

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1955-01  
Bill No.: HJR 21  
Subject: Constitutional Amendments; Property, Real and Personal; State Tax Commission;  
Taxation and Revenue - Property  
Type: Original  
Date: March 22, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
General Revenue	\$0	(\$38,670)	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$38,670)</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTIONS**

Officials from the **Department of Revenue** assume this proposal would have no impact on their organization.

Officials from the **Office of the Secretary of State (SOS)** assume this proposal would require statewide newspaper publication at a cost of approximately \$1,289 per column inch based on an estimate provided by the Missouri Press Service x 3 for multiple printings as required by the Constitution and state statute = \$3,867 per column inch. SOS estimates the total number of inches for this amendment to be 10 inches, including title header and certification paragraph. (\$3,867 x 10 inches = \$38,670) These costs are based on 2004 figures and are subject to change.

**Oversight** assumes this proposition would be placed on the general election ballot in November 2006 (FY 2007) and not in a special election.

ASSUMPTIONS (continued)

Officials from the **State Tax Commission** assume such a constitutional amendment would exempt any business personal property that is rented or leased from personal property taxes.

Any reduction in business personal property tax revenues as a result of the passage of the constitutional amendment would be replaced by adjusting the business real property tax surcharge, and there would be no net loss of tax revenues.

Officials from the **Office of the Cole County Assessor** assume the proposal would have the effect of making all currently taxed leased property exempt from taxation. Leasing companies would need only to structure their lease dates around January 1 of each year to claim that all property was held for rental or lease and therefore non-taxable.

Cole County currently has approximately \$20.6 million dollars assessed value in leased equipment reported each year (car leasing companies, computer companies, business equipment, etc.) That figures into over \$1million each year in tax dollars to the local Cole County taxing jurisdictions. Approximately \$8,430 per year of those property taxes would be earmarked for the Assessment Fund.

Although the proposal would require the commercial surtax to be refigured, it has been quite some time since the last surtax figures were obtained, and there is nothing to guarantee that including leased property in this new calculation of surtax would materially change the rate. The Cole County Assessor assumes no change in the surtax rate. If the surtax rate were to increase or decrease, the results would vary.

This legislation would shift the taxes paid on business personal property to a surtax paid only on commercial real estate. Commercial real estate is already the most highly taxed classification due to its assessment rate of 32% and mandatory surtax.

Cole County does not currently get lists of leased property owned by all leasing companies, although large leasing companies provide us with lists each year of property in our county. In order to adequately track and maintain the leasing company accounts, on site audits would likely be necessary, requiring an additional 1/2 time employee every year.

ASSUMPTIONS (continued)

**Oversight** assumes this proposal, if approved by the voters, would have a minimal overall effect on property tax collections since the surtax adjustment would presumably offset the loss of tax collections on rented or leased business personal property. Some local governments could receive more or less property taxes according to the relative distribution of leased property and commercial real property subject to the surtax. Oversight assumes local assessors would have unknown additional costs if the legislature and the voters approved the proposal.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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**GENERAL REVENUE FUND**

<u>Cost - Secretary of State</u>			
Advertising	\$0	(\$38,670)	\$0

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(\$38,670)</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This proposal, if approved by the voters, would impact small businesses which are involved in renting or leasing personal property, and businesses with real property subject to the business real property tax surcharge.

DESCRIPTION

This proposal would submit to the voters a constitutional amendment to exempt business personal property held for rental or lease from property taxation.

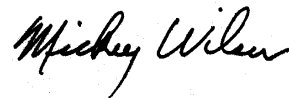
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Department of Revenue  
State Tax Commission  
Office of the Cole County Assessor

NOT RESPONDING

**Office of Administration**  
**Division of Budget and Planning**



Mickey Wilson, CPA  
Director  
March 22, 2005