

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4938-01
Bill No.: HB 1735
Subject: Property Taxes
Type: Original
Date: April 26, 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
Blind Pension	\$0	(\$590,000)	(\$590,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$590,000)	(\$590,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government *	(Unknown)	(\$118,000,000 to Unknown)	(\$118,000,000 to Unknown)

* Unknown expected to exceed \$100,000.

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Department of Revenue** and the **State Tax Commission** assume this proposal would have no impact on their organizations.

Officials from the **Office of the Boone County Collector** (Collector) assume their office would require programming changes to create a totally new tracking system outside of but interactive with the tax billing and collections system. The Collector stated it is impossible to estimate the costs associated with the programming and system file requirements, however, the minimum would be \$25,000.

The Collector noted that 71.3% of 2003 real estate taxes billed in Boone County were on residential real estate, that total real estate taxes billed for 2003 was \$79 million. Therefore \$79 million x 71.3%
 = \$56 million in residential property taxes billed. If only 10% of taxpayers in Boone County meet the requirements to defer real estate property taxes under this proposal, the fiscal impact on the county taxing entities in 2003 would have been \$5,602,970.15. This includes state, county, cities, fire districts, school districts, library districts, road districts, state assessed schools, levee districts, and watershed districts. Boone County property taxes billed and collected increase an average of 3% each year.

ASSUMPTIONS (continued)

Officials from the **Office of the Cole County Assessor** (Assessor) assume there would be no additional revenues or savings to Cole County as a result of this proposal. Programming costs for changes to the Assessor's CAMA and mapping systems is estimated at a one time cost of \$4000 in 2005. Maintenance of the program within the Assessor's office is estimated to require one additional part time employee at \$9000 per year starting in 2005.

Oversight assumes there would be unknown additional costs, expected to exceed \$100,000, to county collectors and assessors as a result of this proposal.

Total taxes due and owing for all taxing jurisdictions from this bill would be approximately \$7,900,000 for 2005. 2006 losses would be approximately \$8,180,000 and 2007 losses would be approximately \$9,100,000. Based on these figures, the Assessor's office would lose ½ of 1% to the assessment fund each year as follows, 2005 - \$39,500, 2006 - \$40,900, 2007 - \$45,500. The legislation does not address the treatment of new construction and improvements, so they have been included.

The Assessor assumes it would take several years before any tax deferred properties would be sold and the resulting revenues (+ interest) dispersed to the taxing jurisdictions. It is unknown whether or not the program would ever "break even" with proceeds from sales equaling or exceeding the loss in taxes over the years, or how long a time frame before a noticeable revenue stream from property transfers might be realized.

The Assessor utilized a recent demographic study by the Jefferson City Area Chamber of Commerce for information regarding population and housing, broken down into different age categories. Utilizing this study, in addition to information in the Assessor's files, the following are estimated concerning 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

ASSUMPTIONS (continued)

Housing:

There are 27,064 occupied housing units out of a total 28,915 housing units in Cole County. 63.4% of housing units are owner occupied.
 $27,064 \times .634 = 17,159$ total owner occupied housing units

The highest possible number of households owned by those over 65 is $4,850/17,159 = .2827$ or 28.27%

For the purposes of estimations for this homestead legislation, the Cole County Assessor estimates that as much as 25% of residential, owner occupied property could possibly be owned by those over 65 and also fall within the income limits set by this bill; this estimate is on the high end so as not to underestimate the potential effects of this homestead legislation.

Oversight assumptions as to revenue reduction and state reimbursement, based on information provided by the State Tax Commission and from Federal Census reports, follow.

Residential Property is reassessed in odd-numbered years. The 2003 assessed valuation for residential property is \$36.2 billion. As there are minimal improvements to residential property in an even-number year, the 2004 assessed valuation would again be approximately \$36.2 billion. According to the 2000 census information, 70.3% of the housing units are owner occupied with 10.3% of the householders 65 and older. In addition, 67.9% of households meet the income requirements for this proposal.

Residential Assessed Valuation for Calendar Year 2003 is \$36.2 Billion.

$\$36.2 \text{ Billion} \times 70.3\% \text{ (residential property owner occupied)} = \25.4 Billion

$\$25.4 \text{ Billion} \times 10.3\% \text{ (residential property owner occupied over 65)} = \2.6 Billion

$\$2.6 \text{ Billion} \times 67.9\% \text{ (income qualified)} = \1.765 Billion.

$\$1.765 \text{ Billion} \times 5.47\% \text{ estimated 2005 assessment increase} = \1.862 Billion.

$\$1,862 \text{ Million} \times \$6 \text{ per hundred average state tax rate} = \$118 \text{ Million tax revenue loss for 2005 (FY 2006).}$

ASSUMPTIONS (continued)

SS:LR:OD (12/02)

Oversight assumes there would be the same \$118 Million tax revenue loss for 2006 (FY 2007) since 2006 is not a reassessment year, and that assessed valuations for 2007 (FY 2008) would increase another 5.47%, resulting in additional losses for FY 2008.

Oversight assumes there would be a loss to the state Blind Pension Fund of approximately ½ of 1% of the loss to local taxing authorities.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
BLIND PENSION FUND			
<u>Loss</u> - Reduced property tax collections	<u>\$0</u>	<u>(\$590,000)</u>	<u>(\$590,000)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$590,000)</u>	<u>(\$590,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
POLITICAL SUBDIVISIONS			
<u>Loss</u> - Reduced property tax collections	\$0	(\$118,000,000)	(\$118,000,000)
<u>Cost</u> - County Assessors and Collectors	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(\$118,000,000 to Unknown)</u>	<u>(\$118,000,000 to Unknown)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

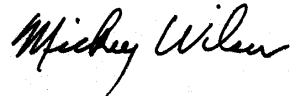
This proposal would create a property tax deferral system for the principal residence of persons aged sixty-five or older with income less than \$50,000 for individuals or \$75,000 for a couple

filing jointly. The deferred taxes plus ten percent interest would be due and payable when the ownership of the property changes or the owner ceases to occupy the property as a principal residence.

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 the Boone County Collector
Department of Revenue
State Tax Commission
Office of the Cole County Assessor

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 26, 2004