

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1592H.011  
 Bill No.: HB 633  
 Subject: Taxation and Revenue - Property; Property, Real and Personal; County Officials;  
 Taxation and Revenue - General  
 Type: Original  
 Date: March 1, 2021

Bill Summary: This proposal modifies provisions relating to property taxes.

**FISCAL SUMMARY**

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

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

\*Oversight does **not** expect this to have an impact of over \$250,000 to the Blind Pension Trust Fund.

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 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.

<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 to Unknown to (Unknown)</b>	<b>\$0 to Unknown to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

This proposal would allow a county collector to enter into a payment plan with taxpayers who are delinquent in paying their property tax. The full amount of taxes must be paid within twelve months of their original due date. Section B contains an emergency clause. For the purpose of this fiscal note, B&P assumes that this provision would take effect July 1, 2021.

This proposal would begin for tax liabilities incurred on January 1, 2020. B&P notes that such tax liabilities would be due on 12/31/2020. However, this proposal would not take effect until after the start of calendar year 2021, which will limit the number of months available for tax year 2020 payment plans.

B&P notes that the Blind Pension Trust Fund has a property tax levy of \$0.03 per \$100 valuation. In the event that this proposal changes the timing of tax payments, the cash flow to the Blind Pension Trust Fund may be impacted by an unknown amount.

Officials from the **State Tax Commission** assume this proposal may have an unknown fiscal impact on local collection authorities dependent on the extent to which the authority is used to enter into such agreements for a reduction or waiver of penalties.

**Oversight** assumes this proposal allows the county collectors to enter into an agreement to negotiate the collection of real estate taxes. Once the agreement is made, the owner of the property has 12 months to pay the debt for the tax year. Oversight is unclear on how many owners would enter into an agreement with the county collector. Oversight assumes this proposal would cause a change in cash flow and it could allow the potential for more debt collections in the future to be cleared from county books. Oversight assumes any agreement made by county collectors on debts owed will be collected on the full amount of the property assessed and any reduction of debt would be from the penalties owed to the county collectors for not paying the taxes on-time. Therefore, Oversight will reflect a change in cash flow that could affect the Blind Pension Trust Fund of \$0 or a negative unknown for this proposal for FY 2022.

For FYs 2023 and 2024, **Oversight** assumes the use of the pay plans might allow county collectors to receive additional taxpayer payments that they would not have received had they not set up an agreement plan with the taxpayer. Therefore, Oversight will reflect a \$0 to positive and negative unknown fiscal impact for FYs 2023 and 2024 for the Blind Pension Fund.

Officials from **Jackson County** assume a cost up to \$200,000 for additional staff to negotiate delinquent property taxes, but these costs could be offset by higher tax collections.

Officials from the **Ste. Genevieve Collector's Office** state their tax software does not have the capability to eliminate only the 9% penalty on a tax bill. Currently, if the penalty date is changed on collection of a tax bill, it affects the interest, penalty and any real estate fees (Clerk and Collector). 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.

For the following Collector years (March – Feb), Ste. Genevieve County collected the following amounts in penalties (9% statutory): 2020 - \$80,248.37, 2019 - \$80,497.74, and 2018 - \$92,420.08. The allocation is as follows: five ninths of these amounts go to CERF (County Employees' Retirement Fund), two ninths go to the Collector Tax Maintenance Fund to pay for expenses of the office, and two ninths go to County General Revenue. Worst case scenario – this is the amount of money that would be waived.

As this proposal is permissive (“the collector **may** enter into an agreement”), Oversight will reflect a potential administrative cost to county collectors to set up such a system as \$0 or (Unknown).

Officials from the **Kansas City Public School District** assume the cost of this bill relates more to the delay in timing of receipt of revenues for a public school system. Property taxes delayed for up to one year would cause current year collections to be below what is due as school fiscal years end on June 30th and property owners would be allowed to pay or delay from December to December. This reduced current year revenue delay could impact budgets at varying rates depending upon volume and time taken.

Officials from the **Springfield R-XII School District** assume there would be a fiscal impact due to delayed tax payments will vary and is unknown. Collector's offices throughout the state do not have the software and staffing capacity to consistently and accurately manage this additional workload.

Officials from the **High Point R-III School District** 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.

**Oversight** assumes there could also be a change in cash flow to county collector funds and the amount of funds received by school districts. Oversight still assumes any agreement made by the county collectors on debts owed will be collected on the full amount of the property assessed. However, there could be a potential reduction in revenue made in these agreements in order to collect on the debt that is owed. Because the agreements made could potentially reduce the

amount of debt owed to the counties from negotiating or possibly waiving penalties already on the books, Oversight will reflect a \$0 or unknown negative to counties and school district funding from this proposal for FY 2022.

For FYs 2023 and 2024, **Oversight** assumes the use of the pay plans might allow county collectors to receive additional taxpayer payments that they would not have received had they not set up an agreement plan with the taxpayer. Therefore, Oversight will reflect a \$0 to positive and negative unknown fiscal impact for FYs 2023 and 2024 for local political subdivisions.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
<b>BLIND PENSION TRUST FUND</b>			
<u>Loss in revenues – potential change in cash flow resulting from counties entering into agreements to collect real estate taxes</u>	<u>\$0 or (Unknown)</u>	<u>\$0 to Unknown to (Unknown)</u>	<u>\$0 to Unknown to (Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION TRUST FUND</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 to Unknown to (Unknown)</u></b>	<b><u>\$0 to Unknown to (Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs</u> – system changes and other administrative costs to implement this change	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Loss in revenues</u> – counties – potential reduction for penalties waived or reduced to collect on real estate taxes	\$0 or (Unknown)	\$0 to Unknown to (Unknown)	\$0 to Unknown to (Unknown)
<u>Loss in revenues</u> – school districts – potential reduction of penalties collected or waived by counties in order to collect on real estate taxes	\$0 or (Unknown)	\$0 to Unknown to (Unknown)	\$0 to Unknown to (Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 to Unknown to (Unknown)</u></b>	<b><u>\$0 to Unknown to (Unknown)</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

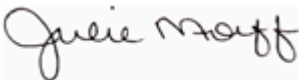
Currently, a county collector is required to assess penalties on property tax payments not made as of January 1. For all property tax liabilities incurred on or after January 1, 2020, this bill allows a collector to enter into an agreement with a taxpayer for the payment of such taxes, including a waiver or reduction of penalties, provided that any such agreement requires such taxes to be paid not later than 12 months after the date the taxes are due.

This bill contains an emergency clause.

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  
Jackson County  
Ste. Genevieve County Collector's Office  
Kansas City Public School District  
Springfield R-XII Public School District  
High Point R-III School District



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March 1, 2021



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March 1, 2021