COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1489-03
Bill No.: Truly Agreed To and Finally Passed SCS for HCS for HB 506
Subject: Education, Elementary and Secondary; Property, Real and Personal; Taxation and Revenue - Property
Type: Original
Date: June 1, 2011

Bill Summary: This bill modifies provisions of law requiring certain political subdivisions to revise property tax rates.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Blind Pension Fund	$0	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	**$0**	**(Unknown)**	**(Unknown)**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** assume this bill would not change the cost of the school foundation formula. There would be no increased or decreased state cost.

Officials from the **Department of Revenue, Office of State Auditor,** and the **State Tax Commission** assume this bill would have no fiscal impact on their respective agencies.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

According to officials from the **Joint Committee on Administrative Rules (JCAR)**, this bill should not create any additional fiscal impact above current appropriations to JCAR.

Officials from the **Office of Administration - Division of Budget and Planning**, assume there would be no added cost to their agency as a result of this legislation.

§137.073.2

Oversight is not able to determine whether the provisions allowing tax rate adjustments for voter approved tax rates would result in any increase or decrease in a political subdivision's tax rate, and will indicate a fiscal impact from unknown positive to unknown negative.

Oversight is not able to determine whether the blended school tax rate requirement in this proposal would result in any increase or decrease in a local school district tax rate, and will indicate a fiscal impact from unknown positive to unknown negative.

ASSUMPTION (continued)

§137.082

According to officials from the **Office of Administration - Division of Budget and Planning (BAP)**, this section changes the year of assessment, for a newly constructed but never occupied residential property, from the second year after completion, to the fourth year after completion. This proposal may slow the growth in assessed valuations of improved properties, but BAP does not have the data to estimate these impacts. This section of the bill will not impact general revenues, but may reduce local funding for schools and may slow related growth in Blind Pension Fund receipts.

Officials from the **State Tax Commission** state there may be an unknown loss of local revenue by changing the assessment period for newly constructed residential property which has never been occupied from two years to four years.

Oversight notes that current provisions for newly constructed residential real estate allow counties and the City of St. Louis to assess that property when it is occupied or on the second January 1 following the year in which construction was completed. **Oversight** does not have information as to how many jurisdictions assess properties on occupancy, and how many assess properties on the second January 1 following completion.

Oversight also notes that properties are assessed as of January 1; therefore, a property which was completed and occupied in the same year would be assessed on the following January 1. Property taxes would first be due on December 31 following the January 1 on which the property was first assessed. A property which was completed but not occupied would be assessed on the second following January 1; a delay of an additional year.

A property completed in 2009 but not occupied would currently be assessed for the first time on January 1, 2011 and taxes would be due December 31, 2011 (FY 2012.). Taxes would also be collected on that property in FY 2013 and FY 2014.

In response to a similar proposal (HB 222 - FN 0936-01) from this session, the following political subdivisions provided assumptions regarding fiscal impact:

Officials from the **City of Kansas City** assumed this proposal would extend the time when newly constructed but unoccupied improvements can be assessed and placed on the property tax roll for taxation purposes. The proposed legislation would require taxing jurisdictions to wait until the fourth year following construction to add the taxable assessed valuation for the

ASSUMPTION (continued)

improvements. The impact of extending the requirement to assess and levy taxes for improvements from two years to four years would in effect eliminate two years of tax revenue which jurisdictions currently receive for newly constructed residential property. This would have a negative impact on taxing jurisdictions.

Officials from the **City of St. Louis** assumed this proposal would apply to unsold homes in a builder's inventory. City officials stated that the cost would vary from year to year, but the current cost would be about $36,000 per year for all taxing entities in the City, and about 21% or $7,665 would be the cost to their organization.

Officials from **Boone County** assumed this proposal would increase the cost to taxing entities in Boone County by $142,000 per year. Boone County officials also assume this proposal would require their county to adopt assessment on occupancy, and that change would increase assessment fund withholding from property taxes collected from 0.5% of collections to 0.6% of collections. That 20% increase in withholdings would result in a revenue increase from $710,000 to $852,000 per year to the assessment fund.

Officials from the **Parkway School District,** and the **Special School District of St Louis County** stated there will be no fiscal impact to their respective districts.

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
BLIND PENSION FUND			
Revenue Reduction - Delay in assessment of unoccupied newly constructed residential property (§137.082)	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL POLITICAL SUBDIVISIONS			
Local Governments - Voter approved tax rate recapture (§137.073.2)	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Local Governments - Delay in assessment of unoccupied newly constructed residential property (§137.082)	(Unknown)	(Unknown)	(Unknown)
School Districts - Revised tax rate limit calculation (§137.073.2)	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

FISCAL IMPACT - Small Business

This bill could have a direct fiscal impact on small businesses which own new residential properties.

FISCAL DESCRIPTION

§137.073

Currently, certain school districts that levy separate tax rates on the different subclasses of property are required to revise tax rates when there is a tax rate reduction after certain tax revenue calculations. This bill allows the districts to revise the rates. If voters approved before January 1, 2011, separate stated tax rates to be applied to the different subclasses of property or increase the separate rates that may be levied on the different subclasses of property by different amounts, the single tax rate calculation must be a blended rate that is to be calculated in the manner specified by law.

The bill authorizes any political subdivision that approved a tax increase after August 27, 2008, to levy a rate to collect substantially the same amount of tax revenue as would have been collected by applying the voter-approved increased tax rate ceiling to the total assessed valuation

FISCAL DESCRIPTION (continued)

of the political subdivision on or before the election date, increased by the percentage increase in the federal Consumer Price Index.

§137.082

The bill increases the number of years before a newly constructed residential property which has never been occupied is assessed for property taxation from the second year following the year the construction on the home was completed to the fourth year. This provision will apply to those counties, including St. Louis City, in which the governing body has previously adopted or hereafter adopts these provisions.

§238.202

Currently, the owner of record of real property located within a transportation development district without residents is allowed one vote per acre. The bill allows the owner of record of real property located within a district without residents which was formed as a joint establishment to have one vote per acre.

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 Elementary and Secondary Education
Office of Administration
    Division of Budget and Planning
Department of Revenue
State Tax Commission
Office of Secretary of State
    Administrative Rules Division
Joint Committee on Administrative Rules
Office of State Auditor
Cities
    Kansas City
    St Louis
Counties
    Boone
School Districts
    Parkway
    Special School District of St Louis County

Mickey Wilson

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