

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4029-01
Bill No.: HB 1371
Subject: Elderly; Property, Real and Personal; State Tax Commission;
 Taxation and Revenue - General; Taxation and Revenue - Property
Type: Original
Date: February 16, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue *	\$0	\$0	(Unknown)
Total Estimated Net Effect on General Revenue Fund *	\$0	\$0	(Unknown)

* expected to exceed \$100,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Blind Pension Fund	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission (TAX)** assume the proposed legislation would create a Missouri Homestead Preservation Act. It would allow any county by order or ordinance, to provide that the assessed valuation of residential property owned by an individual who is 65 year of age and used as a homestead for 6 months could not be increased in any tax year that person resides on the property. The proposal would require the General Assembly to appropriate moneys from the general revenue fund to reimburse political subdivisions that lose revenue during the period the property was owned by the individual.

The State Tax Commission is unable to estimate the fiscal impact of this proposal since it is unknown how many counties might adopt such an ordinance. Furthermore, the proposal is silent as to how the appropriation for reimbursement would be determined.

ASSUMPTIONS (continued)

Officials from the **Department of Revenue, Division of Taxation (Taxation)** assume the administrative activities resulting from this legislation would be coordinated between the General

Assembly, Missouri counties, the State Tax Commission and the Office of Administration. Therefore, Taxation would have no administrative impact.

Officials from the **Office of Administration, Division of Budget and Planning**, assume this proposal would have no impact on their organization but could have a large cost to general revenue.

In response to a similar proposal, officials from the **Office of the Cole County Assessor** (Office) assumed that as many as 4500 applications for homestead exemption per year would be completed in Cole County under this proposal. The Office estimates that 75% of seniors owning residential property would fall within the guidelines of this proposal, and that 25% of residential property is owned by seniors.

There would be no savings to the Cole County Assessor's office from this bill. The office assumes that one time programming change costs of \$2500 would be incurred in 2005. The Office will have to maintain a separate accounting of homestead properties and this will require additional personnel time. The Office estimates a part time person would be needed for the amount of time specified in the bill (1/1 to 9/30) of every even numbered year to maintain and implement the program on an ongoing basis at a yearly expense (including payroll expenses) of \$13,000 per year.

The Cole County Assessor used a recent demographic study by the Jefferson City Area Chamber of Commerce for information regarding population housing, and income, broken down into different age categories. This information, in addition to information in the Assessor's files, indicated the following estimates concerning eligible homestead properties.

Population:

Over 65 make up 11.5% of total county population
Over 65 make up 15.5% of total county population over the age of 18
Over 65 make up 17.14% of total county population over the age of 24

8,081 population of persons 65 or older in Cole County
60.7% (approx. 4,850) live in Family Households

ASSUMPTIONS (continued)

Housing:

There are a total 28,915 housing units in Cole County.

Of these, there are 27,064 occupied housing units.
63.4% of housing units are owner occupied.
 $27,064 \times .634 = 17,159$ owner occupied housing units

Therefore, the highest possible number of households owned by those over 65 would be $4,850/17,159 = .2827$ or 28.27% of all owner occupied housing units.

Senior estimates:

The Office estimates that as much as 25% of residential, owner occupied property could be owned by those over 65; and that 75% of seniors fall within the income limits of this bill. However, approximately 40% of this population segment do not own property and are offered tax relief through the Missouri Property Credit Program.

The Assessor's work load would not change as all properties under this bill still need to be inspected during physical property review for additions, alterations, and/or deletions. The work load of the Assessor would actually increase due to this program.

Officials from the **Cole County Collector of Revenue**, the **Greene County Collector of Revenue**, and the **St. Louis County Director of Revenue** did not respond to our request for information.

Oversight assumes this proposal would allow counties to implement an assessment freeze on qualifying properties beginning January 1, 2005. The number of counties which might implement the freeze, the number of qualifying properties, and the number of applicants are unknown. Oversight also assumes state reimbursements would be made in FY 2007 for local property tax losses in calendar 2005 (FY 2006). Further, Oversight assumes there would also be losses to the Blind Pension Fund of $\frac{1}{2}$ of 1% of the local property tax losses.

Oversight assumes there would be significant but unknown additional costs to county assessors, county collectors, and county clerks to implement the requirements of this proposal.

FISCAL IMPACT - State Government FY 2005 FY 2006 FY 2007
 (10 Mo.)

GENERAL REVENUE FUND

Cost - reimbursement of local tax losses * \$0 \$0 (Unknown)

**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND *** **\$0** **\$0** **(Unknown)**

* expected to exceed \$100,000.

BLIND PENSION FUND

Revenue reduction

Reduced tax collections \$0 (Unknown) (Unknown)

**ESTIMATED NET EFFECT ON
 BLIND PENSION FUND** **\$0** **(Unknown)** **(Unknown)**

FISCAL IMPACT - Local Government FY 2005 FY 2006 FY 2007
 (10 Mo.)

POLITICAL SUBDIVISIONS

Revenue

State reimbursements * \$0 \$0 Unknown

Revenue reduction

Reduced tax collections * \$0 (Unknown) (Unknown)

Cost to counties

County assessor, collector, and clerk * \$0 (Unknown) \$0

**NET EFFECT ON POLITICAL
 SUBDIVISIONS *** **\$0** **(Unknown)** **(Unknown)**

* unknown expected to exceed \$100,000.

FISCAL IMPACT - Small Business

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

DESCRIPTION

The proposed legislation would create a Missouri Homestead Preservation Act, which would allow any county by order or ordinance, to provide that the assessed valuation of residential property owned by an individual who is 65 year of age and used as a homestead for 6 months would not be increased in any tax year that person resides on the property. The proposal would require the General Assembly to appropriate moneys from the General Revenue Fund to reimburse political subdivisions that lose revenue during the period the property was owned by the individual.

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 Administration
Division of Budget and Planning
State Tax Commission
Department of Revenue

NOT RESPONDING

Cole County Collector of Revenue
Greene County Collector of Revenue
St. Louis County Director of Revenue



Mickey Wilson, CPA
Director
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