

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2235-03
Bill No.: SCS for HCS for HB 1035
Subject: Auditor, State; Taxation and Revenue - Property
Type: Original
Date: May 6, 2013

Bill Summary: This proposal modifies provisions relating to the collection of property taxes.

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

§§ 67.463 and 67.469 - Neighborhood Improvement District Special Assessments:

Officials from the **City of Kansas City** assume the extent of revenue losses to the city is dependent upon the extent to which Jackson County elects to collect or deduct a fee from the special assessment collections.

Oversight assumes this proposal is permissive, and for fiscal note purposes, will assume no direct fiscal impact on the City of Kansas City, St. Louis City, and Jackson County.

Officials from the **Department of Revenue, Department of Insurance, Financial Institutions and Professional Registration**, and the **Office of the Attorney General** each assume this section would not fiscally impact their respective agencies

In response to Perfected SB 138 (0102-02), officials from the **Department of Transportation, Missouri Tax Commission**, and **St. Louis County** each assumed the proposal would not fiscally impact their respective agencies.

§137.073 - Amended property tax rate filings

Officials from the **Office of Secretary of State (SOS)** assume 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.

ASSUMPTION (continued)

Officials from the **Department of Revenue, Office of State Auditor**, and the **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

In response to the House Committee Substitute, officials from the **Missouri State Tax Commission** assumed this section of the proposal would not fiscally impact their agency.

§137.720 - Assessment Fund withholding

Officials from the **City of Kansas 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.

In response to similar language in HB 602 (1585-01) and in SB 315 (1602-01), 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 withholding beyond December 31, 2015.

Officials from the **City of St. Louis** 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 **St. Louis County** assumed this section of the proposal would not fiscally impact their agency.

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

ASSUMPTION (continued)

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.

Officials from the **Office of the Secretary of State, Joint Committee on Administrative Rules Office of State Treasurer, Department of Natural Resources, City of Columbia,** and the **Parkway School District** each assume the proposal would not fiscally impact their respective agencies.

| <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

§67.463

Currently, the Boone County collector is authorized to collect a fee when collecting special assessments for Neighborhood Improvement Districts. This section allows the Jackson County collector to also collect this fee.

§67.469

This section expands the existing law that allows liens against property to be foreclosed for failure to pay Neighborhood Improvement district special assessments, so that certain first class counties, charter counties, and the city of St. Louis may also foreclose on these liens by a land tax sale under the provisions of law that govern land tax sales in those counties.

§137.073

This section allows a taxing authority to submit an amended property tax rate filing with an explanation for the needed changes to the State Auditor's Office if the forms were incorrectly completed or if there was a clerical error. The State Auditor's Office must take into consideration the amended forms in determining that the tax rate complies with state law.

§137.720

This section repeals the expiration date of December 31, 2015, from the provisions requiring certain counties and the City of St. Louis to deduct an additional percentage of all property tax collections to be deposited into the county's assessment fund for payment of assessment costs. The percentage deducted is either .125% or .5% and the income limits are \$125,000 in any year for first classification and charter counties and \$75,000 for second, third, and fourth classification counties. If the commission withholds state assessment reimbursement funds from a county for three consecutive quarters, the extra .125% or .5% collection revenues in the county assessment fund will be forfeited and returned by the county to the political subdivisions within the county.

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
Department of Transportation
Office of State Treasurer
Office of the Attorney General
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Missouri Tax Commission
Counties
 Boone
 St. Louis
Cities
 Kansas City
 St. Louis
 Columbia
Parkway School District



Ross Strobe
Acting Director
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