

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4848-01
Bill No.: HJR 67
Subject: Elderly; Property, Real and Personal; State Tax Commission
Type: Original
Date: March 28, 2012

Bill Summary: Proposes a constitutional amendment which would freeze the level of tax liability on residential property owned by persons who are 65 years of age or older.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0 or (More than \$7,000,000)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0 or (More than \$7,000,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Blind Pension Fund	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Secretary of State's Office** assume each year, a number of bills may be considered by the General Assembly that would refer to a vote of the people the issue in the legislation. Unless a special election is called for the purpose, Referendums are submitted to the people at the next general election. If a special election is called to submit a Referendum to a vote of the people, Section 115.063.2 RSMo. requires the state to pay the costs. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people.

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. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2011, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.02 million to publish (an average of \$170,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, 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 change the amount or eliminate the estimated nature of our appropriation.

Many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

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 2013. 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 general election is in November 2012 (FY 2013). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2013.

To estimate the expense the state would incur for reimbursing local political subdivisions for a special election, Oversight requested expense estimates from all election authorities for an election. Eighty-six out of the one hundred fifteen election authorities responded to Oversight's request. From these respondents; the total election expense that would have to be reimbursed by the state government is over \$7 million. Therefore, Oversight will reflect a potential cost borne by the state in FY 2013 of over \$7 million for reimbursement to the local political subdivisions. Oversight assumes the Governor could call for a special election to be held prior to November 2012 regarding this joint resolution; however, if a special election is not called, the subject will be voted on at the general election in November, 2012.

Officials from the **Secretary of State's Office (SOS)** also assume Missouri's public library districts would experience reduced property tax revenue. Missouri public libraries rely on property tax for between 80% and 95% of their incomes. If this proposal passes, this legislation would have an increasingly limiting effect on library budgets, resulting over time in cuts to services, materials, hours and staff.

Officials from the **Department of Revenue (DOR)** assume there will be no fiscal impact to their agency.

Officials from the **City of Kansas City** assume this proposal would have an impact on municipal revenue because property taxes would not be current for all property subject to the freeze. The size of the loss of revenue will depend upon the personal and real property owned by persons age 65 or older and cannot be estimated with any accurate measure. However, the most recent American Community Survey (2009) estimates 23.1% of the owner-occupied homes in Kansas City are owned by persons 65 years and older. The taxes paid on that real estate cannot be easily estimated. What can be known is that about one-fifth to one-quarter of all taxes would be frozen. Furthermore, should there be a voter-approved increase in property taxes the subject property would be free from any increase approved by voters. The tax burden on those under 65 years of

age would be increased to provide the tax relief for persons 65 years of age and older if the tax increase was needed to raise a specific amount, for example to pay off general obligation bonds approved by the voters or an increase in an authorized health levy to raise money for specific projects.

Officials from **St. Louis County** assume there would be costs for software to track demographic information as well as additional personnel to input and monitor the demographic information. Also, revenue loss would be substantial. 19.7% of the St. Louis County is over 65 years and there are approximately 365,000 residential properties. This would imply that 71,905 properties are potentially involved. Historically, property values in St. Louis County grow at about 3% per year. The base year of 2013 would not see an impact. Because this is a two year assessment cycle, 2014 would not be significantly impacted either. However, 2015 would see a substantial loss of revenue of about \$9,213,619 for all jurisdictions in St. Louis County.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Expense</u> - reimbursement of local political subdivisions for special election costs	\$0 or (More than <u>\$7,000,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 or (More than <u>\$7,000,000</u>)	<u>\$0</u>	<u>\$0</u>
BLIND PENSION FUND			
<u>Loss</u> - Lost Revenue From Property Taxes	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - cost reimbursement from the State for special election	\$0 or More than \$7,000,000	\$0	\$0
<u>Expense</u> - cost for special election	\$0 or (More than \$7,000,000)	\$0	\$0
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u> (continued)	FY 2013 (10 Mo.)	FY 2014	FY 2015
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LOCAL GOVERNMENT

<u>Loss</u> - Lost Revenue from Property Taxes	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

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

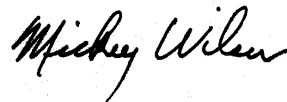
FISCAL DESCRIPTION

The proposed legislation proposes a constitutional amendment which would freeze the level of tax liability on residential property owned by persons who are 65 years of age or older..

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

Secretary of State's Office
Department of Revenue
City of Kansas City
St. Louis County



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March 28, 2012

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