COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0862-01
Bill No.: HB 275
Subject: Taxation and Revenue - Property
Type: Original
Date: January 30, 2015

Bill Summary: This proposal modifies provisions relating to tax rates.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	**(Less than $264,450,083)**	**(Less than $264,450,083)**	**(Less than $264,450,083)**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Budget and Planning** assume in §137.073, Subsections 2 and 5(2), eliminates the future inflationary assessment growth factor for political subdivision levies. If this results in lower property taxes, the amount going to the Blind Pension Fund could be reduced, therefore decreasing Total State Revenues (TSR). This could also decrease funding that goes to local school districts.

In §137.073, Subsection 8, the bill could also change the way lawsuits for TSR and 18(e) issues are filed. Currently, complaints go through the prosecuting attorney of the county who has ten days to act. After that time, an individual taxpayer may take individual or class action. This bill would delete the prosecutor/ten day prerequisite allowing taxpayers to file suit without a waiting period.

Oversight assumes that since the Blind Pension Fund is 3 cents per $100 assessed valuation rate and the fund is at the maximum rate, there will be a $0 fiscal impact from this proposal.

Officials at the **City of St. Louis** assume the passage of this legislation to remove inflationary increases in property taxes would be a detriment to the City of St Louis' tax revenues and to the Assessor's Office. The City would lose at least $3 million in revenue and the Assessor's Office would lose approximately $21 thousand in additional funding for each 1% in foregone inflationary adjustments.

This legislation removes any inflationary increase in property taxes. Currently, the inflationary limit is 5% or the consumer price index (CPI), whichever is less. To remove the inflationary limit would affect both the Assessor and the overall city budget. The budget for 2015 is predicted to be a 1%-3% growth in assessed value. If this is the case, the property taxes would be allowed to grow by the same amount, as long as it is less than or equal to the CPI or 5%.

The City receives approximately $300 million to $325 million in property taxes. Assuming a conservative $300 million in property tax collections, every 1% of inflation results in $3 million in additional taxes. If this legislation passes, the City would lose the additional revenue of at least $3 million. The Assessor receives approximately $2.1 million from property taxes each year. Every 1% of inflation growth results in $21thousand of additional funding. If this legislation passes, the Assessor's Office would lose the additional $21 thousand. In addition, the passage of this legislation would remove the ability to receive inflationary increases due to voter approval of higher rates. The only increase in property tax revenue would come only from new construction.

ASSUMPTION (continued)

Officials at the **City of Kansas City** assume a revenue loss of greater than $100,000 annually resulting from the amendments to RSMo §137.073 on the tax rate ceiling for property taxes from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **Department of Revenue**, the **Department of Elementary and Secondary Education**, the **State Tax Commission**, the **Office of the State Courts Administrator** and the **Office of the State Auditor** each assume no fiscal impact to their respective agencies from this proposal.

Officials at **Monroe County** and **St. Louis County** each assume no fiscal impact to their respective entities from this proposal.

Oversight assumes the 2014 Statewide Assessed Valuations Totaled $97,224,295,340. The tax value would then be $972,242,953. The most recent statewide average tax rate without surtax is $5.4396. The statewide average tax rate without surtax can have up to a 5% inflationary adjustment or $5.7116. The following is a calculation of the potential maximum loss the state could lose from this proposal:

2014 Assessed Value	$97,224,295,340
Divided by $100 per assessed value	$972,242,953
at the tax rate of $5.4396	$5,288,612,767
at the adjust tax rate of $5.7116	$5,553,062,850
The maximum potential loss	($264,450,083)

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL POLITICAL SUBDIVISIONS			
Loss - Local Political Subdivisions revenues from inflationary adjustments resulting in lower property taxes	(Less than $264,450,083)	(Less than $264,450,083)	(Less than $264,450,083)
ESTIMATED NET EFFECT FOR LOCAL POLITICAL SUBDIVISIONS	**(Less than $264,450,083)**	**(Less than $264,450,083)**	**(Less than $264,450,083)**

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill clarifies that the tax rate ceiling for real and personal property cannot exceed the voter-approved rate, and removes the adjustment requirements when voters approve an increase in the rate and the rate adjustment provision for inflationary assessment growth.

Whenever a taxpayer has cause to believe a taxing authority has not complied with the Hancock Amendment in Article 10 of the Missouri Constitution, the bill allows a taxpayer standing to bring suit, without first paying his or her taxes under protest, within one year from the date the taxes were due, in a court of competent jurisdiction to enforce the provisions of the amendment and to institute a class action, if applicable.

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
City of Kansas City
City of St. Louis
Department of Elementary and Secondary Education
Department of Revenue
Office of the Secretary of State
State Tax Commission
Office of the State Courts Administrator
Office of the State Auditor
St. Louis County
Monroe County

Mickey Wilson, CPA
Director
January 30, 2015

Ross Strope
Assistant Director
January 30, 2015

NM:LR:OD