

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5998-02  
Bill No.: HCS for HB Nos. 2298 & 2109  
Subject: Taxation and Revenue - Sales and Use; Property, Real and Personal; Motels and Hotels  
Type: Original  
Date: March 14, 2016

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Bill Summary: This proposal modifies the definition of residential property for property taxation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

In response to a similar proposal (HB 2109) officials from the **Department of Natural Resources (DNR)** assumed the proposal would authorize a state and local sales tax exemption for a bed and breakfast inn in which the owner resides and does not exceed the limit of rooms requirement. DNR assumed the Department of Revenue and the Office of Administration-Division of Budget and Planning would provide a more detailed account of the fiscal impact.

Officials from the **Office of Administration-Division of Budget and Planning** assume that if the proposal results in lower property taxes, the Blind Pension Fund contributions will decrease.

**Oversight** assumes the proposal provides for a property tax reduction for certain owners of bed and breakfast establishments. **Oversight** notes that the proposal will not affect sales tax liability.

**Oversight** is providing an example of how the real estate taxes will be impacted by this proposal. Assuming the appraised value of a bed and breakfast which qualifies (owner resides and six or fewer rooms to rent) with an appraised value of \$500,000 would have an assessed value as commercial property (32% rate) of \$160,000 and using the average Missouri tax levy of \$5.48 would yield real estate property taxes of \$8,768. The same property reclassified as residential property (19% rate) would have an assessed value of \$95,000 and using the average Missouri tax levy of \$5.48 would yield real estate property taxes of \$5,206 (a reduction of \$3,562).

**Oversight** notes the reclassification from commercial real estate to residential real estate will reduce real estate taxes on that parcel by 40.625%.

The number of real estate parcels that qualify is unknown. The number of political subdivisions is unknown. The number of political subdivisions that currently operate under their authorized levy ceiling is unknown.

**Oversight** will show \$0 to (Unknown) as the amount of impact.

**Oversight** will assume the impact to the State's Blind Pension Trust Fund (\$0.03 levy) would be immaterial (\$19.50 in example shown above), and will not be reflected in the fiscal note.

Officials from the **Department of Revenue**, the **Joint Committee on Administrative Rules** and the **State Tax Commission** assume no fiscal impact from the proposal

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**LOCAL GOVERNMENT**

<u>Revenue Reduction- Property Tax Revenue</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>
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FISCAL IMPACT - Small Business

Small businesses engaged in the bed and breakfast business would be impacted by this proposal.

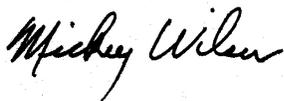
FISCAL DESCRIPTION

The proposal changes the classification of a bed and breakfast inn in which the owner resides and has six or less rooms for rent from commercial property to residential property for real property taxation purposes.

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

Department of Natural Resources  
Office of Administration-  
    Division of Budget and Planning  
Department of Revenue'  
Joint Committee on Administrative Rules  
State Tax Commission



Mickey Wilson, CPA  
Director  
March 14, 2016

Ross Strobe  
Assistant Director  
March 14, 2016