

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1132-01
Bill No.: HB 389
Subject: Boats and Watercraft; Property, Real and Personal; State Tax Commission;
Taxation and Revenue - Property
Type: Original
Date: February 18, 2009

Bill Summary: Would change the assessment classification of certain watercraft from personal property to residential property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Blind Pension	\$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 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
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 2010	FY 2011	FY 2012
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume there would be no additional cost or savings as a result of this proposal. BAP officials stated that this proposal would change qualifying watercraft from personal property (vehicles) to residential property. Vehicles are assessed at 33.3% of value, while residential property is assessed at 19% of value. Therefore this proposal would reduce local property tax collections, perhaps significantly in counties with large numbers of qualifying watercraft. BAP does not have data on the number or valuation of qualifying watercraft. This proposal will not impact general revenues, but may reduce Blind Pension fund revenues.

Officials from the **Department of Elementary and Secondary Education** deferred to the Department of Revenue as to the fiscal impact from this proposal.

Officials from the **Department of Revenue (DOR)** assume this proposal would include certain watercraft, as defined by existing statutory provisions, in the definition of "residential property". Existing provisions define such "watercraft" as any vessel or watercraft, that has bath and toilet facilities, a sleeping area, and kitchen facilities, that is eligible for the home mortgage interest deduction on the taxpayer's federal income tax return, that is registered under chapter 306, RSMo, and that is used as the taxpayer's principal place of residence or as a temporary residence for the taxpayer.

If this proposal was enacted, DOR would be required to revise policies and procedures as well as the DOR website, update the renewal print program for vessel renewals to require a paid personal property tax receipt or a statement of non assessment, in which the assessor would indicate they have assessed the watercraft not as personal property, but as real estate.

DOR assumes there would no change regarding the titling and registration requirements for these watercraft since the provisions requiring a tax receipt for registration was not changed and the definition such watercraft was not changed.

DOR officials did not provide an estimate of the fiscal impact to their organization.

Oversight assumes DOR could implement this proposal with existing resources.

ASSUMPTION (continued)

Officials from the **State Tax Commission** (TAX) assume this proposal would have no fiscal impact to their organization. TAX officials noted that this proposal would change the classification for certain watercraft from personal property assessed at 33.3 % of its market value to residential property assessed at 19% of its market value. This classification change would result in a decrease of revenue for local political subdivisions that contain large bodies of water. TAX officials stated that they are unable to project the potential revenue loss as they do not know the number or value of personal watercraft that would qualify for this classification change.

Officials from **Linn State Technical College**, the **Metropolitan Community Colleges, St. Louis County**, and the **City of Centralia** assume this proposal would have no fiscal impact on their organizations.

Oversight assumes this proposal would result in the reclassification of qualifying houseboats from personal property to real property and an unknown reduction in property tax revenues for local governments and the Blind Pension Fund. Oversight assumes this proposal would become effective in August 2009 after the assessment process for 2009 is completed but would have an impact on 2010 property taxes collected in December 2010 (FY 2011).

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
BLIND PENSION FUND			
<u>Revenue reduction - property taxes</u>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS			
<u>Revenue reduction - property taxes</u>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which own, operate, or pay property taxes on qualified watercraft.

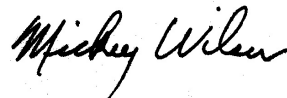
FISCAL DESCRIPTION

This proposal would change the assessment classification of certain watercraft from personal property to residential property.

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
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission.
Linn State Technical College
Metropolitan Community Colleges
St. Louis County
City of Centralia



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