

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

LR No.: 3104-01
Bill No.: SB 927
Subject: Taxation and Revenue: County Assessors, Assessments
Type: Original
Date: February 19, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Blind Pension Trust	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds *	\$0	(Unknown)	(Unknown)

* Loss of Revenue expected to exceed \$100,000.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government *	\$0	(Unknown)	(Unknown)

* Loss of Revenue expected to exceed \$100,000.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** noted that the proposal would prohibit reassessment of previously assessed real property and improvements until a transfer of ownership occurs. The reduced increase in total assessed valuation may result in no reduction in property tax rates that otherwise might occur per Article X of the Constitution.

While the proposal does not reference the state school aid foundation formula, non-hold harmless districts could potentially recover the lost local revenues through the state aid formula if the appropriation for the formula would be sufficient to provide a proration factor not less than 1.00. The proposal would increase the cost to fully fund the state foundation formula. Hold harmless districts would experience a decrease in local revenue unless the General Assembly appropriates sufficient funds to compensate for the lost revenue.

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

ASSUMPTION (continued)

Officials of the **State Tax Commission** stated this proposal prohibits reassessment of previously assessed real property and improvements until there is a transfer of ownership.

Officials stated that in 2003 the total assessed valuation for real property (residential, agricultural and commercial) is \$53,329,893,622. As there are minimal improvements and additions to real property in an even-number year, the 2004 assessed valuation would also be approximately 53.3 billion dollars. Officials assume there is seven percent (7%) increase in assessed valuation each reassessment year (odd-number calendar year). In 2005, the next reassessment year, officials assume there would be a loss of revenue as a result of this proposal.

$\$53.3 \text{ billion} \times 7\% \text{ (average reassessment increase)} = \$3,733,092,553$

$\$3.7 \text{ billion} \times \$6.13 \text{ per hundred dollars (average statewide tax rate)} = \$228,838,573$.
We assume that approximately six percent (6%) of real property will change ownership each year. Acquisition based assessment would result in an average of 15% increase in value for those properties.

$\$53.3 \text{ billion} \times 6\% \text{ ownership transfers} = \$3,199,793,617$.

$\$3.1 \text{ billion} \times 15\% \text{ (increase)} = \$479,969,042$.

$\$479 \text{ million} \times 6.13 \text{ per hundred dollars average state wide tax rate} = \$29,422,102$

Revenue loss (freeze on reassessment) is \$228 million
Revenue gain (change of ownership) is \$29 million

Net effect would be approximately (\$199 million)

Officials of the **Jasper County Commission** assume the effects of this proposal would result in a loss for the county and its political subdivisions.

Officials of the **City of Fulton** assume this proposal would have a negative effect on the city's finances.

ASSUMPTION (continued)

Officials of the **City of St. Louis** stated this proposal would be substantially negative on the city's financial structure, and it's ability to offer services.

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. This proposal would prohibit reassessment of previously assessed real property and improvements until a transfer of ownership occurs. 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. Oversight assumes the first reductions would occur in 2006 tax collections collected in FY 2007.

Oversight assumes there would be additional unknown costs to County Assessors to administer the proposal.

Oversight assumes 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.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
BLIND PENSION FUND			
<u>Revenue reduction</u>			
Reduced tax collections *	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON BLIND PENSION FUND *	<u>\$0</u>	<u>\$(Unknown)</u>	<u>(Unknown)</u>
* expected to exceed \$100,000.			

FISCAL IMPACT - Local Government FY 2005 FY 2006 FY 2007

POLITICAL SUBDIVISIONS

Revenue reduction

Reduced tax collections *	\$0	(Unknown)*	(Unknown)*
---------------------------	-----	------------	------------

Cost to counties

Additional administrative cost to county assessor. *	(Unknown)	(Unknown)	(Unknown)
--	-----------	-----------	-----------

**NET EFFECT ON POLITICAL
SUBDIVISIONS ***

<u>(Unknown)</u>	<u>(Unknown)*</u>	<u>(Unknown)*</u>
------------------	-------------------	-------------------

*** Annual Loss of Revenue expected to exceed \$100,000, the State Tax Commission estimates loss of revenue to political subdivisions to be at least \$199,000,000**

FISCAL IMPACT - Small Business

Acquisition based assessment could negatively impact sales of real property, creating a fiscal impact to small businesses engaged in real estate sales and small businesses which own real estate.

DESCRIPTION

This act prohibits reassessment of previously assessed real property and improvements until such time as there is a change in ownership of the property.

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
Department of Elementary and Secondary Education
Jasper County Commission
City of Fulton
City of St. Louis

NOT RESPONDING

Andrew County Assessor
Boone County Assessor
Callaway County Assessor
Cape Girardeau County Assessor
Franklin County Assessor
Greene County Assessor
Johnson County Assessor
St. Louis County Executive
St. Charles County Assessor
Jackson County Assessor
City of Columbia
Kansas City Manager's Office
City of Springfield



Mickey Wilson, CPA
Director
February 19, 2004