

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0936-01
Bill No.: HB 222
Subject: Taxation and Revenue - Property; Construction and Building Codes
Type: Original
Date: February 7, 2011

Bill Summary: Would change certain provisions governing assessment of newly constructed residential property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials assume this proposal would change the year of assessment for a newly constructed but never occupied property from the second year after completion to the fourth year after completion. The proposal, if enacted, could slow the growth in assessed valuations of improved properties but BAP does not have the data to estimate these impacts. The proposal would not impact general revenues but could reduce funding for schools and could slow growth in state Blind Pension Fund receipts.

Officials from the **Department of Elementary and Secondary Education** (DESE) assume this proposal would not impact state revenues but would have a negative impact on the revenue stream of local governments. DESE has no means to calculate such impact, however.

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

Officials from the **State Tax Commission** (TAX) assume this proposal would not have a fiscal impact on their organization. The proposal would extend the time period for newly constructed property to be assessed regardless of whether the property is located in a county that has enacted an occupancy provision. TAX officials stated that implementation of the proposal would result in a loss of revenue to local governments, but they did not have the information that would allow them to calculate the potential revenue loss.

Officials from the **City of Kansas City** assume this proposal would extend the time when newly constructed but unoccupied improvements can be assessed and placed on the property tax roll for taxation purposes. The proposed legislation would require taxing jurisdictions to wait until the fourth year following construction to add the taxable assessed valuation for the improvements. The impact of extending the requirement to assess and levy taxes for improvements from two years to four years would in effect eliminate two years of tax revenue which jurisdictions currently receive for newly constructed residential property. This would have a negative impact on taxing jurisdictions.

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

ASSUMPTION (continued)

Officials from **Boone County** assume this proposal would increase the cost to taxing entities in Boone County by \$142,000 per year. Boone County officials also assume this proposal would require their county to adopt assessment on occupancy, and that change would increase assessment fund withholding from property taxes collected from 0.5% of collections to 0.6% of collections. That 20% increase in withholdings would result in a revenue increase from \$710,000 to \$852,000 per year to the assessment fund.

Officials from the **City of St. Louis** assume this proposal would apply to unsold homes in a builder's inventory. City officials stated that the cost would vary from year to year, but the current cost would be about \$36,000 per year for all taxing entities in the City, and about 21% or \$7,665 would be the cost to their organization.

Officials from the **City of Richmond** provided a response to this proposal but not an estimate of the potential fiscal impact to their organization.

Oversight notes that current provisions for newly constructed residential real estate allow counties and the City of St. Louis to assess that property when it is occupied or on the second January 1 following the year in which construction was completed. Oversight does not have information as to how many jurisdictions assess properties on occupancy, and how many assess properties on the second January 1 following completion.

Oversight also notes that properties are assessed as of January 1; therefore, a property which was completed and occupied in the same year would be assessed on the following January 1. Property taxes would first be due on December 31 following the January 1 on which the property was first assessed. A property which was completed but not occupied would be assessed on the second following January 1; a delay of an additional year.

A property completed in 2009 but not occupied would currently be assessed for the first time on January 1, 2011 and taxes would be due December 31, 2011 (FY 2012.). Taxes would also be collected on that property in FY 2013 and FY 2014.

ASSUMPTION (continued)

Oversight notes that this proposal would only have an impact for jurisdictions which assess on the second following January 1; the proposal would delay the initial assessment of the completed but not occupied property until the fourth following January 1. The proposal would result in two additional years in which the improved property would be taxed at the value of the unimproved lot. The proposal would be effective in August of 2011; a property completed in 2009 but not occupied would have been assessed for the first time on January 1, 2011. Taxes on the property would be due on December 31, 2011 (FY 2012). Therefore, Oversight will indicate no fiscal impact for this proposal for FY 2012.

A property completed in 2010 but not occupied would be assessed for the first time January 1, 2012 under current provisions, and taxes would be due on that property December 31, 2012 (FY 2013). This proposal would delay that initial assessment until January 1, 2014, and taxes would first be due on that property December 31, 2014 (FY 2015).

Local governments and the state Blind Pension Fund would have revenue losses beginning in FY 2013 for property taxes on completed but unoccupied residential property. Oversight does not have information on the number, value, or location of completed but unoccupied residential properties. Accordingly, Oversight will indicate unknown losses for those years.

<u>FISCAL IMPACT - State Government</u>	FY 2012	FY 2013	FY 2014
	(10 Mo.)		
BLIND PENSION FUND			
<u>Revenue reduction</u> - delayed assessment of new unoccupied residential property	<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 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - delayed assessment of new unoccupied residential property	<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 on small businesses which own new residential properties.

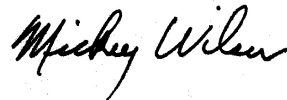
FISCAL DESCRIPTION

The proposed legislation would change certain provisions governing assessment of newly constructed 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
Boone County
City of Kansas City
City of Richmond
City of St. Louis



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Director
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