - Local Certificate of Value Prohibition

Oversight assumes this proposal would have no significant fiscal impact on the state of Missouri or its political subdivisions.

ASSUMPTION (continued)

HA#3 - Homestead Preservation Act

Officials from the **Department of Revenue, Office of Administration, Division of Budget and Planning, City of St. Louis, St. Louis County, City of Kansas City, and Greene County**, did not respond to a previous version of this proposal.

In response to a previous version of this proposal, officials from the **Office of State Courts Administrator** assume no fiscal impact to the courts as a result of this proposal.

In response to a previous version of this proposal, officials from the **State Tax Commission** assume that \$21.1 billion in assessed valuation is represented by owner occupied. \$5.1 billion assessed valuation is represented by Senior Citizens.. Assuming 8% reassessment valuation growth, the increase in assessed valuation for senior citizens equals \$408 million assessed times a \$6 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 political subdivisions. \$16 billion assessed valuation times 3% equals \$480 million times a \$6 levy equals potential loss of \$28.8 million. This drastically affects school districts and other local political subdivisions. It particularly will have a devastating affect on St. Louis County.

Oversight notes the following related to potential tax revenue losses from this proposal:

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 20.5% 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
Percentage of population 64+		x .205
Elderly residential property tax	\$	353,798,000
Percentage of owner-occupied		x .70
Owner-occupied elderly residential tax	\$	247,659,000

ASSUMPTION (continued)

Percentage of population under 64		x .795
Elderly residential property tax	\$	1,372,048,000
Percentage of owner-occupied		x .70
Owner-occupied under 64 residential tax	\$	960,434,000

This proposal would create a homestead exemption for the primary residence of persons 65 and over. No increase in the assessed valuation of such property would be permitted. Increases in assessed valuation for persons under 65 would be limited to five percent for each two-year reassessment period.

Oversight assumes it is not possible to estimate the magnitude of tax losses to political subdivisions. Actual tax collections for any individual political subdivision would be subject to overall changes in total assessed valuation, and to the effects of other statutory revenue restraints. The effects of the other revenue restraints would vary from subdivision to subdivision. Reducing the increase in assessed valuation on individual parcels would in turn reduce the tax rate rollback required, primarily shifting this tax burden to other taxpayers. Oversight assumes that losses to political subdivisions from this provision, as compared to current law would be expected to exceed \$100,000 per year. This proposal does not provide for state reimbursement of losses to political subdivisions.

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. Since taxes for the Blind Pension Fund are not subject to the tax rate rollback provisions which apply to political subdivision taxes, these losses would be sustained by the Blind Pension Fund. Oversight assumes this proposal would take effect as of January 1, 2003 for taxes to be collected in state FY 2004, and estimates these losses as follows:

Owner-occupied elderly residential tax for 2000	\$	247,659,000
Amount estimated for Blind Pension Fund at 1/2%	\$	1,238,000
Projected increase for 2001 at 11%	\$	136,200
Owner-occupied elderly residential tax for 2001	\$	1,374,000
Projected increase for 2002 at 3.5%	\$	48,000
Owner-occupied elderly residential tax for 2002	\$	1,422,000
Projected increase for 2003 at 11%	\$	156,000
Owner-occupied elderly residential tax for 2003	\$	1,578,000
Projected increase for 2004 at 3.5%	\$	55,000
Owner-occupied elderly residential tax for 2004	\$	1,633,000
Projected increase for 2005 at 11%	\$	180,000
Owner-occupied elderly residential tax for 2005	\$	1,813,000

ASSUMPTION (continued)

Owner-occupied under 64 residential tax for 2000	\$	960,434,000
Amount estimated for Blind Pension Fund at 1/2%	\$	4,802,000
Projected increase for 2001 at 11%	\$	528,000
Projected tax for 2001	\$	5,330,000
Projected increase for 2002 at 3.5%	\$	187,000
Projected tax for 2002	\$	5,517,000
Projected increase for 2003 at 11%	\$	612,000
Loss of 6/11 of projected increase	\$	333,000
Projected tax for 2003 without proposal	\$	6,129,000
Projected increase for 2004 at 3.5%	\$	215,000
Projected tax for 2004 without proposal	\$	6,344,000
Projected increase for 2005 at 11%	\$	698,000
Loss of 6/11 of projected increase	\$	381,000

Total loss to Blind Pension Fund from this provision -

	<u>65 and Over</u>	<u>Under 65</u>	<u>Total</u>
2003	\$156,000	\$333,000	\$489,000
2004	\$55,000	\$215,000	\$270,000
2005	\$180,000	\$381,000	\$561,000

HA#4 - Assessment Fund Withholding for Certain Counties

Oversight assumes this proposal would become effective on January 1, 2003, and would result in approximately \$45,000 per year in additional withholdings from Taney County political subdivisions to the Taney County Assessment Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
BLIND PENSION FUND			
<u>Revenue reduction</u>			
Reduced tax collections	(\$489,000)	(\$270,000)	(\$561,000)
NET EFFECT ON BLIND PENSION FUND	<u>(\$489,000)</u>	<u>(\$270,000)</u>	<u>(\$561,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (12 Mo.)	FY 2004	FY 2005
POLITICAL SUBDIVISIONS			
Cass County			
Revenues - assessment fund withholdings	\$60,000	\$60,000	\$60,000
Taney County			
Revenues - assessment fund withholdings	\$45,000	\$45,000	\$45,000
Political subdivisions in Cass County			
Additional tax revenues from newly constructed residential property	Unknown	Unknown	Unknown
* Assessment fund withholdings	(\$60,000)	(\$60,000)	(\$60,000)
Political subdivisions in Taney County			
Assessment fund withholdings	(\$45,000)	(\$45,000)	(\$45,000)
Political Subdivisions statewide			
<u>Revenue reduction</u>			
Reduced tax collections *	(Unknown)	(Unknown)	(Unknown)
NET EFFECT ON POLITICAL SUBDIVISIONS *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

* Expected to exceed \$100,000 per year.

FISCAL IMPACT - Small Business

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

DESCRIPTION

New Construction Assessment Provisions

This proposal would authorize the expansion of certain assessment provisions for new home construction to include one additional county. New home construction in that county would become subject to pro-rata assessment for the first year of occupancy based on the portion of the year it became occupied as a residence. Additional withholdings would be provided for the Cass County Assessment Fund from the additional revenues.

Property Tax Refund Procedures

This proposal would change the way in which protested tax refunds are processed. This bill extends the time period for refund or credit of an overpayment of real property taxes that has been erroneously or mistakenly levied upon a taxpayer from one to 3 years. (Taxpayers would continue to have one year to apply for refunds or credits of personal property taxes.) The bill would also allow collectors of revenue to offset future distributions of property tax revenues to political subdivisions in an amount equal to any refund or credit granted.

HA#2 - Local Certificate of Value Prohibition

This proposal would prohibit a city or county from creating a certificate of value for purposes of establishing assessed valuation of property.

HA#3 - Homestead Preservation Act

This proposal would limit any increase in the assessed value of residential property used as a homestead and owned by a person under the age of sixty-five, or for less than five years by a person over the age of sixty-five, to five percent per two-year reassessment period. The proposal would also prohibit any increase in the assessed valuation of residential property used as a homestead by a person over the age of sixty-five.

DESCRIPTION - continued

HA#4 - Assessment Fund Withholding for Certain Counties

This proposal would add Taney County to the assessment fund withholding provisions created for Cass County by the original proposal.

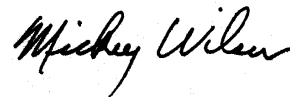
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Cass County
Department of Revenue
State Tax Commission
Office of State Courts Administrator

NOT RESPONDING

Office of Administration
Division of Budget and Planning
Cole County
Boone County
St. Louis County
Greene County
City of St. Louis
City of Kansas City



Mickey Wilson, CPA
Acting Director
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