

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1193-01  
Bill No.: HJR 27  
Subject: Veterans; Taxation and Revenue - Property; Disabilities; Taxation and Revenue - General  
Type: Original  
Date: February 17, 2017

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Bill Summary: This proposal would submit to the voters a constitutional exemption from real and personal property taxation for a veteran with a total service-connected disability.

**FISCAL SUMMARY**

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

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<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.

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

\* Net of election cost and state reimbursement in FY 2018.

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of the Secretary of State (SOS)** noted that 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 law 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 SOS 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 if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

ASSUMPTION (continued)

**Oversight** has reflected in this fiscal note, an amount for the state potentially reimbursing local political subdivisions for the cost of submitting this joint resolution to the voters during 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 elections are in August and November, 2018 (both FY 2019). It is assumed the subject within this proposal could be on one of those ballots; 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 **Office of Administration - Division of Budget and Planning (BAP)** noted this proposal would exempt property owned by a veteran with total service-connected disability from taxation, upon voter approval. BAP officials stated that voter approval negates any impact to Total State Revenue or the constitutional revenue limit calculation.

BAP officials also noted if the proposal results in lower property tax receipts, the state's Blind Pension Fund revenues could be reduced by an unknown amount, and local property tax collections would be reduced an unknown amount.

Officials from the **State Tax Commission (TAX)** assume this proposal would have an unknown fiscal impact on school districts, cities, counties, and other taxing jurisdictions by eliminating real and personal taxes for disabled veterans. TAX officials stated they do not have the data necessary to estimate the number of taxpayers that would qualify for the exemption.

Officials from **Boone County** stated the 2015 United States Census Bureau data indicated there were 9,141 veterans in Boone County, Missouri, and 532 have a service disability of 70% or more with a margin of error is + or - 219.

The median value for personal property in Boone County is \$10,000 and the effective tax rate for personal property is about 2.2% county wide. If we exempt 500 veterans from personal property taxes it would cost the taxing entities \$110,000 annually.

The median value of a home in Boone County is \$130,500 and the effective tax rate for residential real property is about 1.2%. If we exempt 500 veterans from taxation on their homes it would cost the taxing entities about \$783,000 annually.

Boone County officials estimated that overall, this proposal would cost Boone County tax jurisdictions approximately \$1,000,000 annually.

ASSUMPTION (continued)

Officials from **Callaway County** assume this proposal could result in a minor negative impact to their organization, depending on the number of disabled veterans.

Officials from **St. Louis County** assume the revenue losses would total about \$2.5 million per year across all taxing jurisdictions in St. Louis County. County officials stated there is currently no provision for replacing lost revenues by raising the tax liability on other properties in the same classification – residential real property and individual personal property.

Officials from the **City of Kansas City** assumed this proposal would result in indeterminate losses to their organization.

Officials from the **Everton School District** assume the proposal would result in a \$50,000 revenue reduction for their organization.

Officials from the **Kansas City Public Schools** noted they believe there are a good number of disabled veterans in their area but do not have information as to the number of disabled veterans nor the property disabled veterans own and cannot estimate the losses that might result from this proposal.

Officials from the **Kirksville R-III School District** stated that tax exemptions have a negative impact on revenues but did not provide an estimate of the potential losses to their organization.

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

Officials from the **West Plains School District** stated their area has many disabled veterans who own both real and personal property. School district officials stated that passage of the proposal would result in a loss of local revenue but did not have the data as to the number of veterans or the amount of taxes they pay. School district officials estimated the loss could range from \$100,000 to \$200,000 per year.

Officials from the **Office of State Courts Administrator**, the **Joint Committee on Administrative Rules**, the **Department of Revenue**, the **Department of Public Safety - Missouri Veterans Commission**, the **Jackson County Election Board**, the **Platte County Board of Elections**, and the **St. Louis County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, 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. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

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, 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, 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 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, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, Pattonville, 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, Sarcoux 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.

ASSUMPTION (continued)

**Oversight** notes this proposal would become effective in August, 2017 (FY 2018) and assumes that a vote before January 1, 2018 is unlikely due to the need for publications and ballot preparation. Therefore, 2018 assessments would be completed before the proposal could become effective. If approved by the voters in 2018, it would have an impact beginning with property assessments in January 2019. Taxes on property assessed in January 2019 would be collected in December 2019 (FY 2020). Oversight has no information as to the number of totally disabled veterans in the state or the real and personal property they own and will indicate a range of revenue reduction from \$0 (proposition not approved by the voters) to an unknown revenue reduction (proposition approved by the voters) for the state Blind Pension Fund and for local governments beginning in FY 2020.

	FY 2018 (10 Mo.)	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>			
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Reimbursement to local government for elections if a special election is called for by the Governor</u>	<u>\$0 or (More than \$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0 or (More than \$7,800,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>BLIND PENSION FUND</b>			
<u>Revenue reduction - property tax exemption</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>LOCAL GOVERNMENTS</b>			
<u>Reimbursement</u> - from the SOS for election costs	\$0 or More than \$7,800,000	\$0	\$0
<u>Cost</u> - Elections - <b>if</b> a special election is called for by the Governor	\$0 or (More than \$7,800,000)	\$0	\$0
<u>Revenue reduction</u> - property tax exemption	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

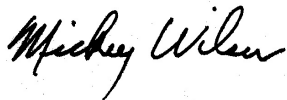
The proposed legislation would submit to the voters a constitutional exemption from real and personal property taxation for a veteran with a total service-connected disability.

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  
Office of State Courts Administrator  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Public Safety  
    Missouri Veterans Commission  
Department of Revenue  
State Tax Commission  
Boone County  
Callaway County  
St. Louis County  
City of Kansas City  
Kansas City Public Schools  
Kirksville R-III School District  
Everton School District  
Forsyth R-III School District  
West Plains School District  
Jackson County Election Board  
Platte County Board of Elections  
St. Louis County Directors of Elections



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