

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2577-01
Bill No.: HB 1048
Subject: Elderly, Property, Real and Personal, State Tax Commission, Taxation and Revenue - General, Taxation and Revenue - Property
Type: Original
Date: December 18, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue *	\$0	\$0	(\$10,744,000)
Blind Pension	\$0	\$0	(\$53,700)
Total Estimated Net Effect on <u>All</u> State Funds *	\$0	\$0	(\$10,797,700)

*Does not include possible 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
Political Subdivisions *	\$0	\$0	(Unknown)
Local Government	\$0	\$0	(Unknown)

* Offsetting revenue losses and state reimbursements for reduced tax collections.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue** stated that this proposal would not affect that agency, administratively.

Officials of the **State Tax Commission** noted this proposal is very similar to the existing Circuit Breaker program that provides property tax relief for Senior Citizens who have household income which is less than \$27,000. The State of Missouri is required to replace "loss revenues" to local government from appropriations. In other fiscal notes it has been determined that the expected increase in assessed valuation for Senior Citizens property would result in local government receiving \$24.5 million in revenue. However, the state tax Commission does not have data to indicate the number of citizens who have a household income less than \$17,000

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

Oversight assumes that 12,600 joint-taxpayer households have income less than \$23,000, and 10,800 single-taxpayer households have income less than \$17,000. Therefore, 23,400 households or 22% of all Missouri households would be eligible for the tax relief provided by this proposal.

Projected Increase for 64+ owner-occupied	\$	35,748,000
Percent eligible		.22

Projected increase for eligible households \$ 7,865,000

ASSUMPTION (continued)

Projected Losses for FY 2003: $\$7,865,000 \times 1.11 \times 1.035 =$ $\$9,036,000$

Projected losses for FY 2004: $\$9,036,000 \times 1.035 =$ $\$9,352,000$

Projected losses for FY 2005: $\$9,352,000 \times 1.11 \times 1.035 =$ $\$10,744,000$

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.

In response to a similar proposal in the prior session, officials from the **Department of Elementary and Secondary Education** note that the proposal would 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 assumes there will be increased costs to the County Assessor, Clerk, and Collector to administer this program.

Oversight assumes that the state will reimburse political subdivisions for their lost tax revenues from the General Revenue Fund.

Oversight assumes the first reimbursements to political subdivisions would be made in FY 2005. The bill becomes effective January 1, 2003.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Cost - Reimbursement to Political Subdivisions</u>	\$0	\$0	(\$10,744,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>\$0</u>	<u>(\$10,744,000)</u>

*Does not include possible costs to fully fund Foundation Formula

BLIND PENSION FUND			
<u>Loss - Reduced Property Tax</u>	\$0	\$0	(\$53,700)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>(\$53,700)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005

Political Subdivisions -

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Income</u> - Payments in lieu of taxes	\$0	\$0	\$10,744,000
<u>Loss</u> - Reduced Property Tax	\$0	\$0	(\$10,744,000)
<u>Cost</u> - Increased Administration costs for County Assessor, Clerk, and Collector			(Unknown)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>

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 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, and who have adjusted gross incomes not in excess of \$17,000 (\$23,000 on combined income tax returns).

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. Provisions are included to allow political subdivisions to recoup any loss in revenue as a result of the proposal.

DESCRIPTION - continued

This proposal has 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
Department of Revenue



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Director
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