

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1855-01  
Bill No.: HB 800  
Subject: Housing; State Tax Commission; Taxation and Revenue - Property  
Type: Original  
Date: February 25, 2009

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Bill Summary: Would prohibit increases in assessed valuations on real and personal property for two years.

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Blind Pension	\$0	(\$739,613)	(\$3,765,301)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(\$739,613)</b>	<b>(\$3,765,301)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>(\$147,922,549)</b>	<b>(\$753,060,249)</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume there may be a negative impact for political subdivisions including school districts. DESE officials stated that it is unclear how the entity is to handle new construction during the years specified in the proposal.

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

Officials from the **State Tax Commission (TAX)** assume this proposal would require the assessed valuation for all real property in calendar year 2010 and 2011 to remain the same as in 2009 unless the property decreases in value. This could result a loss of revenue for the local political subdivision unless the political subdivision is in a position to raise their levy to its ceiling. If the property is currently being assessed at only 60% of its value, this legislation appears to require that such property continue to be assessed at that value.

TAX officials stated that this proposal would also require the assessed valuation of tangible personal property in calendar year 2010 and 2011 to remain the same in 2009. Normally the assessed value of personal property that is retained by a property owner would be reduced each year as such property depreciates in value. This proposed legislation would require that property to remain the same for the following two years.

TAX officials also stated that if the property owner would elect to replace the personal property they owned in 2009 with a later year model which has a greater value, the assessed value would remain the same as the original property owned in 2009.

Officials from the **Metropolitan Community Colleges** assume this proposal would have no fiscal impact on their organization since their organization is not levying its maximum tax rate.

Officials from **Cass County** assume there would be some fiscal impact with this proposal. However, it is difficult to say what the impact would be. Cass County officials assume that with no increase in assessed values that revenue would remain constant but are unsure of the real impact of this proposal.

ASSUMPTION (continued)

Officials from **Clinton County** assume this proposal could result in additional cost to county assessors.

Officials from **St. Louis County** assume this proposal would have no fiscal impact to their organization if the taxing authorities could change their tax rates accordingly.

Officials from the **City of Cape Girardeau** responded to this proposal but did not indicate a potential fiscal impact to their organization.

Officials from the **City of Centralia** assume this proposal would shift the tax burden among taxpayers but would have a speculative loss if inflation exceeded 5%.

Officials from the **City of West Plains** assume this proposal could have an unknown negative fiscal impact on their organization if it restricted future revenues.

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

**Oversight** has calculated an estimated fiscal impact for the proposal. The Oversight estimate of fiscal impact to local governments excludes any impact from or offset resulting from other property tax limitations such as the Homestead Preservation Act and the Hancock Amendment. Finally, the Oversight estimate is based on the projection of historical observations to conditions in future years which could vary significantly.

Factors which could reduce the impact of this proposal

The amounts calculated by Oversight are an estimate of the maximum impact that could result from the proposal. A local government would not experience a loss of revenue as a result of this proposal if the aggregate percentage increase in the total assessed valuation equals or exceeds the CPI allowance or if the maximum authorized levy rate would allow the local government to increase the current year levy rate to provide the amount of revenue otherwise allowed under existing provisions.

### Personal property

Oversight assumes that the assessed valuation for personal property owned by eligible persons would be reduced each year and that there would be no fiscal impact to local governments or the state as a result of the provisions related to personal property. This assumption is based on our understanding that motor vehicles are the primary personal property items subject to taxation in Missouri, and our assumption that motor vehicles do not normally appreciate in value.

### Real property

Oversight has made the following overall calculations regarding the fiscal impact of this proposal.

- \* Using data provided by the Office of the State Auditor, Oversight calculated an aggregate estimate of the amount of revenue which would be provided to local governments at their current aggregate assessed valuations, if their current levy rates were increased to the maximum authorized levy rates. The calculated amount was \$1.1 billion for local governments which levied one overall tax levy rate, and \$627 million for local governments which levy individual tax rates by property type. Oversight assumes that these amounts indicate that some local governments would be able to increase their levy rates to compensate for limitations on aggregate assessed valuation.
- \* Using data reported from one reassessment year (odd-numbered) to the next reassessment over the five most recent reassessment cycles, we determined an average rate of 14.01%. Applying that 14% (rounded) increase to the TAX total assessed valuation for real estate for 2007 (the most recent reassessment year for which data was available) would provide an estimated 2009 assessed valuation of  $(\$75,494,761,821 \times 114\%) = \$86,064,028,476$ .
- \* Also using data reported by the State Tax Commission, Oversight averaged the percentage increase for the five most recent even numbered years; that average was 2.75%.

ASSUMPTION (continued)

For 2010, Oversight assumes that total assessed valuation for real property would have increased by  $(\$86,064,028,476 \times .0275) = \$2,366,760,783$  and local government property taxes would have increased by  $(\$2,366,760,783 \times \$6.25/\$100) = \$147,922,549$ .

For 2011, Oversight assumes that total assessed valuation for real property would have increased by  $(\$86,064,028,476 \times .141) = \$12,048,963,987$  and local government property taxes would have increased by  $(\$12,048,963,987 \times \$6.25/\$100) = \$753,060,249$ .

**Oversight** notes that this proposal would require the use of 2009 assessed valuation amounts for 2010 and 2011, and will indicate the amount calculated as the fiscal impact to local governments for fiscal note purposes. Oversight assumes that the Blind Pension Fund would have a property tax revenue reduction of approximately 1/2 of 1% of the local government tax loss.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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**BLIND PENSION FUND**

<u>Revenue reduction - assessment limitation</u>	<u>\$0</u>	<u>(\$739,613)</u>	<u>(\$3,765,301)</u>
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**ESTIMATED NET EFFECT ON  
BLIND PENSION FUND**

<u>\$0</u>	<u>(\$739,613)</u>	<u>(\$3,765,301)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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**LOCAL GOVERNMENTS**

<u>Revenue reduction - assessment limitation</u>	<u>\$0</u>	<u>(\$147,922,549)</u>	<u>(\$753,060,249)</u>
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**ESTIMATED NET EFFECT ON  
LOCAL GOVERNMENTS**

<u>\$0</u>	<u>(\$147,922,549)</u>	<u>(\$753,060,249)</u>
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FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which own real and personal property.

FISCAL DESCRIPTION

This proposal would prohibit increases in assessed valuations on real and personal property for two years.

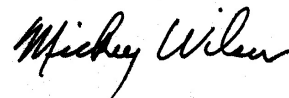
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Revenue  
State Tax Commission  
Metropolitan Community Colleges  
Cass County  
Clinton County  
St. Louis County  
City of Cape Girardeau  
City of Centralia  
City of West Plains

NOT RESPONDING

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



Mickey Wilson, CPA  
Director  
February 25, 2009