

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0435-01  
Bill No.: HB 154  
Subject: Taxation and Revenue - Property; Property, Real and Personal; Elderly; Counties; Disabilities  
Type: Original  
Date: January 4, 2017

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Bill Summary: This proposal would authorize counties to limit residential property assessment increases for the elderly and disabled who own and live in their principal residence.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Blind Pension	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated this proposal would limit residential property assessed valuation increases for properties used as a principal residence by qualified taxpayers (homeowners aged 67 or older or disabled, under the proposed income limit) to the percentage of increase in Social Security benefits for the elderly and disabled. These proposed changes would only apply to the counties, and the City of St. Louis, that adopt the provisions. This proposal could diminish the state's Blind Pension Fund revenue growth, and by the same amount, Total State Revenue.

BAP officials provided the following information published by the United States Census Bureau in its 2014 American Community Survey 1-year estimates. The number of Missouri owner-occupied households with a householder age 65 or older was 472,369, which is 20.1% of all occupied housing units, or 30.0% of owner-occupied housing units.

BAP officials also provided information published by the United States Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics. There were 800,275 persons in Missouri age 67 or older representing 13.2% of the population.

Finally, BAP officials noted this proposal would not directly impact General Revenue. To the extent this proposal would slow property tax payment growth, Blind Pension Fund receipts growth may also slow. If localities do not otherwise adjust levies, this proposal would limit the growth in municipal revenues, including school districts. Since the proposal may impact local tax liability distributions, this bill could have an impact on the Constitutional revenue limit calculations in Section 18(e).

Officials from the **State Tax Commission (TAX)** noted this proposal would limit property tax increases for qualifying seniors (disabled, 67 or older, principal residents, and making less than \$60,000 single - \$68,000 married) proportional to Social Security benefit increases. TAX officials assume the proposal would have an unknown impact on school districts, counties, and other taxing jurisdictions.

TAX officials stated they do not have the data to determine the number of qualifying applicants, and noted since 2014, Social Security benefits have increased 2% but cannot accurately project the rate or frequency of future increases.

ASSUMPTION (continued)

TAX officials also noted the State of Missouri had a similar program from 2005 to 2009, the Homestead Preservation Act; in 2005 the cost to the state was \$2.9 million. In 2008, the program capped assessment increases for qualifying seniors at 5% in reassessment years and 2.5% in other years. Finally, TAX officials noted that Social Security benefit increases have been at a lower rate than the percentages in the Homestead Preservation Act.

According to officials from the **Office of the Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this proposal for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **City of Kansas City** assume this proposal would reduce revenue growth by an unknown amount.

Officials from the **City of St. Louis** provided their estimate of lost revenue of between \$244,800 and \$442,800 in all taxing jurisdictions, which includes an estimated revenue loss of between \$47,400 and \$85,700 to the City. There would also be a loss of as much as \$2,700 to the Assessment Fund and \$6,600 to the Collector of Revenue. In addition to the losses mentioned above, passage of this legislation would require a major programming change that would cost between \$50,000 and \$100,000.

Officials from the **City of West Plains** responded but did not provide an estimate of fiscal impact for their organization.

Officials from the **Bakersfield R-IV School District** assume this proposal would have a catastrophic affect on their organization, approximately \$400,000 per year.

Officials from the **Kirkville R-VII School District** assume this would have a slight negative impact on their organization.

ASSUMPTION (continued)

Officials from the **Pattonville School District** assume this proposal would result in a revenue reduction of \$160,000 per year for their organization.

Officials from the **West Plains R-VII School District** noted this proposal would limit local revenue growth.

Officials from the **Joint Committee on Administrative Rules**, the **Department of Revenue**, the **Department of Social Services**, **Callaway County**, the **Campbell R-II School District**, the **Everton R-III School District**, the **Lee's Summit R-VII School District**, the **Jackson County Election Board**, and the **Platte County Board of Elections** assume this proposal would have no fiscal impact on their organization.

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, Daviess, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to our request for information.

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, and Weldon Spring did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Arcadia Valley R-2, Avilla R-13, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kansas City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Malta Bend, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Webster Groves, Westview C-6 and the Wright City R-2 School District did not respond to our request for information.

**Oversight** has no information as to which counties, if any, would adopt the provisions in this proposal. Taxing entities in those counties would presumably have a lower rate of revenue growth than taxing entities in counties which did not adopt the provisions. Oversight notes that actual assessed valuation and revenue growth for those taxing entities could also be impacted by other provisions in the state constitution and statutes.

Oversight also notes that revenue growth for the state's Blind Pension Fund, which is supported by a property tax levy, would be reduced proportionally by the limitation on assessed valuation growth because the Blind Pension Fund levy rate is fixed by statute.

ASSUMPTION (continued)

**Oversight** will assume for fiscal note purposes that this proposal would be implemented beginning in August of 2017 (FY 2018) and the resulting limitation on increases in assessed valuations would take effect beginning in January, 2018, which would reduce tax collections in December 2018 (FY 2019). Due to the uncertainty as to the number or size of local governments which would adopt these provisions, Oversight will indicate a fiscal impact from \$0 to a negative Unknown in FY 2019 and FY 2020 for the Blind Pension Fund and for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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**BLIND PENSION**

<u>Revenue reduction</u> - limitation on assessment increases.	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON BLIND PENSION</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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**LOCAL GOVERNMENTS**

<u>Revenue reduction</u> - limitation on assessment increases.	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

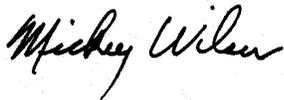
FISCAL DESCRIPTION

The proposed legislation would allow counties to limit residential property assessment increases for the elderly and disabled who own and live in their principal residence proportional to the rate of increase in their Social Security benefit.

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  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
Department of Social Services  
State Tax Commission  
Callaway County  
City of Kansas City  
City of St. Louis  
City of West Plains  
Bakersfield R-IV School District  
Campbell R-II School District  
Everton R-III School District  
Kirksville R-VII School District  
Lee's Summit R-VII School District  
Pattonville School District  
West Plains R-VII School District  
Jackson County Election Board  
Platte County Board of Elections



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