

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2235-02
Bill No.: Perfected HCS for HB 1035
Subject: Taxation and Revenue - Property; Auditor, State; Counties
Type: Original
Date: April 17, 2013

Bill Summary: This proposal changes the laws regarding amended property tax rate filings with the Office of State Auditor and removes the December 31, 2015 termination date from local government property assessment funding provisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government *	\$0	\$0	\$0

* offsetting \$7.1 million revenue reduction and additional revenue beginning in FY 2017.

FISCAL ANALYSIS

ASSUMPTION

§137.073 - Amended property tax rate filings

In response to the introduced version of this bill, officials from the **Office of Secretary of State (SOS)**, assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office 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 Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to the introduced version of this bill, officials from the **Department of Revenue** and **Missouri State Tax Commission** each assumed this section of the proposal would not fiscally impact their respective agencies.

In response to the House Committee Substitute, officials from the **Office of State Auditor, Joint Committee on Administrative Rules** and **St. Louis County** each assumed the proposal would not fiscally impact their respective agencies.

§137.720 - Assessment Fund withholding

In response to language in HB 602 (1585-01) and in SB 315 (1585-01), the following responses were submitted:

Officials from **Boone County** stated the current withholding for their county is limited to \$125,000 per year, and this section of the proposal would extend the authorization for that

ASSUMPTION (continued)

withholding beyond December 31, 2015.

Officials from the **City of Kansas City (City)** stated that under current law, Kansas City is required to pay five-eighths of one percent of all ad valorem property tax collections to the assessment fund of each of the four counties in which the city is located: Jackson, Clay, Platte and Cass counties. This payment includes a component of one-eighth of one percent which would expire on December 31, 2015 under current law. This section of the proposal would make the one-eighth of one percent payment to the county assessment funds permanent. The additional one-eighth of one percent Kansas City payment to the county assessment funds in fiscal year 2016 is estimated to be \$75,840.

Officials from the **City of St. Louis (City)** stated the 1/8th percent tax generates about \$350,000 for the City each year to help cover the expenses of the Assessor's Office.

Officials from the **State Tax Commission (TAX)** assumed the proposal would have no fiscal impact for their organization. TAX officials advised Oversight that the assessment fund withholding for FY 2010, as reported to their office, was \$6.9 to \$7.1 million.

Officials from the **Office of the Secretary of State, Joint Committee on Administrative Rules, Department of Revenue, St. Louis County, and Parkway School District** each assumed this section of the proposal would not fiscally impact their respective agencies.

Oversight assumes this section of the proposed legislation would extend an existing provision by removing or changing the expiration date. Oversight assumes removing or changing the expiration date would also extend any fiscal impact associated with the existing provision.

For fiscal note purposes, Oversight would indicate a revenue reduction from withholding of \$7.1 million from local governments which levy taxes and the same amount of additional revenue for counties (including the City of St. Louis) for assessment funding. Oversight notes that current provisions allow the withholding through December 31, 2015 (FY 2016) and virtually all assessment fund withholding for FY 2016 would be completed by December 31, 2015. Therefore, the first fiscal impact for this section of the proposal would be in FY 2017 which is beyond the time covered by this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2014 (10 Mo.)	 FY 2015	 FY 2016
LOCAL GOVERNMENTS			
<u>Additional revenue - Local governments</u>			
Assessment Fund withholding			
\$137.720 *	\$0	\$0	\$0
 <u>Revenue reduction - Local governments</u>			
Assessment Fund withholding			
\$137.720 *	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS *	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

* offsetting fiscal impact of \$7.1 million revenue reduction and additional revenue beginning in FY 2017.

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

§137.720 - Assessment Fund Withholding

This proposal would remove the current December 31, 2015 termination date from the local property tax withholding for assessment purposes.

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 State Auditor
Office of the Secretary of State
 Division of Administrative Rules
Joint Committee on Administrative Rules
Department of Revenue
Missouri State Tax Commission
Counties
 Boone
 St. Louis
Cities
 Kansas City
 St. Louis
Parkway School District



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