

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0137H.01I
 Bill No.: HJR 7
 Subject: Taxation And Revenue - General; Taxation And Revenue - Property; Property,
 Real And Personal; Constitutional Amendments; Elderly
 Type: Original
 Date: January 19, 2021

Bill Summary: This proposal authorizes a real property tax rate freeze for certain individuals.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$0 or (\$7,000,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (\$7,000,000)	\$0	\$0

*The potential fiscal impact of “(More than \$7,000,000)” would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0*	\$0 or (Unknown)	\$0 or (Unknown)

*Potential costs and state reimbursements net to zero in FY 2022 if a special election is called.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of the Secretary of State** assume, 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. Article XII section 2(b) of 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, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$7 million based on the cost of the 2016 Presidential Preference Primary.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. The SOS estimates \$65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

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 these requirements 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.

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 2022. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2022 and the next scheduled general election is in November 2022 (both in FY 2023). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date).

Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2022.

Officials from the **State Tax Commission** have reviewed HJR 7 and determined an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. Under the criteria of the HJR, individuals seventy years of age, who have not been liable for state income tax for the previous three years, would not be liable for any increases in the rates of any real property taxes. The agency would not have data to determine how many of the 1,061,775 Missourians over sixty five who meet the proposed criteria and eligibility.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal requires voter approval and will therefore not impact TSR or the calculation under Article X, Section 18(e).

This proposal would freeze the real property tax rate on a taxpayer's primary residence, for taxpayers once that taxpayer reaches the age of 70, if such taxpayer has not been liable for Missouri income taxes during the previous three years. B&P notes that this freeze would not affect any increases in assessed valuations, only in the rate of tax applied. This proposal shall be put to a vote of the people in November 2022.

B&P notes that it is unclear which tax rate(s) would apply to a taxpayer that is at least age 70 once this proposal goes into effect: whether the qualifying taxpayer would be subject to the tax rate(s) on January 1, 2023 or the prevailing tax rate(s) on the taxpayers 70th birthday.

B&P further notes that it is unclear what tax rate(s) would prevail if a taxpayer were to move between two local jurisdictions after reaching age 70: whether it would be the tax rate(s) the day they moved into a new jurisdiction or the prevailing tax rate(s) within the new jurisdiction on the day the taxpayer reached age 70.

B&P notes that because this proposal will only freeze the rate of taxation, and not any increases to the assessed valuation amounts, this proposal will not impact the Blind Pension Trust Fund.

Officials from the **Department of Revenue, Office of the State Auditor** and the **Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **City of Ballwin** assume the proposal will not impact the City as we do not collect property tax.

Officials from the **City of Corder** assume there would be some financial impact. However, given our yearly property tax income, the financial impact would be insignificant.

Officials from the **City of Hale** assume the proposal will have a fiscal impact on their organization.

Officials from **City of Kansas City** assume this proposal provides for a public vote (MO Constitutional Amendment) to exempt individuals over the age of 70 who have not had income in the prior three years from being subject to real property tax increases levied on their primary residence. Since this would reduce the tax base, this would have a negative fiscal impact of an indeterminate amount on Kansas City.

Officials from the **City of Springfield** anticipates a fiscal impact but has no assessment data on Springfield residents that have attained at least 70 years of age that own real estate from which to calculate the amount of impact. Real estate taxes collected by the City of Springfield total approximately 71% of the total property tax collected by the City (\$17.6 million of the total \$24 million collected).

Officials from the **City of St. Louis Assessor's Office** state they do not have any data on how/when tax rates will increase. Almost all City tax rates are at their tax rate ceiling and do not have the option of raising rates without voter approval. This legislation does not mention whether this applies only to existing rates, or whether it would apply to any new tax rates also.

The Assessor has estimated for other senior citizen requests that approximately 7% of single family homes could be owned by those over 65 (there is no data for those over 70). If there were any tax increases, 93% of the primary residences would get an increase and 7% would not. The real fiscal impact may be nothing and may be a lot; there is no way to know.

This issue also touches the City's Collector of Revenue. The Assessor would have to keep different sets of tax rates to apply based on whether a tax cap exists for someone over 70 or not.

The Assessor has no way of knowing how old the owner of any property is and that is not addressed in this legislation. This will also allow people to get around paying taxes by adding a senior citizen in their family to a deed to say it is their (the senior citizen's) primary residence in order to avoid paying increases in taxes regardless of where that senior family member may actually reside.

One-time programming costs for the Assessor's Office could be anywhere from \$30,000 to \$50,000.

Officials from **Jackson County** assume there would be a potential negative fiscal impact of at least \$100,000 for additional staff and technology for county assessor to maintain required records. Approximately 4,600 residents of Jackson County could be eligible for this benefit.

Officials from the **Howell County Assessor's Office** assume the revenue losses are undetermined at this time as there is no knowledge of the number of potential recipients in our county. Assessors do not handle taxes, this must be a function of the collector who will have the

past and current tax amounts to perform the calculations which will incur programming change costs that may range from \$1500 to \$50,000.

Officials from the **Ste. Genevieve County Collector's Office** state, first, our tax software does not have the capability to impose tax rate freezes on certain accounts. The tax rates for each tax year are applied to all real estate accounts. If this legislation passes, there would have to be a significant software program change. The cost of that change is undetermined. There are at least eighteen different tax software systems plus seven in-house systems used by County Collectors across the state, all of which would likely have to make the programming change.

Second, County Collectors do not have birthdate information in our office, so this information would have to be provided by the taxpayer, or we would need access to an online database containing such information.

Third, there is currently no way for County Collectors to verify whether or not a taxpayer was liable for Missouri State income tax for the previous three years.

Our office performed a calculation on one real estate property owned by a senior in Ste. Genevieve County (not within a city). The assessed value did not change in 2020 compared with 2019. The difference in taxes due, based on the increase in the tax rate in 2020, was \$0.14. So, the taxpayer would save, and the taxing entities would lose, \$0.14 in total under the proposed legislation. In a second example, the assessed value did not change in 2020 compared with 2019. The difference in taxes due, based on the increase in the tax rate in 2020, was \$0.17. So, the taxpayer would save, and the taxing entities would lose, \$0.17 in total under the proposed legislation. There is no way to determine an overall tax impact of the proposed legislation since the population of taxpayers at least 70 years old is unknown.

Officials from the **Newton County Health Department** assume the impact depends on the number of eligible individuals in the county as the impact is the lost revenue in the amount that would have been collected from increase per individual exempted.

Officials from the **St. Louis County Health Department** assume this proposal would negatively impact the operations of the department or the ability to provide critical clinical services to our residents.

Officials from the **Florissant Valley Fire Protection District** assume this could impact our fire district adversely, to what degree is unknown, but we do have an aging community who frequently utilize our services. If a large demographic of our community would meet this criterion, it could be harmful to our fire district to continue offering the same service level we offer now or to meet growing needs.

Officials from **Raytown Fire Protection District** state they are not sure how to quantify the exact amount, but this legislation would be a significant financial hit to our Fire District and would almost certainly result in a severe reduction in the service we are able to provide to our

citizens. Our primary source of revenue as a Fire District is generated by the payment of property tax and targeted recipients of this exemption are by far the utilizers of our service. Our ambulance billing model relies heavily on a 2019 voter approved ambulance levy which allows us to not bill a citizen beyond what insurance will cover.

Officials from the **Kimberling City Police Department** assume the proposal could result in significant loss of taxes.

Officials from the **Wentzville Fire Protection District** assume, as a Tax Supported Fire Protection District, any reduction in taxes will have an impact on our Budget and ability to respond to emergency calls. All tax supported Governmental agencies will be impacted by any granting of exemptions to Real and/or Personal Property Taxes.

Officials from the **St. Clair Fire Protection District** and **West County EMS and Fire Protection District** each assume the proposal will have a fiscal impact on their respective organizations.

Officials from the **Nodaway County Ambulance District** is Funded by sales tax. This impact would have little to no impact on the district.

Officials from the **Crestwood Police Department, Ellisville Police Department, St. Joseph Police Department, St. Louis County Police Department, Lexington Fire and Rescue, Newark Rural Fire Protection District, Plato Rural Fire Protection Association, Crawford County 911 Board, Pettis County Ambulance District, Gainesville Fire Department, Boone County Sheriff, Gravois Fire Protection District, and the Kansas City Police Department** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes this proposal would exempt qualifying individuals from increases in property tax rates. Oversight notes this proposal does not appear to exempt these individuals from having to pay increases in taxes as a result of an increase in a property's assessed value. Therefore, Oversight assumes this proposal would not impact the Blind Pension Fund.

Based on Demographic Characteristics for Occupied Housing Units from the United States Census Bureau, **Oversight** notes there are 517,775 owner occupied housing units where the age of the householder is 65 years of age or older. Oversight is uncertain how many of these properties are owned by individuals who have not had sufficient income to be liable for any Missouri state income tax. Therefore, Oversight is uncertain how many would be exempt from property tax rate increases.

Oversight notes, per the Office of the State Auditor's [2020 Property Tax Rates](#) report, 1,546 entities had tax rate ceilings that were revised upwards and 193 tax rates revised due to an election or were newly voted on levies. Oversight assumes there would be a loss in tax revenue as a result of those properties that would be exempt from any tax rate increases. Oversight will show an unknown loss in revenue to local political subdivisions.

In addition, **Oversight** assumes there could be costs to local taxing entities to implement and monitor individual property tax rate freezes. Oversight will show an unknown cost to local political subdivisions for implementation.

Although the effective date of this proposal, if passed, would be FY 2022, the next rate setting cycle would not occur until calendar year 2022 with impacted revenues occurring in FY 2023 (December 2022).

Oversight notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters) to a loss in revenue to local political subdivisions beginning in FY 2024 (December 2023 tax collections).

Oversight received a limited number of responses from local political subdivisions 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 local political subdivisions 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Transfer Out - Local Election Authorities</u> the cost of the special election if called for by the Governor	\$0 or <u>(\$7,000,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or <u>(\$7,000,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – implementation and monitoring of tax rate freezes on certain properties	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Loss</u> – from tax rate increase exemption	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$7,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election if called by Governor	\$0 or (More than \$7,000,000)	\$0	\$0
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment would prevent increases in the rates of any real property taxes levied on the primary residence of any individual 70 years or older, provided that they have not had sufficient income to be liable for any Missouri state income taxes for the previous three years.

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
State Tax Commission
Office of Administration - Budget and Planning
Department of Revenue
Office of the State Auditor
Department of Social Services
City of Ballwin

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City of Corder

City of Hale

City of Kansas City

City of Springfield

City of St. Louis Assessor's Office

Howell County Assessor's Office

Ste. Genevieve County Collector's Office

Jackson County

Newton County Health Department

St. Louis County Health Department

Boone County Sheriff

Crestwood Police Department

Ellisville Police Department

Kansas City Police Department

Kimberling City Police Department

St. Joseph Police Department

St. Louis County Police Department

Newark Rural Fire Protection District

Plato Rural Fire Protection District

Raytown Fire Protection District

St. Clair Fire Protection District

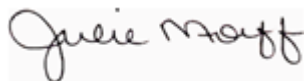
Wentzville Fire Protection District

West County EMS and Fire Protection District

Crawford County 911 Board

Nodaway County Ambulance District

Pettis County Ambulance District



Julie Morff

Director

January 19, 2021



Ross Strobe

Assistant Director

January 19, 2021