COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3183-01
Bill No.: HB 1057
Subject: Property, Real and Personal, State Tax Commission, Taxation and Revenue - General Taxation and Revenue - Property
Type: Original
Date: February 16, 2002

FISCAL SUMMARY

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

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
Local Government *	**(Unknown)**	**(Unknown)**	**(Unknown)**

*** In excess of $100,000 per year.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume this legislation freezes the assessed property value for persons age sixty-five or older and requires certain procedures for physical assessments and inspections of real property . Senior citizens will still be required to pay property taxes, and will therefore still be eligible for the property tax credit. There is no administrative impact to the Department. The Office of Administration, Budget and Planning along with the State Tax Commission will estimate the revenue impact.

Officials from the **State Tax Commission** assume the Circuit Breaker program provides for property tax relief for individuals who are 65 years of age and older and do not exceed a certain income level. The proposal would specifically affect schools and all local political subdivisions. It also would have a nominal affect on the Blind Pension Fund.

The $3 million increase in GR is reflective of increasing the per parcel reimbursement to $7 from the current $6.20. Assumption include an 8% reassessment growth and a 2%per year increase in personal income. $5.1 billion in assessed valuation is currently attributed to Senior Citizens. $5.1 billion times 8% reassessment growth equates to $408 million assessed times $6 levy equals $24.5 Million. However legislation allows increase in assessed valuation up to increase in personal income. Assuming 8% reassessment growth and 4% increase in personal income would translate to approximately a $12.5 million in potential loss to local political subdivisions.

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.

ASSUMPTION (continued)

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 20.5% of residential property owners are over 64. Growth in personal income of 5.23% per year.

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	.205
Projected Increase for 64+ Occupied	$	38,918,000	
Percentage of owner-occupied		x	.70
Projected Increase for 64+ owner-occupied	**$**	**27,243,000**	

If personal income increases 5.23% per year, only 0.27% of increased valuation would be lost to political subdivisions under this proposal.

Losses for 2002
$27,243,000 * .0027 = $73,500

Losses for 2003
$27,243,000 * 1.035 = $28,197,000 * .0027 = $76,100

Losses for 2004

Projected Residential Tax 2002	$	1,915,689,000	
Projected 11% valuation increase	$	210,726,000	
Percentage of population 64+		x	.205
Projected Increase for 64+ Occupied	$	43,199,000	
Percentage of owner-occupied		x	.70
Projected Increase for 64+ owner-occupied	**$**	**30,239,000**	

$30,239,000 * 1.035 = $31,297,000 * .0027 = $84,500

ASSUMPTION (continued)

Losses for 2005
$31,297,000 * 1.035 = $32,392,000 * .0027 = $87,500

There would also be losses to the Blind Pension fund of a little more than ½ of 1% of the losses to political subdivisions. These potential losses are under $1,000 per year and are excluded from the computation of fiscal impact.

Oversight assumes there would be additional unknown costs to the County Assessor, Clerk, and Collector to administer the proposal.

ASSUMPTION (continued)

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 limited impact of this proposal would make any effect on the Foundation Formula nominal, and that Foundation Formula issues, if any, would be addressed through the appropriation process.

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
Political Subdivisions			
Loss - Reduced tax collections	$76,100	$84,500	$87,500
Cost - Additional administrative costs to the County Assessor, Clerk, and Collector.	(Unknown)	(Unknown)	(Unknown)
NET EFFECT ON POLITICAL SUBDIVISIONS *	**(Unknown)**	**(Unknown)**	**(Unknown)**
*** In excess of $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

This proposal would limit any increase in assessed value of residential property, excluding new construction or improvements, owned by persons sixty-five or older to the increase in personal income of Missouri as defined in section 17 of Article X of the Missouri constitution. This proposal does not provide for reimbursement of losses to the political subdivisions.

The proposal would require written notice to a property owner of a physical inspection of the property and allow the property owner to request an interior inspection of the property. The proposal would require the assessor to observe the condition of all exterior surfaces of the improvements, make notations concerning the condition of the exterior surfaces, and measure exterior walls of improvements, record the date and time of the inspection, and record the name of the assessor or deputy inspector making the inspection. If any of the inspection requirements are not met, the increse in valuation of the parcel is limited to 17 percent.

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 Revenue
State Tax Commission

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