

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3886-02
Bill No.: HCS for HB 1420
Subject: Property, Real and Personal; State Tax Commission; Taxation and Revenue -
 Property
Type: Original
Date: March 29, 2010

Bill Summary: Would change the laws regarding the sale of real property for the collection of delinquent taxes.

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 5 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	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue**, the **State Tax Commission**, and the **Office of the Boone County Collector of Revenue** assume this proposal would have no fiscal impact on their organizations.

Officials from **Buchanan County** assumed a previous version of this proposal 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 a previous version of this proposal 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.

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 did not receive any other responses to our request for information regarding this proposal.

ASSUMPTION (continued)

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.

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).

<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
LOCAL GOVERNMENTS			
<u>Additional cost - Notice of Tax Sale</u>	<u>\$0</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

FISCAL IMPACT - Small Business

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

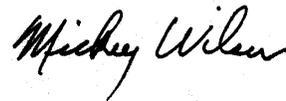
FISCAL DESCRIPTION

The proposed legislation would change the laws regarding the sale of real property for the collection of delinquent taxes.

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
Buchanan County
Office of the Boone Collector
Office of the St. Louis County Collector



Mickey Wilson, CPA
Director
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