

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0903H.01I
Bill No.: HB 66
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Aircraft and Airports
Type: Original
Date: January 20, 2021

Bill Summary: This proposal changes the laws regarding taxation of aircraft.

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Blind Pension Fund	\$0	\$0	(Unknown, Less than \$200)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	(Unknown, Less than \$200)

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 <u>All</u> 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	(Unknown, Less than \$35,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of Administration - Budget and Planning** assume this proposal will decrease TSR by \$0 to \$500. This proposal will impact the calculation under Article X, Section 18(e).

This proposal makes multiple technical corrections to Section 137.115. This proposal also changes the allowed hours of flying for historical aircraft. This could increase the number of aircraft that are eligible for a reduced property tax rate. Based on information provided by the State Tax Commission, this could decrease revenues to the Blind Pension Trust Fund by \$0 to \$500. This could also decrease local revenues by \$0 to \$90,000.

Officials from the **State Tax Commission** estimate the fiscal impact to local jurisdictions (school districts, cities, counties etc.) to be a loss of zero to \$35,000. The change regarding non-commercial aircraft, twenty five years old, from fifty (current law) to one hundred hours per year could have a fiscal impact on local taxing jurisdictions. The agency does not have exact data of how many of the 905 aircraft in Missouri are within this criteria and threshold, however in 2016 HB 2784 (which did not become law) changed the number of hours to two hundred and fifty, the agency calculated the fiscal impact of that change to be up to \$90,000 to local taxing jurisdictions.

Officials from the **Department of Revenue** and **Department of Commerce and Insurance** 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.

Oversight assumes this proposal expands the definition of aircraft used for noncommercial purposes and thus qualifying for a personal property subclass which is assessed and valued at a lower rate and will result in lower personal property taxes for qualifying aircraft.

Oversight will utilize the estimate (\$35,000) provided by the State Tax Commission, assuming the \$90,000 potential loss of tax revenue estimate was based on a prior year's bill increasing the flight hours to 250 instead of 100 as proposed in this bill. Oversight has adjusted the Blind Pension Fund impact to approximately \$200 based on the calculation below.

Calculation:

$(y/100) * 6.887$ (effective tax rate for personal property) = \$35,000.

Estimated assessed value of qualifying aircraft: $y = \$508,203$.

Estimated impact to the Blind Pension Fund: $(\$508,203/100) * .03$ (Blind Pension tax rate) = \$152 in lost revenue).

Oversight notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Alternatively, 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.

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.)

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 received a limited number of responses from County Assessors 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, County Assessors 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
BLIND PENSION FUND (0621)			
<u>Revenue Reduction</u> - qualifying aircraft assessed at a lower rate - §137.115.3 (4)	\$0	\$0	(Less than \$200)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0	\$0	(Less than \$200)

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISION			
<u>Revenue Reduction</u> - qualifying aircraft assessed at a lower rate - §137.115.3 (4)	<u>\$0</u>	<u>\$0</u>	(Less than <u>\$35,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	(Less than <u>\$35,000</u>)

FISCAL IMPACT – Small Business

This proposal may impact small businesses that own a qualifying aircraft.

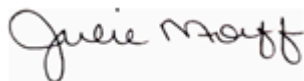
FISCAL DESCRIPTION

This bill increases the number of hours of operation per year a noncommercial aircraft at least 25 years old can fly from less than 50 hours to less than 100 hours in order to be assessed and valued at 5% of the aircraft's true value for property tax purposes.

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
 Department of Revenue
 Department of Commerce and Insurance



Julie Morff
 Director
 January 20, 2021



Ross Strobe
 Assistant Director
 January 20, 2021