

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0433-01
Bill No.: Truly Agreed To and Finally Passed HJR 15
Subject: Veterans; Disabilities; Taxation and Revenue - Property
Type: Original
Date: May 29, 2009

Bill Summary: Would propose a constitutional amendment exempting from taxation the homestead property of a former prisoner of war with a total service-connected disability.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Blind Pension	\$0	\$0	\$0 or (\$934)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 or (\$934)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0 or (\$186,717)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** provided the following estimate of the cost to publish the statewide ballot measure language for this proposal.

Many joint resolutions are considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot.

In FY 2009, at the November 2008 election, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because the publications are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

If a special election is called for this proposal rather than being included on a general election ballot, the cost of the special election has been estimated at \$1.2 million based on the past two such elections.

Oversight assumes that this proposal would be submitted to the voters on a general election ballot and that the cost to the SOS could be absorbed with existing resources.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume there would be no added cost to their organization as a result of this proposal. BAP officials stated that this proposal would exempt former Prisoners of War (POW) with a service-related disability from real property taxes on their homestead.

ASSUMPTION (continued)

According to the United States Department of Veterans Affairs, there were approximately 32,500 former POW living at the end of 2004. Based on the death rate in that report, BAP estimates perhaps 25,000 POWs are living in 2009. Assuming 2% are in Missouri, then perhaps 500 POWs are in the state. BAP has no data on what portion may have a service-related disability.

The State Tax Commission reports \$51,016 million in residential assessed valuations in 2007. Since former POW comprise .008% of the Missouri population, they may have \$4 million in assessed residential valuation. This proposal would have no impact on general revenues. At 3-cents per \$100 assessed valuation, this proposal could reduce Blind Pension Fund revenues by \$1,200.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would change the Missouri Constitution by adding a provision that would exempt from taxation real property used as a homestead by a POW with a service connected disability. This could have a fiscal impact but it would be impossible to calculate and would probably be very small.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **Missouri Veterans Commission (MVC)** assume this proposal would have no fiscal impact on their organization. In response to a previous version of this proposal, MVC officials stated there were approximately 200 POW with service-connected disabilities in 2007.

Officials from the **State Tax Commission (TAX)** stated that the proposed constitutional amendment would exempt from taxes all real property owned by a former prisoner of war who has a total service-connected disability. TAX officials contacted the Missouri Division of Veterans Affairs and obtained an estimate of 200 former prisoners of war with a total service connected disability currently living in Missouri. However, TAX does not have information regarding the number of these veterans who own real property nor what the value of that property might be. Therefore, TAX was unable to project any loss of revenue.

Officials from **Cass County** stated that they believed their organization could absorb any lost revenue if the amendment were approved by the voters.

ASSUMPTION (continued)

Officials from **Linn State Technical College** and **Clinton County** stated that this proposal would result in unknown election costs and revenue losses.

Officials from **St. Louis County** stated that they have no way of calculating the fiscal impact of a previous version of this proposal because they do not know how many veterans there are in St. Louis County nor the kind of property they own.

Officials from the **Metropolitan Community Colleges** and the **City of Centralia** assume this proposal would have no significant fiscal impact to their organizations.

Officials from **Kansas City** assumed this proposal would have no significant fiscal impact to their organization.

Officials from the **City of West Plains** assumed this proposal could have a negative fiscal impact to their organization.

Oversight notes that this resolution would submit to the voters a proposal to exempt from property tax the homestead (principal residence) of a former prisoner of war who has a total service-connected disability.

Oversight has calculated an average residential real estate tax bill of \$1,328 from State Tax Commission data, and Oversight has located United States Census Bureau data which indicates that 70.3% of Missouri residences are owner-occupied. Oversight assumes the impact of this proposal on local governments for 200 former POW with total service-connected disability, a \$1,328 average real property tax bill, and a 70.3% owner-occupied residential ratio could be calculated as $(200 \times \$1,328 \times .703) = \$186,717$.

Oversight assumes the impact to the Blind Pension Fund would be one-half percent of the local government impact, or $(\$186,717 \times .005) = \934 .

The local government impact and the Blind Pension Fund impact would only become effective if the voters approved the constitutional amendment, so Oversight will indicate an impact of \$0 or the calculated amount. Oversight assumes the proposal would be submitted to the voters in November 2010 and could become effective in 2011 (FY 2012).

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
BLIND PENSION FUND			
<u>Revenue reduction</u> - real estate tax exemption	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (\$934)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (\$934)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - real estate tax exemption	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (\$186,717)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (\$186,717)</u>

FISCAL IMPACT - Small Business

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

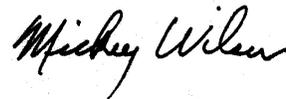
FISCAL DESCRIPTION

This proposal would submit to the voters a constitutional amendment exempting from taxation the homestead property of a former prisoner of war with a total service-connected disability.

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

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
Missouri Veterans Commission
State Tax Commission
Cass County
Clinton County
St. Louis County
City of Centralia
City of Kansas City
City of West Plains
Linn State Technical College
Metropolitan Community Colleges



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Director
May 29, 2009