

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5734-01
Bill No.: HB 2109
Subject: Taxation and Revenue - Sales and Use; Property, Real and Personal; Motels and Hotels
Type: Original
Date: February 17, 2016

Bill Summary: This proposal modifies the definition of residential property for property taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Department of Natural Resources (DNR)** assume the proposal would authorize a state and local sales tax exemption for a bed and breakfast inn in which the owner resides and does not exceed the limit of rooms requirement. DNR assumes the Department of Revenue and the Office of Administration-Division of Budget and Planning will provide a more detailed account of the fiscal impact.

Oversight assumes the proposal provides for a property tax reduction for certain owners of bed and breakfast establishments, not a sales tax exemption.

Oversight is providing an example of how the real estate taxes will be impacted by this proposal. Assuming the appraised value of a bed and breakfast which qualifies (owner resides and ten or fewer rooms to rent) with an appraised value of \$500,000 would have an assessed value as commercial property (32% rate) of \$160,000 and using the average Missouri tax levy of \$5.11 would yield real estate property taxes of \$8,176. The same property reclassified as residential property (19% rate) would have an assessed value of \$95,000 and using the average Missouri tax levy of \$5.11 would yield real estate property taxes of \$4,855 (a reduction of \$3,321).

Oversight notes the reclassification from commercial real estate to residential real estate will reduce real estate taxes by 40.625%.

The number of real estate parcels that qualify is unknown. The number of political subdivisions is unknown. The number of political subdivisions that currently operate under their authorized levy ceiling is unknown.

Oversight will show \$0 to (Unknown) as the amount of impact.

Oversight will further assume the impact to the State's Blind Pension Trust Fund (\$0.03 levy) would be immaterial (\$19.50 in example shown above), and will not be reflected in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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LOCAL GOVERNMENT

<u>Revenue - Property Tax Revenue</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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FISCAL IMPACT - Small Business

Small businesses engaged in the bed and breakfast business would be impacted by this proposal.

FISCAL DESCRIPTION

The proposal changes the classification of a ben and breakfast inn in which the owner resides and has ten or less rooms for rent from commercial property to residential property for real property taxation purposes.

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

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SOURCES OF INFORMATION

Department of Natural Resources



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February 17, 2016

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February 17, 2016