

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3545-05
Bill No.: Truly Agreed to and Finally Passed SCS for HCS for HB 1316
Subject: Property, Real and Personal; County Officials; Counties
Type: Original
Date: June 3, 2010

Bill Summary: Would make several changes to local property tax collection procedures and would authorize the creation of the Kansas City Zoological District.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
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 2011	FY 2012	FY 2013
Local Government	\$0 or (More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of the Boone County Collector of Revenue** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Department of Revenue** assume that implementing the IT portion of this proposal would require 168 hours of programming at a total cost of \$4,441.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of normal activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Officials from the **State Tax Commission (TAX)** assume the provisions which would allow each party to an appeal before the State Tax Commission one change of hearing officer would require TAX to assign a new hearing officer to an appeal if the party files a timely application to disqualify the hearing officer originally assigned to the appeal. Currently TAX has only three hearing officers to handle the thousands of appeals filed each year. The TAX response included one additional FTE Hearing Officer; and estimated total costs for salary, benefits, expense, and equipment were \$70,412 for FY 2011, \$85,233 for FY 2012, and \$87,789 for FY 2013.

Oversight assumes there would be a limited number of hearings where one of the parties would request the disqualification of a hearing officer and that TAX could implement this provision with existing resources. If unanticipated costs are incurred or if multiple proposals are incurred which increase then TAX could request resources through the budget process.

TAX officials also stated in response to a similar proposal, Truly Agreed To and Finally Passed SS for SCS for SB 588, LR 3308-04 (2010) that the total cost of software to provide the proposed notice has been estimated at \$1.1 million and that they had submitted a budget request for \$100,00 for a business analysis of that cost. A similar budget request has been denied the past two budget cycles.

Oversight notes that the State Tax Commission response indicates the significance of the potential cost of these provisions; however, the cost to the State Tax Commission was included in the fiscal note for TAFP CCS for HCS for SCS for SB 711 LR 3297-12 (2008).

ASSUMPTION (continued)

Officials from **Cass County** assumed that there would be some administrative costs in implementing a previous version of this proposal, and the proposed requirements would impact the Assessor's budget. Cass County officials assumed the impact is unknown.

Officials from **St. Louis County** estimated of the cost to provide the notice that would be required if the proposal is enacted and the software is provided by the State Tax Commission.

	Envelopes	Postage	Printing	Mailing	Total
FY 2011	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
FY 2012	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
FY 2013	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
Total	\$18,000	\$404,424	\$59,265	\$28,950	\$510,639

The office assumed they could recoup some of the cost by imposing a fee, added to the publication fee, to every payment on tax sale properties. Between tax payments and the tax sale the office assumes it would recoup the costs on 3,950 properties or \$21,883. Revenue losses would be incurred on all unpaid and unsold properties in a given year. This year, the office failed to receive payment or sell 1,051 properties at \$5,823.

Oversight received no other responses for these provisions. Oversight assumes the St. Louis County responses indicate the significance of the potential cost of this proposal and, accordingly, Oversight will indicate an impact of \$0 if the State Tax Commission does not provide the software, or cost in excess of \$100,000 for local governments if the software is provided.

For fiscal note purposes, Oversight will indicate a cost in excess of \$100,000 per year to local governments. Since this proposal would presumably become effective after the 2010 tax sale, the first local government impact would be in 2011 (FY 2012).

ASSUMPTION (continued)

Collection of Local Property Taxes.

Officials from **Buchanan County** assumed similar provisions for the sale of real property for the collection of delinquent taxes in HB 1420 LR 3886-02 (2010) would result in additional cost to their organization of at least \$7,500 per year.

Officials from the **Office of the St. Louis County Collector of Revenue** (office) stated that implementing similar provisions for the sale of real property for the collection of delinquent taxes in HB 1420 LR 3886-02 (2010) would result in additional costs to their organization. The office already mails tax sale property notices to owners and occupants. The proposal would require the office to send out certified mail for an estimated 5,000 delinquent tax bills. It would cost \$5.54 per tax bill to mail bills certified with a return receipt. Based on an estimate that the office has between 2,800 and 5,000 bills with \$1,000 or more in valuations the cost would be significant. At 5,000 bills the charge would be \$27,700. The cost of the procedure would also include the labor to prepare the mailing at \$15 to \$20 per hour per person. With our staff of three people it would take about 138 hours at five minutes per bill for an estimated total of \$8,280 in labor costs.

Oversight assumes this proposal would result in additional costs to local governments, since it would add a certified mail requirement and additional procedural steps to the tax sale process for properties with delinquent taxes. Although additional tax collections could be expected as a result of the enhanced notification process, most of the notification cost would ultimately be deducted from tax collections received from property sales, or would be absorbed by the county for properties that remain unsold.

Kansas City Zoological District

Oversight did not receive any responses to these provisions.

In response to similar provisions in HB 2297 LR 5326-01 (2010), officials from the **State Tax Commission** assumed there would be no fiscal impact to their agency.

Officials from the **City of Kansas City** stated that similar provisions in SCS for HCS for HB 2297 LR 5326-05 (2010) would have a positive fiscal impact on the City of an indeterminate amount.

ASSUMPTION (continued)

In response to a previous version a previous version of HB 2297 LR 5326-04 (2010), officials from **Cass County** assumed this is enabling legislation and does not force the County to participate. This legislation would have no fiscal impact on the county general revenue.

Officials from the **Department of Revenue (DOR)** stated in response to SCS for HCS for HB 2297 LR 5326-05 (2010) that the Department would need to establish a new district type and corresponding code in their system.

DOR officials estimated the IT cost to implement the proposal at \$4,441 based on 168 FTE hours of programming to make changes to the sales tax processing system (MITS).

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of normal activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes these provisions would authorize the establishment of the Kansas City Zoological District which could be composed of Jackson, Clay, Platte, and Cass Counties at the option of the voters of each such county. Should voters approve the imposition of a sales tax, the county could expect revenue to be generated for financial support of the Kansas City Zoological District. Oversight assumes the Department of Revenue would collect the sales tax and retain 1% collection fee which would be deposited in the State's General Revenue Fund. Oversight also assumes the Kansas City Zoological District Sales Tax Trust Fund balance would be either a positive unknown or zero.

Oversight assumes this proposal as written is enabling legislation and would require action by the county's governing body before fiscal impact would be realized. Oversight assumes no state or local fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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LOCAL GOVERNMENTS

<u>Cost - Assessment notices</u>	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>
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<u>Cost - tax sale notices</u>	<u>\$0</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or (More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation would make several changes to local property tax procedures and would authorize the creation of the Kansas City Zoological District.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue
State Tax Commission
Buchanan County
Cass County
St. Louis County
City of Kansas City
Boone County Collector of Revenue
St. Louis County Collector of Revenue



Mickey Wilson, CPA
Director
June 3, 2010