COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3195-01
Bill No.: HB 927
Subject: Elderly; Property, Real and Personal; State Tax Commission; Taxation and Revenue - General; Taxation and Revenue - Property
Type: Original
Date: March 2, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on Otherl 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 2005	FY 2006	FY 2007
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government *	**(Unknown)**	**(Unknown)**	**(Unknown)**

* expected to exceed $100,000.

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Office of Administration, Division of Budget and Planning**, assume this proposal would have no impact on their organization.

Officials from the **Department of Revenue** assume this proposal would have no impact on their organization.

Officials from the **Office of the Attorney General** did not respond to our request for information.

Although they did not respond to our request for information, officials from the **Office of the Cole County Assessor** (Office), in response to a similar proposal estimated that 75% of seniors owning residential property would fall within the guidelines of the proposal, and that 25% of residential property is owned by seniors. Assuming an 8% appreciation rate over a two year reassessment cycle, and assuming the homestead limit would be set at 5%, there would be a 3% differential.

ASSUMPTIONS (continued)

Savings:

There would be no savings to the Cole County Assessor's office from this bill.

Cost:

The office assumes that one time programming change costs of $2,500 would be incurred in 2005. The Office will have to maintain a separate accounting of homestead properties and this will require additional personnel time. The office estimates a part time person would be needed to maintain and implement the program on an ongoing basis at a yearly expense (including payroll) of $13,000 per year.

Revenue Reduction:

Based on an average 8% increase in a reassessment cycle, and assuming that the homestead limit would be set at 5%, it is estimated that approximately $160,000 would be appropriated to reimburse the county and its taxing authorities for lost revenues.

The Cole County Assessor used a recent demographic study by the Jefferson City Area Chamber of Commerce for information regarding population housing, and income, broken down into different age categories. This information, in addition to information in the Assessor's files, indicated the following estimates concerning eligible homestead properties.

Population:

Over 65 make up 11.5% of total county population
Over 65 make up 15.5% of total county population over the age of 18
Over 65 make up 17.14% of total county population over the age of 24

8,081 population of persons 65 or older in Cole County
60.7% (approx. 4,850) live in Family Households

Housing:

There are a total 28,915 housing units in Cole County.
Of these, there are 27,064 occupied housing units.
63.4% of housing units are owner occupied.
27,064 x .634 = 17,159 owner occupied housing units

Therefore, the highest possible number of households owned by those over 65 would be

4,850/17,159 = .2827 or 28.27% of all owner occupied housing units.

Senior estimates:

The Office estimates that as much as 25% of residential, owner occupied property could be owned by those over 65. However, approximately 40% of this population segment do not own property and are offered tax relief through the Missouri Property Credit Program.

Oversight assumes there would be significant but unknown additional costs to county assessors, clerks, and collectors to implement the requirements of this proposal. Oversight assumes these costs would exceed $100,000 per year.

Officials from the **State Tax Commission** (TAX) assume this proposal may result in a substantial loss of revenue to all political subdivisions including schools.

Residential property is reassessed in odd-number years. Calendar year 2003 is a reassessment year with minimal assessed valuation changes to residential property in the following year (2004). Although this legislation would be effective on August 28, 2004, we assume the fiscal impact of this legislation will not occur until the next reassessment year occurring in calendar year 2005 with the collections occurring in Fiscal Year 2006.

The 2002 assessed valuation for residential property is 33.1 billion dollars. We are assuming a seven percent (7%) increase in assessed valuation in 2003 resulting in an additional 2.3 billion dollars in assessed value. We project that in 2003 the assessed valuation for residential property will be 35.4 billion dollars. As there are minimal improvements to residential property in an even- numbered year, we will assume for 2004 the assessed valuation will again be approximately 35.4 billion dollars. In 2005 the next reassessment year, we assume there may be a loss of revenue as a result of this legislation.

ASSUMPTIONS (continued)

According to the 2000 census information 70.3% of the housing units are owner occupied with 10.3% of the householders are 65 year of age and older. We do not have any data available on the number of property owners 65 and older who have a household income of less than $50,000 and the number of property owners who have a household income of $50,000 or more but less than $100,000. Therefore, we are unable to project what the fiscal impact of this legislation would be to the political subdivisions.

Oversight assumptions are based on information provided by the State Tax Commission, and from Federal Census and Department of Labor reports.

This proposal would limit increases in the amount of taxes due on real property owned by persons over the age of sixty-five and with household income under $50,000 to the percentage increase in the Consumer Price Index, and would limit increases in the amount of taxes due on real property owned by persons over the age of sixty-five and with household income more than $50,000 but less than $100,000 to twice the change in the Consumer Price Index.

According to the State Tax Commission, the average increase in assessed valuation each two years is 7%. The average two-year change in the Consumer Price Index **over the past ten years** has been approximately 8%. This proposal would appear to impose a limit on tax increases that is more permissive than the historical increase in assessed valuations. In addition, tax levy rates are generally limited by existing state law which restricts tax revenue to the various taxing authorities. Without a vote of the people, tax revenues can only increase by an amount equal to or less than the change in the consumer price index. Therefore, this proposal would have no impact in limiting increases in taxes for real property owners over the age of sixty-five.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
POLITICAL SUBDIVISIONS			
Cost to counties			
Additional administrative cost to county assessor, collector, and clerk *	(Unknown)	(Unknown)	(Unknown)
NET EFFECT ON POLITICAL SUBDIVISIONS *	**(Unknown)**	**(Unknown)**	**(Unknown)**

* unknown expected to exceed $100,000.

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would limit increases in property taxes on real property owned by persons over sixty-five years of age. If the owner's household income is less than $50,000 per year, the percentage increase in tax due could not exceed the percentage change in the Consumer Price Index. If the owner's household income is more than $50,000 but less than $100,000, the percentage change in tax due could not exceed twice the percentage change in the Consumer Price Index.

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

Department of Revenue
State Tax Commission
Office of Administration
Division of Budget and Planning

NOT RESPONDING

Office of the Cole County Assessor
Office of the Attorney General

Mickey Wilson, CPA
Director
March 2, 2004