COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0953H.02P
Bill No.: Perfected HCS for HB 248
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; County Government; County Officials
Type: Original
Date: April 7, 2021

Bill Summary: This proposal modifies provisions relating to real property tax assessments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	$0 or Unknown	$0 or Unknown	$0 or Unknown
Total Estimated Net Effect on General Revenue	**$0 or Unknown**	**$0 or Unknown**	**$0 or Unknown**

*A reduction in real residential property taxes would reduce the amount of Senior Property Tax Credit program claims.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Blind Pension Fund*	$0 or ($3,876,018)	$0 or ($3,876,018)	$0 or (Could exceed $3,876,018)
Total Estimated Net Effect on <u>Other</u> State Funds	**$0 or ($3,876,018)**	**$0 or ($3,876,018)**	**$0 or (Could exceed $3,876,018)**

*The enactment of this proposal is dependent upon passage of an amendment to the Constitution of Missouri (passage of a joint resolution) allowing for the statutory limitation on the amount by which the assessed value of residential real property may be increased.

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 All 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 or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government*	**$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)**	**$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)**	**$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)**

*The enactment of this proposal is dependent upon passage of an amendment to the Constitution of Missouri (passage of a joint resolution) allowing for the statutory limitation on the amount by which the assessed value of residential real property may be increased. Also, some of this loss could be reduced if the property tax levies are able to be raised sufficiently.

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to review 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 that we have. Upon the receipt of additional information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 137.115 Cap on Assessed Values

Officials from the **State Tax Commission** has determined an unknown fiscal impact .The act proposes " the percentage increase in the consumer price index since the most recent previous assessment or up to a (ten) 5 percent (by HA 2) increase in the assessed valuation of the property, whichever is less."

The current Consumer Price Index is 2.1% for 2020. The proposed limitation on assessment growth may negatively impact revenues for school districts, counties, cities, fire districts and other local taxing jurisdictions who rely on property tax for revenue. Additionally, restrictions on assessment growth may create disparities and inequities over time among residential and commercial properties as market values can fluctuate. A newer home's true market value used for assessment may increase far more than an older home or vice versa depending on sale, location and condition of the assessed property in current market conditions. An assessment limit may negatively impact assessment growth and over time potentially create a large disparity in valuation within the same subclass of assessed properties.

In current law, local property taxes are designed to be revenue neutral by levy adjustment, however taxing jurisdictions that are currently at their tax rate ceiling would not be able to offset a reduction in revenue. For example, of the 516 school districts, 383 or 74.3% are currently at their ceiling. Additionally, HA 1 proposes "a one-time reduction to the true value of all residential real property of twenty percent of the value of such property from the most recently assessed value." The one time reduction has an unknown likely negative fiscal impact on those local subdivisions that rely on property taxes for revenue.

Officials from the **Department of Social Services** state there are two amendments to this proposal. The first limits the growth of assessments, which may limit future growth in the Blind Pension Fund.

The second amendment allows for a one time reduction to the true value of residential real property of 20% of the value of the property from the most recently assessed value. Blind Pension is funded from 0.03 of each $100 assessed valuation of taxable property. This will reduce the Blind Pension Fund. This will result in a loss in income in the Blind Pension Fund of

$3,876,018. To keep Blind Pension payments at the current level, a GR pickup of $3,876,018 would be needed.

Officials from the **Department of Revenue** state House Amendment 1 implements a one-time reduction to true value of residential real property tax assessments of 20%. The amendment reducing the assessed value by 20% of all residential property will result in a loss to local governments by an unknown amount.

This change in the assessed value will impact the Blind Pension Fund created by the Constitution, Article III, Section 38(b) which allows for three cents of every one hundred dollars in valuation of all taxable property to be levied and collected for funding. If the assessed value decreases the amount collected for this levy is decreased. A 20% reduction in value will result in a significant loss to the Blind Pension Fund.

The Department notes that is may change the amount of credits that could be claimed under the Senior Property Tax Credit program. Changing the assessed value changes the amount that can be claimed under the Property tax credit program. It is unknown what the impact may be.

In response to the previous version, officials from the **Office of Administration - Budget and Planning** assumed the proposal would have no fiscal impact on their organization.

B&P states House Amendment 1 would create a one-time 20% reduction in the market value of all real residential property. The reduction to the market value will be taken from the market value amount determined at the most recent assessment. For example: if this proposal were to take effect 1/1/2023, then for tax year 2023 the market value for property would be reduced by 20% from the market value determined during tax year 2022.

B&P notes that it is unclear whether the 20% reduction would occur before or after any CPI growth adjustments allowed under Paragraph 137.115.17(2)(a).

Based on publicly available reports published by STC and the state Auditor's Office, B&P estimates that this will reduce assessed values by at least $12,671,278,257 annually across the state once implemented.

B&P notes that the Blind Pension Trust Fund levies a tax on property at the rate of $0.03 per $100 assessed value. Therefore, B&P estimates that this section will reduce revenues to the Blind Pension Trust Fund by at least $3,801,383 annually once implemented. In addition, B&P estimates that this section will reduce total local revenues by at least $2,301,280,272 annually once implemented. Table 1 shows the estimated impact by county.

Table 1: Estimated Impact by County

Adair	($4,106,507)	Dallas	($1,681,389)	Livingston	($2,725,993)	Randolph	($4,189,631)
Andrew	($4,103,785)	Daviess	($1,986,344)	Macon	($2,744,664)	Ray	($5,294,461)
Atchison	($1,026,515)	DeKalb	($1,200,623)	Madison	($1,767,527)	Reynolds	($607,962)
Audrain	($4,373,959)	Dent	($2,002,528)	Maries	($1,421,916)	Ripley	($1,134,255)
Barry	($6,212,359)	Douglas	($1,163,493)	Marion	($6,590,356)	Saline	($4,662,192)
Barton	($1,761,325)	Dunklin	($2,897,978)	McDonald	($2,084,134)	Schuyler	($955,958)
Bates	($2,713,114)	Franklin	($34,624,139)	Mercer	($663,589)	Scotland	($1,365,272)
Benton	($3,514,972)	Gasconade	($4,368,058)	Miller	($9,908,910)	Scott	($7,254,114)
Bollinger	($1,474,620)	Gentry	($1,527,792)	Mississippi	($1,417,717)	Shannon	($429,421)
Boone	($63,069,444)	Greene	($77,889,640)	Moniteau	($2,716,188)	Shelby	($1,090,491)
Buchanan	($16,330,255)	Grundy	($1,754,841)	Monroe	($2,115,203)	St. Charles	($104,398,987)
Butler	($6,295,924)	Harrison	($1,372,492)	Montgomery	($2,597,967)	St. Clair	($969,498)
Caldwell	($2,041,128)	Henry	($4,175,512)	Morgan	($6,188,372)	St. Francois	($6,844,177)
Callaway	($7,432,912)	Hickory	($1,763,079)	New Madrid	($1,800,683)	St. Louis	($948,351,556)
Camden	($19,734,668)	Holt	($804,465)	Newton	($7,677,181)	St. Louis City	($64,362,942)
Cape Girardeau	($16,415,202)	Howard	($1,824,615)	Nodaway	($4,500,569)	Ste. Genevieve	($3,096,801)
Carroll	($1,742,967)	Howell	($5,178,841)	Oregon	($1,067,422)	Stoddard	($4,207,736)
Carter	($845,445)	Iron	($1,344,042)	Osage	($2,167,267)	Stone	($8,433,088)
Cass	($39,924,350)	Jackson	($300,345,690)	Ozark	($1,376,257)	Sullivan	($724,629)
Cedar	($2,226,586)	Jasper	($20,330,689)	Pemiscot	($1,887,316)	Taney	($12,651,080)
Chariton	($1,665,000)	Jefferson	($69,137,218)	Perry	($3,973,429)	Texas	($2,631,787)
Christian	($23,663,544)	Johnson	($12,037,965)	Pettis	($7,781,106)	Vernon	($2,679,535)
Clark	($1,200,584)	Knox	($634,258)	Phelps	($7,209,888)	Warren	($10,160,368)
Clay	($93,674,623)	Laclede	($5,043,629)	Pike	($2,946,570)	Washington	($2,712,525)
Clinton	($5,784,062)	Lafayette	($8,149,280)	Platte	($46,498,536)	Wayne	($1,092,191)
Cole	($23,224,027)	Lawrence	($5,205,130)	Polk	($4,625,049)	Webster	($4,348,392)
Cooper	($3,363,503)	Lewis	($1,365,508)	Pulaski	($6,248,629)	Worth	($308,224)
Crawford	($3,425,091)	Lincoln	($14,610,123)	Putnam	($1,524,449)	Wright	($1,748,645)
Dade	($1,284,057)	Linn	($2,179,374)	Ralls	($1,118,205)	**Total**	**($2,301,280,272)**

B&P states House Amendment 2 would lower the maximum growth limit allowed for assessed values from the rate of CPI or 10%, whichever is lower to the rate of CPI or 5%, whichever is lower. B&P estimates that this provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **City of Kansas City** state the second amendment (0953H02.06H) to this legislation calls for a one-time reduction of 20% of all residential real property. This would result in a significant, negative fiscal impact.

Officials from the **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **City of Springfield** anticipate a significant negative fiscal impact, due to the reduction of the true value of residential real property by 20% in the first year. The City does not have sufficient information to determine what the "true value" calculation will be, so cannot provide the amount of negative fiscal impact.

Officials from the **Fruitland Area Fire Protection District** state, if the true value of real estate property is reduced, as well as, assessment set at 20%, there will be a negative financial impact to our budget and future budgets.

In response to a previous version, officials from the **City of Hale** and the **St. Clair Fire Protection District** each assumed the proposal could have a fiscal impact on their respective organizations.

In response to a previous version, officials from the **City of St. Louis** assumed the passage of this legislation would have a negative impact on the City of St. Louis's revenue. This proposed legislation freezes over 95% of assessments and changed the other +/-5% when the property sells. This contradicts the uniformity required by Article X, Section 3 of the Missouri Constitution.

However, if the legislation were to be found constitutional, the following would apply:

Sales	2,500
Parcels	138,500
Sales per Year	1.81%
Sales per 2 Year Cycle	3.61%
Non-Sales in 2 Year Cycle	96.39%

	Commercial Property	Residential Property
2019 Value	$1,512,651,691	$2,293,132,692
Market Increase	4%	12%
Value w/ Mkt Increase	$1,573,157,758	$2,545,377,288
CPI Increase	2%	2%
Value w/ CPI Increase	$1,542,904,724	$2,338,995,345
Mkt Increase- CPI Increase	$30,253,034	$206,381,943
Taxes on Difference	$2,965,342	$ 16,844,481

Total Taxes on Difference: $19,809,823
2019 PP Taxes (96.39%) of total taxes: $19,094,688

Name	% of total rate	$ amount lost
St. Louis Public Schools	61.20%	$11,685,664.95
St. Louis Comm College	2.43%	$464,628.53
Metropolitan Sewer Dist.	1.32%	$251,966.23
Sheltered Workshop	1.64%	$313,729.54
Mental Health	1.07%	$203,538.18
Children's Services	2.25%	$430,003.65
Senior Services Fund	0.60%	$113,934.59
Metropolitan Zoo & Museum Dist.	3.12%	$596,343.47
SLPL	6.65%	$1,268,955.27
City of St. Louis	19.35%	$3,695,738.64
MO Blind Pension	0.37%	$70,185.58
TOTAL	100.00%	$19,094,688.63

Collector of Revenue Loss: $286,420
Assessment Fund Loss: $119,342

Additionally, the Assessor would have to maintain two sets of books. One that tracked market value and one that tracked the CPI value for taxation. There would be one time programming fees estimated at $150,000 to $350,000 to make changes to the Assessor's CAMA system to allow for double bookkeeping.

In response to a previous version, officials from **Jackson County** assumed this proposed amendment would have a significant negative fiscal impact on Jackson County and every other taxing jurisdiction. Without any enforcement or penalty provisions the certificate of value requirement remains voluntary. A cap of allowable growth to the consumer price index would significantly impact communities that are seeing growth in demand/for value in their properties.

Officials from the **Howell County Assessor's Office** estimate the impact is between $100,000 and $10,000,000 in lost tax receipts.

Officials from the **Audrain County Assessor's Office** state this would affect all the taxing entities in Audrain County in excess of Thousands of tax dollars.

Officials from the **Boone County Assessor's Office** state this proposal as amended would cost the taxing entities in Boone County $26.5 million annually.

Officials from the **Callaway County Assessor's Office** state a 20% reduction in their assessed value would be approximately $186,000,000 dollars. This would devastate their taxing districts. A reduction of assessed value means that levies will go up to sustain the current budgets.

Officials from **Jefferson County Assessor's Office** state House Amendment 1 calls for "a one-time reduction to the true value of all residential real property of twenty percent of the value of such property from the most recently assessed value". The assessed valuation of residential real property in Jefferson County is $2,046,932,700. There are 99 different taxing combinations within Jefferson County. The average tax rate for all of those combinations in 2020 was 7.0030 cents per $100 assessed valuation (0.070030). At that tax rate the taxing entities in Jefferson County combined would lose approximately $143,346,697 under this amendment.

Furthermore, the Department of the County Assessor, Jefferson County Missouri, is primarily funded by a 6/10 of 1% Commission on property tax collections. By reducing the property taxes by the aforementioned $143,346,697, this amendment will also cut the funding to their department by $172,016.

Officials from **Bollinger County Assessor's Office** state the decrease in revenues is estimated at $1,234,641.

In response to a previous version, officials from the **Lincoln County Assessor's Office** assume no fiscal impact in the sense of office operations. The basis of capping or limiting any assessments could be construed as un-constitutional in not valuing at true market value as per state statute.

In response to a previous version, officials from the **St. Charles Community College** assumed this proposal has the potential for a negative fiscal impact, but the amount can't be quantified with the information provided.

In response to a previous version, officials from the **Newton County Health Department** stated this would create a positive fiscal impact depending upon the number of properties with increased value assessment.

Officials from **Sherwood Cass R-VIII School District** state local taxes make up 46% of our overall budget at Sherwood. The result of this bill would be a loss of approximately $475,000 for the Sherwood School District. This would put them deficit spending by almost a half a million dollars. They would not be able to sustain this. They would have to reduce programs and teachers in the district. This is how they lose technology classes, Ag. courses, business courses, sports programs, etc. across the state including at Sherwood, let alone being able to invest in their teachers. Combining this with another jump in minimum wage for the following year will continue to create greater challenges. At an average total compensation of $60,000 per teacher (salary and benefits) they would have to reduce by several staff members (6 or 7) to stay financially viable.

Officials from the **City of Corder** and the **City of Claycomo** each assumed the proposal would have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **City of Ballwin**, **City of Kansas City**, **Nodaway County Ambulance District**, **High Point R-III School District** and the **Crawford County 911 Board** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight assumes this proposal limits increases in the assessed values of individual residential property to the change in CPI per year (estimated at 2.1% for 2020 per the State Tax Commission). Under the proposed legislation, Oversight assumed the assessed value would be 19% of the market value or the prior year assessed value plus 2.1% growth whichever is lower. For fiscal note purposes, Oversight used a two property example to demonstrate the potential changes to the assessed values as a result of this proposal.

Table I: Assessed Values

	Prior Year Market Value	Prior Year Assessed Value (19%)	Current Year Market Value (Assumed)	Assessed Value Current (19%)	**Assessed Value Proposed***
Property 1	$100,000	$19,000	$105,000	$19,950	**$19,437**
Property 2	$100,000	$19,000	$100,000	$19,000	**$19,000**
Total	$200,000	$38,000	$205,000	$38,950	**$38,437**

*For purposes of this example, Oversight assumed a 5% increase in the market value of property 1 and no change in the market value of property 2.
**Oversight assumed the assessed value would be either the market value times 19% or the prior year assessed value plus a 2.1% increase whichever is lower.

Growth Factor Calculation

Current Year Adjusted Total Current Assessed Value	$38,950
Less Previous Year Adjusted Total Assessed Value	- $38,000
	$950
Divided by Previous Year Adjusted Total Assessed Value	/ $38,000
	0.025
Times 100	x 100
Actual Percentage Growth in Assessed Value	**2.5%**

Tax Rate Calculation

Revenues Authorized Previous Year	$1,900
Times the Growth Factor*	x 2.1%
Authorized Revenue Growth	$40
Previous Year Authorized Revenues	$1,900
Plus Authorized Revenue Growth	+ $40
Current Year Authorized Revenues	$1,940
Total Current Assessed Value	$38,950
Less New Construction (assumed for simplicity)	- $0
Adjusted Total Current Assessed Value	$38,950
Current Year Authorized Revenues	$1,940
Divided by Adjusted Total Current Assessed Value	/ $38,950
	0.049807
	x 100
Maximum Authorized Levy	**$4.9807**

Using the basic formula above and the Property Tax Rate Calculator (Single Rate Method) provided on the Missouri State Auditor's website, **Oversight** estimated the potential changes in the tax rate from this proposal in the table below using the two-property example.

Table II: Tax Rates

	Assessed Values	Growth Factor	Maximum Allowed Revenue (Prior Year Revenue plus Growth Factor)	Tax Rate Ceiling (Maximum Revenue/ Assessed Value)*100
Prior Year (Assumed)	$38,000	N/A	$1,900.00	5.0000
Current Year Current Law	$38,950	2.1%	$1,939.90	4.9805
Current Year Proposed Law	**$38,437**	**1.15***	**$1,921.85**	**5.0000**

*The growth factor used in the tax levy calculation is either actual growth in assessed valuation, inflation based on CPI (2.1%) or 5% whichever is lower. In this example under the proposed law, actual growth is below inflation, therefore the growth factor used in the tax levy calculation is the actual growth rate of assessed values or 1.15% ((($38,437-$38,000)/$38,000)*100).

Currently, growth in assessed values allows the tax rate to fall over time. In this example under the proposed legislation, the tax rate would fall at a slower rate than under the current law. **Oversight** notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law) rather it would result in a loss of revenue.

Additionally, the growth in total assessed value was less than the percentage change in CPI which reduced the maximum allowed revenue. In order to achieve a maximum growth in revenue of 2.1% (current change in CPI) either all properties would have to increase at 2.1% (or above) or other classes of property would have to increase higher than 2.1% to overcome the net reduction from any properties that increased below 2.1% or decreased in value. Therefore, Oversight assumes this proposal could result in reduction in maximum allowed revenue even for tax entities below their statutory or voter approved rate.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)
Because the tax levy would be higher relative to current law in this example (as noted in Table II), the distribution of tax on individual property owners would change as noted below in Table III.

Table III: Distribution of Individual Property Tax

	Prior Year Tax Burden	Assessed Value Current (Table I)	Tax Burden Current (4.9805)	Assessed Value Proposed (Table I)	**Tax Burden Proposed (5.0000)**
Property 1	$950.00	$19,950	$993.60	$19,437	**$971.85**
Property 2	$950.00	$19,000	$946.30	$19,000	**$950.00**
Total	$1,900.00	$38,950	$1,939.90	$38,437	**$1,921.85**

Based on information from the Federal Housing Finance Agency website, **Oversight** notes there were 674 census tracts in Missouri with a change in the House Price Index (HPI) that exceeded the change in CPI (or 2.1%) in 2019. Because this proposal limits the assessed value of individual residential properties to the increase in CPI (2.1%) from the previous assessment, this will result in a decrease to total assessed values (relative to current law) as a result of any property that appreciates more than the change in the CPI (2.1%) from the previous assessment cycle.

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). Because this proposal reduces the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law. Below is an example of how this proposal would impact the Blind Pension Fund using the two property example.

Table IV: Blind Pension Trust Fund

	Assessed Value	Blind Pension Trust Fund (Assessed Value/100)*0.03
Prior Year	$38,000	$11.40
Current Year Current Law	$38,950	$11.69
Current Year Proposed Law	**$38,437**	**$11.53**

Per the Auditor's report, Jackson County had an 18.64% increase in adjusted total assessed value (less new construction and improvements) from 2018 to 2019. Using information from the State Tax Commission's Annual Report, **Oversight** estimated total residential assessed value was $6,005,888,167 in 2018. Applying the growth rate of 18.64%, Oversight estimated residential assessed values would potentially increase to $7,111,572,179 ($6,005,888,167 *1.1864) in 2019.

Under this proposal the maximum increase would be capped at 2.1% which is estimated at $6,132,011,819 ($6,005,888,167 * 1.014). Oversight assumes the 2.1% cap would decrease the residential assessed value by $1,021,601,578 ($7,111,572,179 - $6,132,011,819). Correspondingly, the Blind Pension Fund would decrease by $293,868 relative to what would have been received under current law (($979,560,360/100)*.03). Oversight assumes it is possible the revenue impact to the Blind Pension Fund could exceed $250,000; however, notes the percentage change in adjusted assessed value for Jackson County was -4.54% in 2020. Oversight assumes the magnitude of the impact to the Blind Pension Fund would depend on prevailing market conditions.

Oversight assumes, if local property taxes are reduced, this could result in a reduction of the amount of property tax credits claimed. Oversight assumes the impact is unknown.

Oversight notes OA-B&P indicated they did not anticipate a reduction in funding from the underlying bill relative to what is currently collected because the proposal still allows for some growth in assessed values. However, Oversight will show an unknown negative fiscal impact that could exceed $250,000 to the Blind Pension Fund relative to what it would have received under current law.

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 an unknown loss in revenue to the Blind Pension Fund and local political subdivisions.

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

Oversight assumes subsection 137.115.17 (4) could limit the decrease in assessed values for certain properties. However, Oversight notes the proportion of sales to the total number of residential property is low and further the number of properties that would differ to that degree would be a smaller subset of total sales.

Oversight assumes there could be costs for implementation and computer programming. Oversight will show an unknown cost to county assessors to implement this proposal beginning in FY 2023.

<u>House Amendment 1</u>

Oversight notes this amendment would require an initial reduction of 20% of the value of residential real property beginning on the effective date of his proposal. Oversight notes the current total residential real property assessed value is $64,600,302,665. A reduction of 20% would reduce total residential real assessed value to $51,680,242,132. Oversight estimates this would result in a reduction in residential real property tax revenues of $888,551,683 for local political subdivisions.

Oversight will range the impact from Oversight's estimate of less than $888,551,683 up to the Office of Administration - Budget and Planning estimate of $2.3 billion.

In addition, **Oversight** notes this amendment would result in a loss of revenue for the Blind Pension Fund estimated at $3,876,018 (($51,680,242,132/100*.03) - ($64,600,302,665/100*.03)).

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
Cost Avoidance - reduction in the amount of Senior Citizen Property Tax Relief	$0 or Unknown	$0 or Unknown	$0 or Unknown
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 or Unknown**	**$0 or Unknown**	**$0 or Unknown**
BLIND PENSION FUND			
Revenue Loss - from a 20% reduction in residential real property values - HA1	$0 or ($3,876,018)	$0 or ($3,876,018)	$0 or ($3,876,018)
Revenue Loss - loss of property tax on property that appreciates more than the change in CPI - §137.115.17	$0	$0	$0 or (Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0 or ($3,876,018)**	**$0 or ($3,876,018)**	**$0 or (Could exceed $3,876,018)**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Revenue Loss - from a 20% reduction in residential real property values - HA1	$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)	$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)	$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)
Costs - County Assessors - computer programing and administrative costs to implement this change	$0	$0 or (Unknown)	$0 or (Unknown)
Revenue Loss - loss of property tax on property that appreciates more than the change in CPI - §137.115.17	$0	$0	$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)**	**$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)**	**$0 or (Unknown, Less than $883,551,683 to up to $2,301,280,272)**

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if the change in assessed value of residential property resulted in an adjustment in the tax rate for commercial property.

FISCAL DESCRIPTION

This bill makes the true value of residential real property the previous assessed valuation of the property or the value of which the property was sold since its most recent assessment. The purchaser of any such property must send to the assessor a notarized certificate of value or other notarized document that clearly states the fair market value of the property. Such valuation may increase over time contingent on a value increase resulting from inflation or 5% (HA2), whichever is less, or value added to the property as a result of new construction or improvements.

This bill specifies that, if residential real property has been sold since its most recent assessment and the newly assessed true value of such property would be decreased by 20% or more as a result of the sale, then the newly assessed true value of such property will be presumed incorrect and the true value of such property will instead be deemed to be the assessed value of the property immediately before the property was sold.

This bill will not affect the ability of any county assessor to decrease the value of any residential real property.

This bill has an effective date contingent on the passage of an amendment to the Constitution of Missouri allowing for a statutory limitation on the amount by which the assessed value of residential real property may be increased.

HA1 - This amendment would require an initial reduction of 20% of the value of residential real property, beginning with the effective date of this subsection.

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

State Tax Commission
Office of Administration - Budget and Planning
Department of Revenue
Department of Social Services
Office of the State Auditor
City of Ballwin
City of Corder
City of Claycomo
City of Hale
City of Kansas City
City of Springfield
City of St. Louis
Jackson County
Newton County Health Department
Howell County Assessor
Audrain County Assessor
Boone County Assessor
Lincoln County Assessor
Bollinger County Assessor
Jefferson County Assessor

Callaway County Assessor
St. Clair Fire Protection District
Crawford County 911 Board
Nodaway County Ambulance District
High Point R-III School District
St. Charles Community College
Sherwood Cass R-VIII School District

Julie Morff
Director
April 7, 2021

Ross Strope
Assistant Director
April 7, 2021

JLH:LR:OD