

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1238-02  
Bill No.: HJR 39  
Subject: Veterans; Taxation and Revenue - Property; Disabilities; Property, Real and Personal  
Type: Original  
Date: April 3, 2017

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Bill Summary: This proposal would submit to the voters a constitutional amendment which would create a property tax exemption for the homestead of a disabled veteran or first responder.

**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 or (More than \$60,000)	\$0 or (More than \$60,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 or (More than \$60,000)</b>	<b>\$0 or (More than \$600,000)</b>

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
<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 or (More than \$12,500,000)</b>	<b>\$0 or (More than \$12,500,000)</b>

\* Net of cost and state reimbursement.

## **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 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 SOS 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 these 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, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on 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. There is a statewide primary election in August 2018 and a general election in November 2018 (both FY 2019). It is assumed the subject within this proposal could be on either of these 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)** assume this proposal would, with voter approval, exempt property owned by a veteran or former first responder with total service-connected disability from taxation. It would eliminate the property tax exemption for former prisoners of war with a total service-connected disability.

BAP officials stated that voter approval would negate any potential impact to Total State Revenues or the constitutional revenue limit calculation. If these changes lower property tax receipts, the state's Blind Pension Fund revenues could be reduced by an unknown amount.

BAP officials assume local property tax collections would be reduced by an unknown amount, and that could reduce funding to local school districts.

Officials from the **State Tax Commission (TAX)** assume this proposal would have an unknown impact. TAX officials stated they did not have the information necessary to determine the number of eligible disabled veterans or former first responders.

Officials from the **Department of Elementary and Secondary Education** assume this proposal would have no fiscal impact on their organization and no impact on the Foundation Formula.

Officials from the **City of Kansas City** assume this proposal would have a small but indeterminate negative fiscal impact on their organization.

Officials from **St. Louis County** stated they did not have the information necessary to determine the number of eligible former first responders or the value of their households.

Officials from the **Kirkville R-III School District** stated that any time exemptions are given this creates a negative fiscal impact for their organization.

ASSUMPTION (continued)

Officials from the **West Plains School District** assume this proposal would have a small but unknown negative fiscal impact on their organization.

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

County officials stated 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 500 veterans would be exempted from personal property taxes, it would cost the taxing entities  $(500 \times \$10,000 \times .022) = \$110,000$  annually.

The median value of a home in Boone County is \$130,500. The effective tax rate for residential real property is about 1.2%. If 500 veterans would be exempted from taxation on their homes it would cost the taxing entities about  $(500 \times \$130,500 \times .012) = \$783,000$  annually.

Boone County officials concluded this proposal would cost Boone County tax jurisdictions approximately  $(\$110,000 + \$783,000) = \$893,000$  (rounded to \$1,000,000) annually.

**Oversight** notes the proposal would limit the proposed tax exemption to totally disabled veterans and former first responders, and the United States Department of Veterans Affairs indicates 224 totally disabled veterans for Boone County in 2016.

The estimated cost of this tax exemption using the Boone County valuation amounts and the Veterans Administration population numbers would indicate a cost of  $(\$110,000 \times 224/500) = \$49,280$  per year for personal property and  $(\$783,000 \times 224/500) = \$350,784$ . The total would be  $(\$49,280 + \$350,784) = \$400,064$ .

Oversight also notes this estimate is based on the assumption that every totally disabled veteran would own personal property and a home with the median values for Boone County. The estimate does not include any amounts for former first responders.

Officials from the **Joint Committee on Administrative Rules**, the **Department of Revenue**, **Callaway County**, the **Everton School District**, 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)

We requested information from the **Department of Public Safety - Missouri Veterans Commission** and we were advised that there were 9,566 totally disabled veterans in Missouri in 2016.

**Oversight** does not have any information regarding former first responders who would be eligible for this proposed tax exemption nor do we have information regarding property owned by disabled veterans to make a direct calculation of the fiscal impact of this proposal; however, we assume the fiscal impact for veterans could be estimated as follows.

According to the United States Veterans Administration, there were 9,566 totally disabled veterans in Missouri in 2016; reports from the United States Census Bureau indicate a home ownership rate of 68% and an average home value for Missouri of \$137,100. If the totally disabled veterans have the same home ownership ratio as the general population and that same average home value, that would indicate  $(9,566 \times .68 \times \$137,100) = \$891,819,048$  in residential real estate owned by totally disabled veterans. That property, assessed at 19% and at an average local government tax rate of \$6.25%, would provide  $(\$891,819,048 \times .19 \times \$6.25/\$100) = \$10,590,351$  per year in local property taxes.

If those veterans owned \$10,000 in personal property as indicated by Boone County officials, the local government personal property tax revenues would be  $(9,566 \times \$10,000 \times .33\% \times \$6.25/\$100) = \$1,972,988$  per year.

The total local government impact would be  $(\$10,590,351 + \$1,972,988) = \$12,563,339$  per year.

The fiscal impact for the state Blind Pension Fund at the rate of three cents per \$100 assessed valuation would be  $(\$0.03/\$6.25 \times \$12,563,339) = \$60,304$ .

**Oversight** will assume for fiscal note purposes only, that this proposal would have a negative impact More than \$60,000 for the Blind Pension Fund and a negative fiscal impact for local governments of More than \$12,500,000. If the election was held before assessment is completed for calendar 2018, the revenue reduction would begin with taxes on properties assessed in 2018 and collected in December 2018 (FY 2019). Oversight will include the revenue reduction beginning in FY 2019. Oversight will range the fiscal impact from \$0 (HJR is not passed by voters) to the estimates above.

ASSUMPTION (continued)

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Callaway, 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, Everton R-III, 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, 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, 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.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE</b>			
<u>Cost</u> - Election reimbursements to local governments <b>if</b> a special election is called by the Governor.	\$0 or (More than <u>\$7,800,000</u> )	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (More than <u>\$7,800,000</u>)</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>BLIND PENSION FUND</b>			
<u>Revenue reduction</u> - property tax exemptions	<u>\$0</u>	\$0 or (More than <u>\$60,000</u> )	\$0 or (More than <u>\$60,000</u> )
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 or (More than \$60,000)</u></b>	<b><u>\$0 or (More than \$60,000)</u></b>



<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>LOCAL GOVERNMENTS</b>			
<u>Reimbursement</u> - Election costs	\$0 or More than \$7,800,000	\$0	\$0
<u>Revenue reduction</u> - Property tax exemptions	\$0	\$0 or (More than \$12,500,000)	\$0 or (More than \$12,500,000)
<u>Cost</u> - Special election for proposed constitutional amendment <b>if</b> a special election is called by the Governor.	\$0 or (More than \$7,800,000)	\$0	\$0
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<u><b>\$0</b></u>	<b>\$0 or (More than \$12,500,000)</b>	<b>\$0 or (More than \$12,500,000)</b>

FISCAL IMPACT - Small Business

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

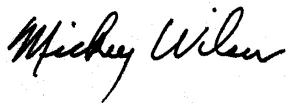
FISCAL DESCRIPTION

The proposed legislation would submit to the voters a constitutional amendment which would create a property tax exemption for the homestead of a disabled veteran or first responder.

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 Public Safety  
    Missouri Veterans Commission  
Department of Revenue  
State Tax Commission  
Boone County  
Callaway County  
St. Louis County  
City of Kansas City  
Everton School District  
Kirksville R-III School District  
West Plains School District  
Platte County Board of Elections  
Jackson County Election Board  
St. Louis County Directors of Elections



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April 3, 2017

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