

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3473-03
Bill No.: HCS for HJR 36
Subject: Constitutional Amendments; Military Affairs; Property, Real and Personal;
Taxation and Revenue - General; Taxation and Revenue - Property
Type: Original
Date: February 7, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$52,560)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$52,560)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Public Safety, Office of the Director and Missouri Veterans Commission** assume this proposal would have no fiscal impact on their organizations.

Officials with the **Department of Revenue** assume this proposal would have no fiscal impact to their organization.

In response to a previous version of this proposal, officials with the **Department of Public Safety, Missouri Army Reserve National Guard** assumed the proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials with the **Office of the Cole County Assessor** assume this proposal would propose a constitutional amendment exempting from taxation all personal property owned by a Missouri resident on active duty with the United States military. The impact on Cole County is estimated as follows:

Veterans Commission estimate of 300 active duty military in Cole County

Estimate average tax bill on personal property at \$300

$300 \times \$300 = \$90,000$ total impact on property taxes

Cole Co. portion of the property tax levy is 18% of total levy

$\$90,000 \times 18\% = \$16,200$ to Cole Co. from property tax levy

Assessors office currently receives .725% of total taxes collected = $\$90,000 \times .00725 = \652.50 from assessment fund

The fiscal impact, stabilized over the next three years, is unknown. The numbers listed for 2007 would be the worst case scenario for any year. The assessor does not have information on when those that are deployed will return, or how many more may be deployed. The impact will be at its greatest when the country is at war; if no troops are deployed in 2008 and 2009, the impact would be insignificant.

The total impact in Cole County (estimated \$90,000) is out of a total collection in excess of \$60 million annually in property taxes.

The legislation will not require any new administrative procedures or cost. The assessor and collector offices would utilize the current "waiver" system already in place. The only burden on the military personnel would be that they would have to provide a copy of their orders showing their dates of service.

ASSUMPTION (continued)

Officials from the **State Tax Commission** (TAX) assume this proposal would have no fiscal impact on its agency, but that it would impact all local political subdivisions, including school districts, creating a loss of property tax revenue. This proposed constitutional amendment exempts personal property owned by active duty military residents from local personal property taxes.

TAX notes the Department of Conservation estimates that the total number of active duty military residents of Missouri to be 94,000. State Tax Commission records indicate that in 2004 nearly \$600,000,000 in personal property taxes were collected on motor vehicles. The Department of Revenue estimates nearly 5,294,882 vehicles were registered in FY 2005. Based on these figures, the average amount of personal property taxes paid on each vehicle is \$114.00.

If we assume that each active military resident owns 1 vehicle, the average tax bill would be \$114.00 per resident. The total impact to the local political subdivisions would be a revenue loss of \$10,716,000. ($\$114.00 \text{ tax per vehicle} \times 94,000 \text{ active military residents} = \$10,716,000 \text{ revenue loss.}$)

If we assume that each active military resident owns 2.5 vehicles, the average tax bill would be \$285.00 per resident. ($\$114 \text{ tax per vehicle} \times 2.5 \text{ vehicles} = \$285.00 \times 94,000 \text{ active military residents} = \$26,790,000 \text{ revenue loss.}$)

Officials from the **Office of the Secretary of State** (SOS) stated that statewide newspaper publication of constitutional amendments would cost approximately \$1,752 per column inch per publication date based on an estimate provided by the Missouri Press Service. The SOS estimated this proposal would require 10 inches, which includes title header and certification paragraph. ($\$1,752 \times 3 = \$5,256 \times 10 \text{ inches} = \$52,560$).

If a special election is called for this purpose rather than being voted on at a general election, the cost of the special election has been estimated to be \$1.2 million based on the cost of the past two such elections.

Oversight notes the proposal would propose a constitutional amendment to be submitted to the voters. Any exemption from taxation and resulting revenue loss to the state or local taxing authorities would result from passage of the constitutional amendment. Oversight also assumes this proposal would be submitted to the voters at the November, 2006, general election rather than at a special election.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Cost - Secretary of State</u>			
Publication cost	<u>(\$56,560)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$52,560)</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2007 (10 Mo.)	 FY 2008	 FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 propose a constitutional amendment to exempt from taxation all personal property held for the entire tax year by any resident of this state engaged in the performance of active duty in the military service of the United States.

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 Secretary of State
Department of Revenue
State Tax Commission
Office of the Cole County Assessor
Department of Public Safety
Office of the Director
Missouri Army Reserve National Guard
Missouri Veterans Commission

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

Mickey Wilson, CPA
Director
February 7, 2006