

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0707H.011  
 Bill No.: HB 91  
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Counties  
 Type: Original  
 Date: February 1, 2021

Bill Summary: This proposal changes the date on which property taxes become delinquent.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\*Moving back the due date for property tax payments may reduce the amount of late payment fines charged and collected, which is used in the foundation formula calculation (potentially increasing the amount of state aid required). Also, shifting the payment of property taxes from CY 2021 to CY 2022 may shift the timing of Schedule A deductions on taxpayer's federal income tax calculations and their income tax payment, which may impact state income tax calculations the following year.

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

\*Transfers, distributions and revenues net to zero.  
 Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<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 \$250,000 in any of the three fiscal years after implementation of the act.

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

\*Transfers, distributions and revenues net to zero.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **State Tax Commission** assume this proposal has no fiscal impact on the STC, however the act may have a fiscal impact on county collection authorities and some local taxing jurisdictions as the change in date may affect revenue from fees and fines imposed.

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

Beginning August 28, 2021 this proposal would extend the length of time for taxpayers to pay real and personal property taxes from December 31 until February 28. B&P notes that currently tax bills for tax year 2021 are due by December 31, 2021. This proposal would delay the due date until February 28, 2022.

B&P notes that while this proposal will have a cash flow impact to the Blind Pension Trust Fund and local property tax funds, the cash flow impact would remain within a given fiscal year. B&P further notes that the Blind Pension Trust Fund received \$36,478,813 in property taxes during FY20. Therefore, B&P estimates that this proposal would delay deposits of \$36,478,813 from December 2021 until February 2022. However, the payments would still be received within FY22. Therefore, this proposal will not impact TSR.

Officials from the **Department of Social Services** state they may have to borrow money from general revenue to ensure timely monthly payments to Blind Pensioners. This money will be paid back when tax revenue is deposited to the Blind Pension fund.

Officials from the **Department of Revenue** and **Department of Elementary and Secondary Education** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Upon further inquiry, **Department of Elementary and Secondary Education** stated this proposal could create cash flow issues for districts. Potentially, if the cash flow issues were great enough then it could make several districts be considered as financially stressed and they would have to do a tax anticipation note and have it outstanding as of February 1st (161.520).

Officials from the **City of St. Louis** assume this legislation would change the date on which property taxes become delinquent from January 1 to March 1. Passage of this legislation would delay the receipt of revenue for all taxing authorities including the City of St. Louis. With this delay, the City may not be able to provide basic City services in a timely fashion.

Officials from the **City of Springfield** state it would create a cash flow problem the first year, particularly for our Parks Department which has less cash reserves.

Officials from the **Ste. Genevieve Collector's Office** state, in January 2020, Ste. Genevieve County collected over \$4,000 in interest and almost \$20,000 in penalties on 2019 (current) tax bills. Also, the majority of taxes are collected in December. In December 2019, Ste. Genevieve County collected \$18.4 Million in real estate, personal property, drainage, and railroad and utility taxes. With a March 1st delinquent date, that large collection may shift to February, causing all of the tax entities to wait two months for the bulk of their disbursements.

Officials from the **Cape Girardeau Collector's Office** state collectors will have an added expense for computer programming. Computer systems are now set up with the interest and penalties calculating for January. These would all have to be changed. Many entities depend on the funds they receive as December collections with distributions in January, especially the schools. With this change, there would be at least one year that they could have major income differences and for future years they would need to rearrange their budgets because of later collections.

Officials from the **Howell County Assessor's Office** state there is no apparent fiscal impact to the Assessor's Office unless the withholdings are not collected and distributed promptly which could cause a loss in revenue to the Assessment Fund.

Officials from the **Republic R-III School District** estimate that moving these deadlines would confuse people and make the job of the assessor and collector harder, which could mean more people to do the job. Additionally, this could make it difficult for local state agencies which depend upon the revenue to operate.

Officials from the **Springfield R-XII School District** state the fiscal impact will be minimal relative to delinquent fees and unknown.

Officials from the **Florissant Valley Fire Protection District** state although they are sympathetic to the challenge of paying property taxes at the end of the year, especially during the pandemic, this could adversely affect their ability as a public safety entity to provide the same level of service they currently provide. They believe that if given the choice, individuals will take advantage of the ability to pay as late as possible, therefore delaying our collections and creating a burden on our budget. These delays reducing consistent revenues could impact staffing levels and operational expenditures that are a normal part of their daily activities that protect the public.

Officials from the **City of Corder** state this proposal would not have a fiscal impact on their organization. Property taxes account for less than 10% of their operating budget. In the departments that it could potentially cause a delay, the majority of payments are made in the summer.

Officials from the **High Point R-III School District, City of Hughesville** and the **Ste. Genevieve Assessor's Office** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)\*.03). The [Blind Pension](#) benefits are paid out monthly per DSS's website. Oversight assumes this proposal could create a temporary shortfall in funds if the collection of property tax revenue is shifted from January to March.

Per the State Treasurer's [Monthly Fund Activity](#) report, the Blind Pension Fund had distributions totaling \$34,377,490 in FY 2020 with the average monthly distribution is estimated at \$2,864,791.

Below is a monthly breakout of the Blind Pension Fund receipts and distributions for FY 20:

FY 2020	Receipts	Distributions
July 2019	\$191,180	\$2,951,765
August 2019	\$179,493	\$2,895,433
September 2019	\$183,994	\$2,908,293
October 2019	\$121,795	\$2,805,856
November 2019	\$180,189	\$2,827,409
December 2019	\$8,570,028	\$2,962,326
January 2020	\$20,973,422	\$2,832,874
February 2020	\$3,048,396	\$2,869,383
March 2020	\$697,563	\$2,832,609
April 2020	\$833,313	\$2,897,311
May 2020	\$1,224,816	\$2,812,477
June 2020	\$438,670	\$2,781,752
<b>Total</b>	<b>\$36,642,858</b>	<b>\$34,377,490</b>

Oversight notes \$29,543,450 or 81% of the receipts for the Blind Pension Fund occurred in December and January. If property tax payments were delayed until February, the Blind Pension Fund could experience a temporary loss of revenue that could exceed \$29,543,450. This could cause a shortfall in funds available for monthly benefit distributions in January and February.

Per the State Treasurer's [FY 2020 Year End Fund](#) report, Oversight notes the balance of the fund at the end of FY 2020 was \$17,592,453. Oversight is uncertain if the FY 2021 fund balance would be sufficient to cover the shortfall from delayed payments occurring in FY 2022.

**Oversight** assumes the loss in revenue would be temporary and would be made up within the same fiscal year; therefore, Oversight assumes the impact to the Blind Pension Fund would net to zero for FY 2022.

**Oversight** assumes, if the Blind Pension Fund has insufficient funds to cover the Blind Pension Benefits, it may be necessary for the Department of Social Services to borrow funds from General Revenue. Oversight will show a range of impact of \$0 (no additional funds required or benefits are delayed) to an amount that could exceed \$2,864,791 to General Revenue to supplement the delay in property tax collections the first year (the average monthly Blind Pension Benefit distribution). Oversight assumes the loss in revenue would be temporary and would be made up within the same fiscal year.

**Oversight** assumes this proposal has an effective date of August 2021 with impacted revenues occurring in FY 2022 (December 2021).

Per the State Tax Commission website, the property taxes paid for 2019 were \$8,331,302,483. If 81% of these tax payments were delayed until February, the temporary loss in revenue is estimated at \$6,718,674,296 for local political subdivisions ((\$8,331,302,483 less \$36,642,858) \* .81). Oversight assumes the loss in revenue would be temporary and would be made up within the same fiscal year; therefore, Oversight assumes the impact to local political subdivisions would net to zero for FY 2022.

Since this proposal would move the delinquency date for property taxes and extend the collection period, **Oversight** assumes this could reduce the revenue collected from fees and fines for delinquent property taxes.

**Oversight** assumes the proposal could result in a decrease in fine revenues paid to local governments and distributed to school districts. Fine revenue received by school districts in excess of FY 2005 levels is a deduction in the foundation formula calculation. A reduction in the fine revenue would increase the foundation formula distributions to school districts, ultimately resulting in a cost to the General Revenue Fund. Oversight has reflected the fiscal impact to the General Revenue Fund for fiscal years 2023 and 2024, because any decrease in fees distributed to schools increases distributions from the foundation formula the following year. Based on information provided by DESE for the fiscal note for Perfected HB 1818 (2020), Oversight notes the difference between fine revenue collected in FY 2018 and FY 2005 was estimated at \$2,093,973. However, this amount likely includes penalty revenue from numerous sources other than delinquent property taxes.

**Oversight** assumes the fine revenue collected varies from year to year. Therefore, Oversight will show a range of impact of \$0 (no difference in fine revenue) to an unknown cost to General Revenue due to an increased call to the foundation formula.

**Oversight** assumes School Districts could see a decrease in fine revenue beginning in FY 2022 with increased distributions from the Foundation Formula beginning in FY 2023. Oversight notes the total fine revenue received by school districts in FY 2020 was estimated at \$33,322,788. However, this amount likely includes penalty revenue from sources other than

delinquent property taxes. Oversight will show a range of impact of \$0 (no difference in fine revenue) to an unknown loss to school districts.

**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
<b>GENERAL REVENUE FUND</b>			
<u>Costs</u> - increase in foundation formula payments	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer Out</u> - to the Blind Pension Fund to supplement delayed revenues	\$0 or (Could exceed \$2,864,791)	\$0	\$0
<u>Transfer In</u> - from the Blind Pension Fund for repayment of borrowed funds	\$0 or Could exceed \$2,864,791	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<u>FISCAL IMPACT – State Government</u> Continued	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>BLIND PENSION FUND</b>			
<u>Transfer In</u> - from General Revenue Fund	\$0 or Could exceed \$2,864,791	\$0	\$0
<u>Revenue (Loss)</u> - from delayed property tax payments (December 2021 & January 2022)	\$0 or (Could exceed \$29,543,450)	\$0	\$0
<u>Revenue Gain</u> - from delayed property tax payments (February & March 2022)	\$0 or Could exceed \$29,543,450	\$0	\$0
<u>Transfer Out</u> - to the General Revenue Fund	\$0 or (Could exceed \$2,864,791)	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>



<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs</u> - County Collectors - computer programming and implementation	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue (Loss)</u> - School Districts - from lost property tax penalties	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain</u> - School Districts - increased distributions from Foundation Formula	\$0	\$0 or Unknown	\$0 or Unknown
Revenue (Loss) - from delayed property tax payments (December 2021 & January 2022)	\$0 or (Could exceed \$6,718,674,296)		
<u>Revenue Gain</u> - from delayed property tax payments (February & March 2022)	\$0 or Could exceed \$6,718,674,296	\$0	\$0
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

FISCAL IMPACT – Small Business

Oversight assumes there could be an impact to small businesses from a reduction in late property tax penalties owed.

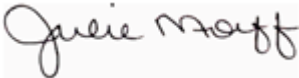
FISCAL DESCRIPTION

This bill moves the delinquency date of real and personal property taxes to the first day of March.

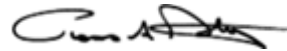
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
Department of Elementary and Secondary Education  
Department of Revenue  
Department of Social Services  
City of Corder  
City of Hughesville  
City of Springfield  
City of St. Louis  
Howell County Assessor  
Ste. Genevieve County Assessor  
Cape Girardeau County Collector  
Ste. Genevieve County Collector  
Florissant Valley Fire Protection District  
High Point R-III School District  
Republic R-III School District  
Springfield R-XII School District



Julie Morff  
Director  
February 1, 2021



Ross Strobe  
Assistant Director  
February 1, 2021