COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3601-01
Bill No.: Perfected HB 1710
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal
Type: Original
Date: May 5, 2020

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	(Unknown, could substantially exceed $380,804)	(Unknown could substantially exceed $386,901)	(Unknown could substantially exceed $387,738)
Total Estimated Net Effect on General Revenue	**(Unknown, could substantially exceed $380,804)**	**(Unknown could substantially exceed $386,901)**	**(Unknown could substantially exceed $387,738)**

*Oversight notes these costs associated with HA 3 (§620.3700) do not account for potential positive indirect positive benefits the state would receive from qualified companies meeting the requirements of the proposal.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 24 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Blind Pension Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Conservation Commission Fund*	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
Parks, Soils, Water Funds*	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
School District Trust Fund*	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
Total Estimated Net Effect on Other State Funds	**Could substantially exceed ($400,000)**	**Could substantially exceed ($400,000)**	**Could substantially exceed ($400,000)**

*Oversight notes the costs associated with HA 3 (§620.3700) do not account for potential positive indirect positive benefits the state would receive from qualified companies meeting the requirements of the proposal.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☒ 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 2021	FY 2022	FY 2023
Local Government	**Could substantially exceed ($200,000)**	**Could substantially exceed ($200,000)**	**Could substantially exceed ($200,000)**

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **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 or on information regarding a previous version of the proposal. 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.

Section 53.010, repealed 82.550 and HA2 - St. Louis City Assessor Elected

Officials from **State Tax Commission** assumed the election of the assessor of the City of St Louis and the Jackson County would have no fiscal impact on the STC, however may have an unknown fiscal impact on the two jurisdictions affected.

Officials from **Office of Administration - Budget and Planning** assume section 53.010 would require that the St. Louis City Assessor be elected. House Amendment 2 section C requires voter approval of a constitutional amendment allowing for all county assessors to be elected before this section is repealed. This proposal repeals section 82.550 allowing the appointment of assessors.

This section will not impact TSR or the calculation under Article X, Section 18(e).

In response to a similar proposal, officials from the **City of St. Louis** assumed the there is no fiscal impact other than possibly salary implications.

Oversight assumes there could be costs associated with an election for the assessor. Oversight will show a range of impact from $0 to an unknown cost.

§137.115 and §138.060 and HA2 Burden of Proof and Inspections

Officials from the **State Tax Commission** have reviewed the proposed legislation and determined, in current law, for property assessment appeals to the boards of equalization in St Louis County, St Louis City and St Charles County, the assessor has the burden of proof that the valuation does not exceed the true market value of the property. House Amendment 2 in 138.060 extends this provision to all counties. Additionally if a physical inspection of the property is required for assessment (proposed as increase over 10% for sub class 1 residential) the assessor has the burden to prove such inspection was performed and the property owner prevails if the

ASSUMPTION (continued)

requirement was not performed. This proposal extends these provisions and requirements to all counties and the City of St. Louis . The fiscal impact is unknown and would be at the local (County) level on local assessment officials as said requirements will likely require the need for additional qualified appraisal staff and resources to fulfill the provisions of this proposed legislation.

Officials from **Office of Administration - Budget and Planning** assume this section changes the jurisdictions in which the assessor has the burden of proof. This section also requires assessors to complete a physical inspection when the assessed valuation of real property is increased by more than 10%. HA2 limits the physical inspection requirements if the assessed increase was due to new construction or improvements. HA1 to HA2 removed Subsection 137.115.18. HA2: Section B requires voter approval of a constitutional amendment allowing for a statutory limitation on assessed valuation growth before this section is enacted.

This section changes the local jurisdictions in which the assessor has burden of proof. HA1 to HA2 clarifies that this expansion applies to all counties.

This section will not impact TSR or the calculation under Article X, Section 18(e).

In response to a similar proposal, HCS for SB 676 (2020), officials from the **Greene County Assessor's Office** assumed in order to complete the inspections and other activities created by this bill, changes in office function are required. It will be necessary to double the size of the residential appraisal staff and increase the size if the commercial staff by at least 33 percent. The additional staff will require computer equipment, furniture, vehicles and associated maintenance, at least a doubling of BOE costs, and outside appraisals to prove the assessor's value is not greater than the true market value. Estimated costs below are considered to be conservative, due to the difficulty in estimating certain cost components.

Fiscal Year 2021: $1,251,000
Fiscal Year 2022: $1,047,000
Fiscal Year 2023: $1,051,000

In response to a similar proposal, HCS for SB 676 (2020), officials from **Ste. Genevieve County Assessor's Office** assumed section 137.115, the proposed language pertaining to the assessment process, mandating that all County Assessors physically inspect all property that increases more than 15% would require the County to hire additional staff. They estimate an additional cost annually between $100,000 to $300,000 for additional salaries and benefits. This would not include the

ASSUMPTION (continued)

cost of finding additional office space. We are currently at the maximum occupancy for our square foot of office space.

For section 138.060, they estimate the financial burden on Ste Genevieve County to be in the range from $100,000 to $5,000,000. Not only would we have to hire additional personnel (3-4 certified appraisers), and find additional office space, but they would also incur additional outside appraisal and legal fees. Approximately 25% of the Ste Genevieve County assessed value comes from mining, that requires a team of expert Appraisers, Attorneys, and Accountants. They have numerous "special use" properties.

The 2019 certified parcel count for Ste Genevieve County is 18,635. They do not know how the Assessor's Office could fund the "burden of proof" responsibility because of a few scenarios listed below:

- I just incurred approximately $5000 in expenses for an appeal, that did not require an appraisal. 18,635 x $5000 = $93,175,000 if all taxpayers filed appeals.
- If 50% of the taxpayers filed an appeal that would require basic legal and appraisal fees, they estimated 18,635 x 50% X $20,000 = $186,350,000.
- If 15% of the Commercial taxpayers were to appeal, they estimated legal and appraisal fees at 100 x $50,000 = $5,000,000.
- There is currently one taxpayer in Ste Genevieve County that will be converting from a Chapter 100 Agreement to ad-valorem taxation. An appeal from that Company could easily cost Ste Genevieve $1,000,000 plus in legal, accounting, and appraisal expenses.

In response to a similar proposal, HCS for SB 676 (2020), officials from **Howell County Assessor's Office** assumed section 137.115 would cost $350,000 for additional personnel, equipment and software and $150,000 for legal resources and appraisal resources for defense of county valuations. Section 138.060 would cost $2,475,000. This assumes receiving an appeal on 30% of the improved parcels in my county.

In response to a similar proposal, HCS for SB 676 (2020), officials from **Marion County Assessor's Office** assumed the proposed language pertaining to the assessment process, mandating that all County Assessors physically inspect all property that increases more than 15% would require the County to hire additional staff. They estimate an additional cost annually between $100,000 to $300,000 for additional salaries and benefits. This would not include the cost of finding additional office space. They are currently at the maximum occupancy for our square foot of office space.

ASSUMPTION (continued)

They estimate the financial burden the cost this proposal would put on Marion County to be in the range from $100,000 to $400,000. Not only would they have to hire additional personnel (3-4 certified appraisers), and find additional office space, but they would also incur additional outside appraisal and legal fees.

The 2019 certified parcel count for Marion County is 15,874. They do not know how the Assessor's Office could fund the "burden of proof" responsibility because of a few scenarios listed below:

- They just incurred approximately $5000 in expenses for an appeal, that did not require an appraisal. 15,874 x $5000 = $79,370,000 if all taxpayers filed appeals.
- If 50% of the taxpayers filed an appeal that would require basic legal and appraisal fees, they estimated 15,874 x 50% X $20,000 = $158,740,000.
- If 15% of the Commercial taxpayers were to appeal, they estimated legal and appraisal fees at 150 x $40,000 = $6,000,000.

In response to a similar proposal, officials from **Bollinger County Assessor's Office** assumed the provisions proposed pertaining to the assessment process provide for all County Assessor's to physical inspect all property within a jurisdiction that change more than 10% regardless of new construction or improvements.

This will not only increase burden of additional staff requirements and creates a change in the function/s and job description of the Assessors' office. However, it is also an unfunded mandate. Bollinger County would have to increase staff by three, certified/license appraisers and transportation and/or mileage reimbursement increases. They estimate it will cost my office each year an additional $150,000 to $300,000 per year to physically inspect each parcel within my jurisdiction that increase more than 10%.

In response to a similar proposal, HCS for SB 676 (2020), officials from the **Warren County Assessor's Office** stated in order to complete the inspections and other activities created by this bill, changes in office function are required. It will be necessary to double the size of the residential appraisal staff and increase the size of the commercial staff by at least 33 percent. The additional staff will require computer equipment, furniture, vehicles and associated maintenance, at least a doubling of BOE costs, and outside appraisals to prove the assessor's value is not greater than the true market value. Estimated costs below are considered to be conservative, due to the difficulty in estimating certain cost components.

ASSUMPTION (continued)

Fiscal Year 2021: $500,000 to $1,000,000
Fiscal Year 2022: $500,000 to $750,000
Fiscal Year 2023: $500,000 to $1,250,000

Oversight notes Missouri has 2 counties and one city not in a county which are already subject to the burden of proof requirements listed in this proposal (St. Charles County, St. Louis County and the City of St. Louis). Oversight notes this proposal expands the burden of proof requirements to all counties for properties that have an increase in assessed value greater than 15%.

Oversight assumes this would extend the burden of proof requirement to an additional 112 counties in Missouri. The average salary for a certified appraiser is $55,190 per the Missouri Economic Research and Information Center (MERIC) Occupational Employment and Wage Estimates (OES). If half of the 112 counties had to hire an appraiser at $55,190 the cost to counties is estimated at $3,090,640 ($55,190 * 56).

Oversight is unsure of the number of properties that have an increase in assessed value greater than 10%. Oversight assumes some counties may be required to hire more than one appraiser and/or other staff as well as additional software or equipment. Oversight will show an unknown cost for additional staff, equipment or services to meet the requirements of this proposal.

Based on information from the Department of Revenue FY 2021 Budget Request, **Oversight** notes the State of Missouri may provide local assessment jurisdictions with up to 60% of all costs associated with implementing a two-year reassessment plan per section 137.750, RSMo. The current assessment maintenance appropriation reimburses at 50 cents on the dollar for costs associated with implementing a two-year reassessment plan until funds are depleted.

The State Tax Commission's core request is $10,022,739 which will provide reimbursements to counties at just under $3.00 per parcel based upon the 2018 parcel count of 3,340,913. In addition, the State Tax Commission is requesting $31,536 as a new decision item to provide funding at $3.00 per parcel utilizing the 2019 parcel count of 3,351,425 for FY 2021.

The median cost per parcel required to implement the statewide assessment program stands at $18.64. The core request provides funding to pay for 13% of the actual cost required to assess property in the State of Missouri with the balance of 87% being borne by local government and public school districts.

ASSUMPTION (continued)

Based on information provided in a program evaluation done by Oversight in 2015, the per parcel reimbursement rate has ranged from $3 to $6.20 over the previous 20 years. However, Oversight notes the $3 dollar per parcel minimum reimbursement does not change as a result of this proposal. Therefore, Oversight will not show an impact to the General Revenue fund for reimbursement of increased assessment costs.

Oversight received a limited number of responses from counties related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

In response to a similar proposal, officials from the **City of St. Louis** assume Section 137.115.10 -12 require the assessor to inspect any residential property that increases by 10% or more during reassessment (existing language is 15%). Requires the assessor to notify the property owner in writing about owner's rights relating to the inspection. Allows 30 days for property owner to notify assessor.

The Assessor's office was not able to get +/- 28,000 or 15% reviews completed on time in the 2019 reassessment which set back time for taxpayers to appeal. If the 10% review would have been in place, the Assessor's office would have needed to inspect +/- 41,500 properties (an additional 13,500 parcels). With the additional requirement to get the work done in time to allow 30 days for taxpayers to request inspections and then to be able to accomplish all inspections in the legal time limit, additional personnel will be necessary. The following costs are estimated:

- 1 to 2 real estate appraisers, $57,600 to $115,200 (annually)
- Mailing of 40,000 to 45,000 notices to taxpayers = $19,000 to $22,000 (biennially and subject to postage rate increases). For these changes in the law, the costs to the Assessor's office would be $76,600 to $137,200

For these changes in the law, the costs to the Assessor's office would be $76,600 to $137,200.

Oversight assumes this provision could result in costs to local assessment authorities. Oversight will show a range of impact of $0 to an unknown cost.

ASSUMPTION (continued)

Section 137.385 Deadline for Filing to the Board of Equalization

Officials from the **STC** assume the date changes in Section 137.385 have no fiscal impact.

Officials from **Office of Administration - Budget and Planning** assume this section changes when appeals must be filed. This section will not impact TSR or the calculation under Article X, Section 18(e).

In response to a previous version, officials from the **City of St. Louis** assumed section 137.385 changes the deadline for filing to the Board of Equalization to the 2nd Monday in July. This change would have no impact on the City of St. Louis Assessor's office as the existing deadline for the City's Board of Equalization is the 2nd Monday in July.

Oversight notes that the entities above have stated the provision would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this section.

HA3 Business Incentives for Companies Vital to the Healthcare System §620.3700

Officials from **Department of Economic Development** assume a qualified company may retain 100% of the withholding tax from new jobs for a period of 10 years. In addition, all purchases of real and personal property related to the eligible project shall be exempted from local sales tax. In addition, improvements to real property located in a blighted area may be exempt. This program is similar to the existing Missouri Works Program (retention of withholding tax, new job requirement, new capital investment,). The eligible NAICS (sectors 32 and 33) are currently eligible for the Missouri Works Program

DED has no mechanism to calculate the estimated impact of this section on the general revenue.

DED is responsible for administering the program therefore; we would need one FTE to implement the program (Economic Development Incentive Specialist III at $51,808).

Officials from **Department of Revenue** assume House Amendment 3 creates a program that encourages new pharmaceutical companies to be established in Missouri. It would allow a newly created company to retain 100% of the new employee withholding tax if they meet certain conditions. This program is to be administered by the Department of Economic Development.

ASSUMPTION (continued)

DOR defers to the Department of Economic Development for the estimated fiscal impact. The Department will need to make form and computer changes for the processing of the tax credit estimated at $2,000.

Officials from the **Department of Elementary and Secondary Education** assume this proposal will have an impact on the 1% sales tax placed in the School District Trust Fund which is used in the Prop C payment; however, our department has no means to calculate the potential impact.

Officials from **Department of Natural Resources** state creating the sales tax exemption for qualified companies for the duration of an eligible project for purchases of real and personal property made during the project period which could decrease the amount of funding available in the Parks and Soils Sales Tax Funds for long term operation of Missouri's state parks and historic sites as well as assistance to agricultural landowners through volunteer programs.

The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, the sales tax exemption could result in an unknown loss to the Parks and Soils Sales Tax Funds.

Officials from **Department of Conservation** assume this proposal will have an unknown fiscal impact but greater than $100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any change in sales and use tax collected would affect revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **State Tax Commission** assume the proposal will have no fiscal impact on their organization.

Oversight assumes section 620.3700.2 allows qualified companies to the retain the withholdings of new employees employed at an eligible project.

Oversight notes per the Missouri Works Report for the General Assembly for FY 2019, DED authorized $32,646,614 in retained withholdings for 3,742 jobs for a similar program, Statewide Works (which requires 10 new jobs). Oversight notes this is an average of $8,724 retained withholdings per job created for approximately a five year period (or $1,745 per year per job). In addition Oversight notes the following information:

ASSUMPTION (continued)

NAICS 3391: Medical Equipment and Supplies Manufacturing

Year	Number of MO Establishments	Annual Average Employment	Rate of Growth in Employment
2015	214	3,469	N/A
2016	208	3,606	3.95%
2017	213	3,732	3.49%
2018	202	3,727	-0.13%
Average	**209**	**3,633**	**2.44%**

Source: Bureau of Labor Statistics

NAICS 32541: Pharmaceutical and Medicine Manufacturing

Year	Number of MO Establishments	Annual Average Employment	Rate of Growth in Employment
2015	74	5,202	N/A
2016	76	5,600	7.65%
2017	82	5,845	4.38%
2018	79	5,617	-3.90%
Average	**78**	**5,566**	**2.71%**

Source: Bureau of Labor Statistics

ASSUMPTION (continued)

Combined Statistics for NAICS 3391 and 32541

Year	Number of MO Establishments	Annual Average Employment	Rate of Growth in Employment
2015	288	8,671	N/A
2016	284	9,206	6.17%
2017	295	9,577	4.03%
2018	281	9,344	-2.43%
Average	**287**	**9,200**	**2.59%**

Oversight is ultimately uncertain what businesses might be deemed vital to the healthcare system. Qualified companies could be "any other NAICS industry code determined by the department (DED) in consultation with the department of health and senior services (DHSS), to be vital to the healthcare system". However, if employment in these specified industries increased by an average of 2.59% annually and were part of an eligible project under Section 620.3700, the retained withholdings are estimated at $415,310 in year 1, $830,620 in year two, and $1,245,903 year 3 (238 employment growth x $1,745 average retained withholding - cumulative) . If other NAICS are deemed vital or employment growth is greater than the average, the cost could greatly exceed the estimates above.

Oversight assumes the eligible projects must commence by December 31, 2022. Oversight will show an unknown cost for retained withholdings that could exceed $100,000 beginning in FY 2021.

In addition, **Oversight** assumes section 620.3700.3 exempts the purchase of real and personal property from state and local sales and use tax; therefore, Oversight will show an unknown loss of revenue to General Revenue, the Conservation Commission Fund, the School District Trust Fund, the Parks, Soils, Water Funds and local political subdivisions that could substantially exceed $100,000.

Oversight assumes section 620.3700.4 states that the state tax liability (corporate or individual income tax) of a qualified company shall not exceed the company's state tax liability for the tax year prior to the tax year in which the project commences. Oversight will show an unknown loss of revenue that could substantially exceed $100,000 to General Revenue.

ASSUMPTION (continued)

Oversight assumes section 620.3700.5 states that improvements to real property made during the project period for an eligible project are exempt from assessment and payment of ad valorem taxes. Oversight will show an unknown loss of revenue to the Blind Pension Fund and local political subdivisions that could substantially exceed $100,000.

Oversight notes there is no limit to the exemptions or retention of withholdings provided for under this proposal.

Officials from **Department of Economic Development** did not respond to our request for fiscal impact due to time constraints. Oversight will assume administrative costs of $100,000 annually for this department

HA 4 - Section 137.084 Commercial Occupancy Provisions

Officials from the **State Tax Commission** assume this proposal has an unknown fiscal impact. The proposed legislation allows the commercial subclass the same occupancy provisions as currently provided in RSMo 137.082. The assessor would be allowed to place on the tax rolls the value of the commercial property one month after the property is occupied (current law provides said property to be placed on the tax rolls effective January 1 of the following year). This proposal provides for a voluntary adoption of the law by the county governing authority. This proposal also permits the assessor to remove property destroyed by natural disaster (as defined by statute) from the tax rolls. The proposed legislation provides for an increase in collection fees for the assessment fund of the county. This may have an unknown fiscal impact on school districts and other taxing jurisdictions who rely on property taxes as their source of revenue as there may be a decrease in property tax revenues as a result of the additional fees.

Officials from **Office of Administration - Budget and Planning** assume this proposal may impact total state revenues (TSR). This proposal may impact the calculation under Article X, Section 18(e).

Subsection 137.084.1 requires newly constructed and occupied commercial property to be assessed as improved property on the first day of the month after occupancy. Newly constructed property that has not been occupied, shall not be assessed as improved property until occupancy or January first of the following year. This provision will only apply to counties that have adopted the provisions laid out in Section 137.084. B&P notes that this provision may impact revenues to the Blind Pension Trust Fund if counties adopt this provision and if this practice delays or speeds up the start of assessments for improved properties.

ASSUMPTION (continued)

Subsection 137.084.6 would allow counties to deposit an additional amount of the ad valorem property taxes into the county assessment fund for the cost of collections. The amounts allowed under this subsection are in addition to the amounts allowed under Section 137.720. St. Louis County would be allowed to deposit an additional 10%, all other counties of the 1st classification would be allowed to deposit 0.1%. All 2nd, 3rd, and 4th classification counties would be allowed an additional 0.2%.

Subsection 137.084.9 would require county assessors to remove any commercial property improvements from the tax rolls on June 1st of any year in which such property has been destroyed by a natural disaster. B&P notes that this provision could reduce revenues to the Blind Pension Trust Fund if such destroyed property was not previously removed from the county assessor tax rolls.

Any person who fraudulently applies to have their property removed shall, in addition to other penalties, be assessed double the value of the property.

Subsection 137.084.10 would allow counties to recover the loss of revenue from subsection 137.084.9 by increasing their tax levy up to the rate limit voters had previously approved.

In response to a similar proposal, HB 2232 (2020), officials from **Ste Genevieve County Assessor's Office** stated Ste Genevieve County is an "Occupancy" County per RSMO 137.082 on Residential property. The Assessor's office will have additional responsibilities, and this warrants a percentage of the ad-valorem taxes collected to be deposited into the Assessment Fund. At this time, I have no way of calculating the additional revenue that would be generated to the County or Assessment Fund.

In response to a similar proposal, HB 2232 (2020), officials from the **Warren County Assessor's Office** assumed this proposal is about the "timing" in which the value would be added or removed to the tax rolls of the Assessor. About 1/3 of the counties have adopted occupancy law for residential classification.

If a county were to adopt the provisions of 137.084, the Assessor would have additional duties and responsibilities. Instead of adding the new construction of any "commercially" classed piece of property the January following completion, an Assessor would add the property to the local tax rolls on the 1st of the month in which the new construction was completed and occupied, and the value would be prorated for that year. Example: You build a bank, and the parking lot, lights, fencing, signage, drive thru and bank itself are complete and staffed and open to the public for business on 4/1/2021. The true market value the Assessor has found to be $1 million.

ASSUMPTION (continued)

However, the provisions of 137.084 have been adopted, so the Assessor would prorate for 8 months of occupancy in 2021 at a market value of $666,666 and an assessed value of $213,333, and the following year 2022 full value would be placed on the tax rolls ($1 million TVM and $320,000 AV) Under current law, the Assessor would put the value on the local tax rolls January 1st following completion (1/1/2022) at $1 million true market value and $320,000 assessed value.

Conversely, these provisions allow the Assessor to remove commercial classed property, on a prorated bases if the property is destroyed by a natural disaster (fire, tornado, earthquake). Upon rebuilding the property would be added back on a prorated bases as well.

Oversight assumes section 137.084.1 would allow all counties to adopt the occupancy law for commercial property which allows property to be added to the assessors books once it has been occupied or January first of the year following the year in which construction is complete. Currently commercials properties are added to the assessors books January first of the year following the year in which construction is complete. Oversight assumes this could increase or decrease the assessed values and subsequent tax revenues for a commercial property that is added to the assessors books before or after it otherwise would have been. Oversight will show a range of impact from $0 (not adopted by the governing board) to unknown negative to unknown positive impact to local political subdivisions and the Blind Pension Fund.

Oversight assumes section 137.084.6 would increase revenues to the county assessment fund and would decrease distributions to the other local political subdivisions.

Oversight assumes section 137.084.9 would decrease assessed values and subsequent tax revenues for commercial property that is removed from the assessors books before it would have otherwise. Oversight will show a range of impact of $0 (no properties destroyed by a natural disaster or not adopted) to an unknown negative impact to local political subdivisions and the Blind Pension Fund.

In addition, any person who applies fraudulently to remove their property from the assessors books shall be assessed double the value of property. Oversight assumes this provision could increase assessed values and subsequent tax revenues. Oversight will show a range of impact of $0 (no properties fraudulently reported as destroyed or not adopted) to an unknown positive impact to local political subdivisions and the Blind Pension Fund.

Oversight assumes section 137.084.10 would allow local political subdivisions to collect lost revenue due to subsection 137.084.9 by raising their tax levy.

ASSUMPTION (continued)

Although the effective date of this proposal, if passed, would be FY 2021 (August 2020), this would be midway through the assessment year; therefore, officials from the **State Tax Commission** indicated this proposal would likely take effect the following calendar year, 2021, with impacted revenues occurring in FY 2022 (December 2021) **if** the governing body elects to adopt these provisions.

Bill as a whole
Officials from the **Department of Health and Senior Services** and **Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from **Department of Revenue** assume the underlying bill and Amendments 1, 2, & 4 of this proposal would change how property tax is assessed. The State Tax Commission and local assessors handle property tax and these provisions would not fiscally the Department.

Officials from **Clay County Assessor's Office** assume this proposal will cost Clay County a doubling of staff for real estate or approximately 550,000 per year.

Officials from **Caldwell County Assessor's Office** assumes this proposal will increase costs for my office by $175,000. I would need to hire an appraiser for most BOE's. Very, very few small counties have appraisers on staff. My office would need another vehicle for all inspections to be performed in a short time frame. I would need, at the least, two more full-time people in my office. I receive approximately $50,000 from General Revenue a year currently, so an increase of $175,000 would be an additional burden.

FISCAL IMPACT - State Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
Cost - DED - §620.370			
Salaries	($43,173)	($52,326)	($52,849)
Fringe Benefits	($23,938)	($28,897)	($29,071)
Equipment and Expense	($13,693)	($5,678)	($5,818)
Total Cost - DED	($80,804)	($86,901)	($87,738)
FTE Change - DED	1 FTE	1 FTE	1 FTE
Revenue (Loss) - from withholdings retained by qualified companies - HA3 §620.3700.5	(Unknown, could substantially exceed $100,000)	(Unknown, could substantially exceed $100,000)	(Unknown, could substantially exceed $100,000)
Revenue (Loss) - from exempted sales and use tax for qualified companies - HA3 §620.3700.3	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
Revenue (Loss) - foregone 1% collection fee for local sales and use tax - HA3 §620.3700	(Unknown)	(Unknown)	(Unknown)
Revenue (Loss) - from exempted corporate or individual income tax for qualified companies - HA3 §620.3700.4	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**(Unknown could substantially exceed $380,804)**	**(Unknown Could substantially exceed $386,901)**	**(Unknown Could substantially exceed $387,738)**

FISCAL IMPACT - State Government Continued	FY 2021 (10 Mo.)	FY 2022	FY 2023
BLIND PENSION FUND			
Revenue (Gain) - from commercial property being added to the assessors books before the January following completion **if** provisions are adopted - HA4 §137.084.1	$0	$0 or Unknown	$0 or Unknown
Revenue (Loss) - from commercial property destroyed by a natural disaster that is removed from the assessors books before it otherwise would have been - HA4 §137.084.6	$0	$0 or (Unknown)	$0 or (Unknown)
Revenue (Gain) - penalty of doubling the assessed value of property fraudulently reported as destroyed HA4 - §137.084.6	$0	$0 or Unknown	$0 or Unknown
Revenue (Loss) - exemption of real and personal property from assessment and taxation - HA3 §620.3700.5	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

FISCAL IMPACT - State Government Continued	FY 2021 (10 Mo.)	FY 2022	FY 2023
CONSERVATION COMMISSION FUND (0609)			
Revenue (Loss) - from exempted sales and use tax for qualified companies - HA3 §670.3700.3	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**Could substantially exceed ($100,000)**	**Could substantially exceed ($100,000)**	**Could substantially exceed ($100,000)**
PARK , SOIL AND WATER FUNDS			
Revenue (Loss) - from exempted sales and use tax for qualified companies - HA3 §670.3700.3	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
ESTIMATED NET EFFECT ON PARK , SOIL AND WATER FUNDS (0613 & 0614)	**Could substantially exceed ($100,000)**	**Could substantially exceed ($100,000)**	**Could substantially exceed ($100,000)**

FISCAL IMPACT - State Government Continued	FY 2021 (10 Mo.)	FY 2022	FY 2023
SCHOOL DISTRICT TRUST FUND (0688)			
Revenue (Loss) - from exempted sales and use tax for qualified companies - HA3 §670.3700.3	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**Could substantially exceed ($100,000)**	**Could substantially exceed ($100,000)**	**Could substantially exceed ($100,000)**

FISCAL IMPACT - Local Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
Cost - election of assessor in Jackson County & City of St. Louis - §53.010	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Cost - physical inspections and burden of proof requirements for increases greater than 10% - §137.115.1 and 138.060	(Unknown)	(Unknown)	(Unknown)
Revenue (Loss) - sales and use tax exemption for qualified companies - HA3 §620.3700.3	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)
Revenue (Loss) - property tax exemption for qualified companies - HA3 §620.3700.5	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)	Could substantially exceed ($100,000)

FISCAL IMPACT - Local Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS Continued			
Revenue (Gain) - from commercial property being added to the assessors books before the January following completion - HA4 §137.084.1	$0	$0 or Unknown	$0 or Unknown
Revenue (Gain) - County Assessors - increased distributions to county assessment fund - HA4 §137.084.6	$0	$0 or Unknown	$0 or Unknown
Revenue (Loss) - decreased revenue from increased distributions to county assessment fund - HA4 §137.084.6	$0	$0 or (Unknown)	$0 or (Unknown)
Revenue (Loss) - from commercial property destroyed by a natural disaster that is removed from the assessors books before it otherwise would have been - HA4 §137.084.9	$0	$0 or (Unknown)	$0 or (Unknown)
Revenue (Gain) - penalty of doubling the assessed value of property fraudulently reported as destroyed HA4 §137.084.9	$0	$0 or Unknown	$0 or Unknown
Revenue (Gain) - recovery of lost revenue from property destroyed by a natural disaster - HA4 §137.084.10	$0	$0 or Unknown	$0 or Unknown
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Could substantially exceed ($200,000)**	**Could substantially exceed ($200,000)**	**Could substantially exceed ($200,000)**

FISCAL IMPACT - Small Business

Oversight assumes there could be a fiscal impact to small businesses.

FISCAL DESCRIPTION

Section 53.010 and repeal of 82.550 - This bill repeals an exemption that allows the assessor of St. Louis City to not be a resident of St. Louis City. Additionally, this bill requires the assessor to be elected.

Section 137.115 & 138.060 - The proposal expands the physical inspection requirements to all counties for properties with a 15% or more increase in assessed valuation. This proposal extends the burden of proof, supported by clear, convincing evidence to sustain such valuation, will be on the assessor at any hearing or appeal of the valuation of residential real property to all counties for increases in assessed valuation of 10% or more.

Section 137.385 - This bill changes the deadline to appeal valuation of property to the board of equalization in first class counties from the third Monday in June to the second Monday in July.

HA1 - This amendment changes the title of the bill.

HA2 - This amendment clarifies that the burden of proof requirements is expanded to all counties. Section B requires voter approval of a constitutional amendment allowing for a statutory limitation on assessed valuation growth before this section is enacted. Section C requires voter approval of a constitutional amendment allowing for all county assessors to be elected before this section is repealed.

HA3 Section 620.3700 - This amendment creates business incentives for companies considered vital to the healthcare system.

HA4 Section 137.084 - This amendment creates several new provisions related to the taxation of commercial 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 Administration - Budget and Planning
State Tax Commission
Department of Revenue
Department of Elementary and Secondary Education

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SOURCES OF INFORMATION (continued)

Department of Conservation
Department of Natural Resources
City of St. Louis
Greene County Assessor's Office
Ste. Genevieve County Assessor's Office
Howell County Assessor's Office
Marion County Assessor's Office
Bollinger County Assessor's Office
Warren County Assessor's Office
City of Kansas City
City of Springfield

Julie Morff

Julie Morff
Director
May 5, 2020

Ross Strope
Assistant Director
May 5, 2020

JLH:LR:OD