

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0656-01
Bill No.: HJR 1
Subject: Taxation and Revenue - General; Property, Real and Personal; Taxation and Revenue - Property
Type: Original
Date: January 9, 2017

Bill Summary: This proposal would submit to the voters a proposed constitutional amendment to eliminate taxation of all personal property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 or (\$7,800,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (\$7,800,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Blind Pension *	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

*Net of potential revenue reduction and additional revenue.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government *	\$0	\$0	\$0

* Net of cost and state reimbursement, and net of potential revenue reduction and additional revenue.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** provided the following response.

Each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. The Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, state laws requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by the Missouri Constitution and state law. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY 2013, the appropriation had historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation. In FY 2017 the Secretary of State's Office was appropriated \$2.6 million to publish the full text of the measures. In FY 2017, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$2.4 million to publish (an average of \$400,000 per issue). The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because the publications are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements.

ASSUMPTION (continued)

Oversight has reflected in this fiscal note the estimated cost of state reimbursements to local political subdivisions for the cost of including this joint resolution in a special election in fiscal year 2018. This reflects the decision made by the Joint Committee on Legislative Research, that the potential cost of elections should be reflected in the fiscal note. The next scheduled general election is in November 2018 (FY 2019). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2018.

Officials from the **Joint Committee on Administrative Rules**, the **Department of Revenue**, **St. Louis County**, and the **Jackson County Election Board** assume this proposal would have no impact on their organizations.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this proposal would eliminate personal property taxes and replace lost revenues with a countywide surtax. BAP officials also noted if the changes lower property tax receipts, Blind Pension Fund revenues could be reduced.

Officials from the **State Tax Commission** provided a statewide estimate of \$1.337 billion in annual taxes on personal property, and assumed an additional levy on commercial real property of \$5.00 to \$5.77 per \$100 assessed valuation would be required to replace the lost revenue.

Officials from **Callaway County** assume this proposal would have a major financial impact to all Class 3 counties.

Officials from the **City of Kansas City** assume no losses would be experienced immediately by this legislation because the elimination of the property tax on tangible personal property is offset by a new tax. However, as the value of personal property increases the reimbursement to the City is based on the year before the change in the Constitution takes effect. This would result in losses in each year due to the amount of tangible personal property increases over the prior year.

ASSUMPTION (continued)

Officials from the **City of St. Louis** assume this proposal could result in the loss of \$83,818,000 each year to taxing authorities in the city. The city itself would lose approximately \$16,227,165, the Assessment Fund would lose approximately \$523,863, and the Collector of Revenue would lose approximately \$1,257,270 in collection fees.

Officials from the **Concordia School District** assume this proposal would reduce revenue to their organization by \$573,468 million annually.

Officials from the **Kirksville R-III School District and the Forsyth R-III School District** assume this proposal would have a significant negative impact on their organizations.

Officials from the **Kansas City Public Schools** stated their organization could lose approximately \$34.3 million in annual revenues if the replacement tax is not implemented.

Officials from the **Lee's Summit R-VII School District** estimated the lost revenue for their organization would be \$386,225.

Officials from the **Orrick Public Schools** assume this proposal would reduce revenue to their organization by \$815,000 million annually.

Officials from the **Pattonville School District** assume this proposal would reduce revenue to their organization by \$15,002,878 annually.

Officials from the **Pettis County R-XII School District** stated their organization would lose nearly 50% of its property tax revenues if this proposal was implemented.

Officials from the **Warren County R-III School District** noted the revenue reduction to their organization would be over \$2.4 million per year if there was no replacement for the tax being eliminated.

ASSUMPTION (continued)

Officials from the **Wentzville R-IV School District** assume this proposal would reduce revenue to their organization by \$15.3 million annually.

Officials from the **West Plains School District** assume this proposal would reduce revenue to their organization by \$1.5 to \$1.7 million annually.

Officials from the **Platte County Board of Elections** stated the cost of a special election in their county would be about \$75,000.

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. 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, Weldon Spring and West Plains did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, 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, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette 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, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Lee's Summit, 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, Osage County R-II, Osborn R-O, Parkway, 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, 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 will assume for fiscal note purposes that the revenue replacement levy on commercial real estate would be approximately equal to the revenue reduction from the elimination of personal property tax. If a special election to implement this proposal was called for FY 2018, the revenue reduction and additional revenue from the replacement levy would begin in FY 2019. Oversight will include an impact of \$0 or (Unknown) for the revenue reduction and \$0 or Unknown for the additional revenue from the replacement levy for the Blind Pension Fund and for local governments for FY 2019 and FY 2020 in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Cost</u> - Election reimbursements to local governments if a special election is called by the Governor.	\$0 or <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
BLIND PENSION			
<u>Additional revenue</u> - Replacement levy	\$0	\$0 or Unknown	\$0 or Unknown
<u>Revenue reduction</u> - Elimination of tax on personal property.	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL GOVERNMENTS			
<u>Reimbursement</u> - Election costs	\$7,800,000	\$0	\$0
<u>Additional revenue</u> - Replacement levy	\$0	\$0 or Unknown	\$0 or Unknown
<u>Revenue reduction</u> - Elimination of tax on personal property.	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> - Special election for proposed constitutional amendment if a special election is called by the Governor.	\$0 or <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would not have a direct fiscal impact to small business; however, if the proposal is implemented and the voters approve the proposed constitutional amendment, a small business which owns commercial real estate would likely have increased property taxes.

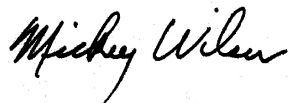
FISCAL DESCRIPTION

The proposed legislation would submit to the voters a proposed constitutional amendment to eliminate taxation of all personal 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 the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
State Tax Commission
Callaway County
St. Louis County
City of Kansas City
City of St. Louis
Concordia School District
Forsyth R-3 School District
Kansas City Public Schools
Kirksville R-III School District
Lee's Summit R-VII School District
Orrick Public Schools
Pattonville School District
Pettis County R-XII School District
Warren County R-VII School District
Wentzville R-IV School District
West Plains School District
Jackson County Election Board
Platte County Board of Elections



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