

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4519-02
Bill No.: HCS for HB 1836
Subject: Property, Real and Personal; State Tax Commission; Taxation and Revenue -
Property
Type: Original
Date: February 28, 2008

Bill Summary: Would make changes to property tax statutes.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|----------------|----------------|----------------------|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| General Revenue | \$0 | \$0 | (\$4,000,000) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | (\$4,000,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|------------------|------------------|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| Blind Pension | \$0 | (Unknown) | (Unknown) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | (Unknown) | (Unknown) |

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 | (More than \$4,000,000) | (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Assessment Process for Possessory Interest

Officials from the **Office of Administration, Division of Budget and Planning**, the **Department of Elementary and Secondary Education**, the **Department of Revenue**, **Linn State Technical College**, the **Metropolitan Community Colleges, Clinton County**, the **City of Centralia**, and the **City of St. Louis** assumed a previous version of the proposal would have no fiscal impact to their organizations.

Officials from the **State Tax Commission (TAX)** assumed a previous version of this proposal would have no fiscal impact on their organization. TAX officials stated that the proposal would nullify the assessment of this type of property, and could have a fiscal impact to local governments. TAX officials were not able to provide an estimate of the number or current assessed valuation of eligible properties.

Oversight assumes that this proposal could apply to certain leased real property which is on or adjacent to a commercial airport and owned by a political subdivision. The proposal would specify a method for determining the assessed valuation for tax purposes of such properties. Oversight assumes the assessed valuation of such properties would be reduced if this proposal was implemented. The proposal would become effective after 2008 taxes are determined and would become effective for 2009 taxes in FY 2010. Accordingly, Oversight concludes that the fiscal impact to local governments and the Blind Pension Fund for years after FY 2009 is unknown.

Property Tax Credit for Rolling Stock Expenditures

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

In response to a similar proposal (HB 1810 LR 4268-01), officials from the **State Tax Commission (TAX)** assumed the proposal would create a tax credit against a freight line company's ad valorem property tax. TAX assumed that only those freight line companies that are defined by Section 137.1003. (4) RSMo would be eligible for the tax credit. There are approximately 345 freight line companies that could qualify for this credit.

ASSUMPTION (continued)

In calendar year 2006, the amount of freight line ad valorem property tax was \$3.5 million dollars and in calendar year 2007, the amount of freight line ad valorem property tax was \$4.1 million dollars. TAX assumes that annual taxes would be approximately \$4 million dollars. If we assume that each of these companies have significant eligible expenses to offset the total amount of tax due, the State of Missouri would be required to annually reimburse the local political subdivision approximately \$4 million dollars. This credit would be effective on January 1, 2009 for property taxes due in FY 2010.

Officials from the **Department of Transportation** did not respond to our request for information.

Oversight will use the State Tax Commission estimate of tax credits allowable and the reimbursement due to political subdivisions. The reimbursement for local revenues lost would be known in FY 2010, and appropriated and paid in FY 2011.

| <u>FISCAL IMPACT - State Government</u> | FY 2009 (10 Mo.) | FY 2010 | FY 2011 |
|---|---------------------|-------------------------|-----------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Cost - reimbursement of local tax reductions</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$4,000,000)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>\$0</u> | <u>\$0</u> | <u>(\$4,000,000)</u> |
| BLIND PENSION FUND | | | |
| <u>Revenue reduction - property taxes</u> | <u>\$0</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON BLIND PENSION FUND | <u>\$0</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2009 (10 Mo.) | FY 2010 | FY 2011 |
|--|---------------------|---|-------------------------|
| LOCAL GOVERNMENTS | | | |
| <u>Reimbursement</u> - for revenue reduction | \$0 | \$0 | \$4,000,000 |
| <u>Revenue reduction</u> - tax credits | \$0 | (\$4,000,000) | (\$4,000,000) |
| <u>Revenue reduction</u> - property taxes | <u>\$0</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS | <u>\$0</u> | <u>(More than \$4,000,000)</u> | <u>(Unknown)</u> |

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses which own or lease possessory interests in real property on or adjacent to certain commercial airports.

FISCAL DESCRIPTION

This proposal would define the assessment valuation process for possessory interests in certain real property on or adjacent to certain commercial airports, and provide a property tax credit for freight company rolling stock improvements.

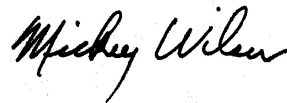
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
Linn State Technical College
Metropolitan Community Colleges
Clinton County
City of Centralia
City of St. Louis

NOT RESPONDING

Department of Transportation

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

Mickey Wilson, CPA
Director
February 28, 2008