

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4431-01
Bill No.: HJR 59
Subject: Constitutional Amendments; Military Affairs; State Tax Commission; Taxation and Revenue - Property
Type: Original
Date: January 30, 2008

Bill Summary: Would propose a constitutional amendment exempting from taxation personal property of state resident engaged in active duty in the United States military.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Blind Pension	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0 or (More than \$100,000)	\$0 or (More than \$100,000)	\$0 or (More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** provided the following response.

Many joint resolutions are considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot.

There were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue) in FY 2007, at the August 2006 and November 2006 elections. Therefore, the SOS assumes for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

Officials from the **Office of Administration, Administrative Hearing Commission and Division of Budget and Planning**, and the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Public Safety, Missouri Veterans Commission, (VETS)** assume this proposal would have no fiscal impact on their organization. VETS officials also provided the number of Missouri residents on active military duty as of December 31, 2007.

Active Duty Military	1,153
Guardsmen	734
Reservists	<u>1,043</u>
Total	<u>2,930</u>

ASSUMPTION (continued)

Officials from the **State Tax Commission** (TAX) assume this proposal would not impact their organization. This proposal would exempt from personal property taxes all personal property held for an entire tax year by any resident of this state who is engaged in the performance of active duty in the military services. TAX is unable to project the amount of revenue loss but believes it could be substantial.

TAX does not have any information on the number of active duty military residents of Missouri. We have been informed that the Department of Conservation estimates the total number of active duty military residents to be 94,000. TAX records indicate that in 2006 nearly \$669,194,474 in personal property taxes were collected on motor vehicles. The Department of Revenue estimates nearly 5,915,456 vehicles were registered in September, 2007. Based on these figures, the average amount of property taxes paid on each vehicle is \$113.

If we assume that each active military residents owns one vehicle, the average tax bill would be \$113 per resident. The total impact to the local political subdivisions would be a revenue loss of \$10,622,000. (\$113.00 tax per vehicle x 94,000 active military residents = \$10,622,000 revenue loss.) If we assume that each active military resident owns one vehicle and the average tax bill was \$300.00 per vehicle, the local political subdivisions would experience a revenue loss of \$28,200.000.

In response to a similar proposal in the previous session (HJR 6, LR 0797-01, 2007) officials from the **Department of Elementary and Secondary Education** (DESE) assumed the proposal would not result in increased state cost to the school foundation formula. There might be some minimal cost to some school districts because their personal property tax revenue would decrease if there are residents of the district who would qualify for the exemption. Any impact is expected to be minimal.

In response to a similar proposal in the previous session (HJR 6, LR 0797-01, 2007) officials from the **Office of the Cole County Assessor** assumed the proposal would not have a direct fiscal impact on their organization. They assumed the Assessor and Collector could use the existing tax exemption process for the military personnel exempted from property tax by this proposal. The Assessor stated that the average Cole County tax bill for personal property is \$300.

ASSUMPTION (continued)

Oversight assumes that the average Cole County tax bill for personal property would be applicable to the entire state for purposes of estimating the fiscal impact of this proposal. The statewide impact of this proposal, if approved by the voters and implemented statewide would be (2,930 active duty military personnel x \$300 average personal property tax bill) = \$879,000.

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, 2008, general election rather than at a special election. Oversight will indicate a loss of tax revenue of \$0 or "More than \$100,000" to Local Governments. Oversight assumes the fiscal impact to the Blind Pension Fund would be approximately 1/2 of 1% of the impact to local governments and therefore less than \$100,000 per year. Oversight will indicate a loss of tax revenue of \$0 or "Less than \$100,000" to the Blind Pension Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
BLIND PENSION FUND			
<u>Revenue reduction</u>			
Personal property tax exemption	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL GOVERNMENTS			
<u>Revenue reduction</u>			
Personal property tax exemption	<u>\$0 or (Less than \$100,000)</u>	<u>\$0 or (Less than \$100,000)</u>	<u>\$0 or (Less than \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or (Less than \$100,000)</u>	<u>\$0 or (Less than \$100,000)</u>	<u>\$0 or (Less than \$100,000)</u>

FISCAL IMPACT - Small Business

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

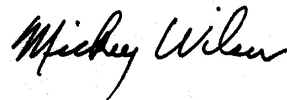
FISCAL DESCRIPTION

This proposal would propose a constitutional amendment exempting from taxation personal property of state resident engaged in active duty in the United States military.

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
Office of Administration
 Administrative Hearing Commission
 Division of Budget and Planning
Department of Public Safety
 Missouri Veterans Commission
Department of Revenue
State Tax Commission



Mickey Wilson, CPA
Director
January 30, 2008