COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3820-01
Bill No.: HB 1835
Subject: Elderly; Housing; State Tax Commission; Taxation and Revenue - Property
Type: Original
Date: April 13, 2010

Bill Summary: Would allow senior citizens 62 years of age or older to defer paying property taxes on their residences under certain conditions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(More than $100,000)	(More than $100,000)	(More than $100,000)
Total Estimated Net Effect on General Revenue Fund	**(More than $100,000)**	**(More than $100,000)**	**(More than $100,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Blind Pension	(Less than $100,000)	(Less than $100,000)	(Less than $100,000)
Senior Property Tax Deferral Revolving Account	More than $100,000	More than $100,000	More than $100,000
Total Estimated Net Effect on Other State Funds	**Unknown**	**Unknown**	**Unknown**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 20121	FY 2013
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
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 2011	FY 2012	FY 2013
Local Government	**(More than $100,000)**	**(More than $100,000)**	**(More than $100,000)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume there would be no additional cost to their organization as a result of this proposal.

BAP officials stated that this proposal would create a property tax deferral program for qualifying seniors. Deferred property taxes would be reimbursed to the county by the state from the newly created Senior Property Tax Deferral Revolving Account. The DOR would hold a lien on the property until deferred taxes are repaid. Taxes would be repaid on the death of the owner or transfer of the property.

This proposal would have no impact on general and total state revenues; however, there is no funding source specified for the newly created revolving account. General revenues would be used to cover any shortfalls in the account, and any such transfers would be subject to appropriation. In the event that appropriations are insufficient to cover repayments, local governments could have substantial cash flow issues.

Officials from the **Department of Elementary and Secondary Education** (DESE) assume this proposal would appear to have no impact on the school foundation formula. DESE officials stated that there may be some impact on school districts due to the deferment of property taxes.

Officials from the **State Tax Commission** assume this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would create a property tax deferral program.

Individuals, or two or more individuals jointly, could defer property taxes on their homestead by filing a claim for deferral. The deferral request would be filed after January 1 and on or before October 15 of the first year in which the deferral is claimed. The claim for deferral would be on a form supplied by DOR. A claimant would be eligible if the individual, or the older of two or more, is 62 or older and have income below the upper limit. On or before December 15 of each year, DOR would notify each taxpayer who qualifies for the deferral.

There would also be qualifying requirements for the property, and a claimant could not defer property taxes if they have filed for a homestead exemption credit.

The proposal would stipulate that none of these provisions could prevent collection of taxes due to foreclosure, to defer payment of special assessments, or affect any provision of any mortgage or other instrument requiring the person to pay property taxes. It would be unlawful for a deed or land sale contract to have a clause prohibiting the owner from apply for deferral.

DOR would, at the time the taxpayer elects to defer taxes, estimate the amount of property taxes to be deferred for tax years beginning January 1, 2011. The amount eligible for deferral would be reduced by $0.50 for each dollar of household income in excess of the maximum upper limit. If the household income exceeds the maximum upper limit by a factor of two, property taxes could not be deferred. If a taxpayer is precluded from deferral due to the maximum upper limit, they may qualify for a deferral of the amount which has increased since January 1 of the year after their 62nd birthday.

DOR would create a lien on the property will be in the amount of the deferred taxes. DOR would record in county mortgage records a list of tax-deferred properties of that county; and that record would document the Director's lien against those properties for deferred taxes.

The "Senior Property Tax Deferral Revolving Account" would be created in the Department of Revenue for transactions related to the deferral program.

ASSUMPTION (continued)

DOR officials assume Personal Tax would require $54,450 per year in funding for postage to send 150,000 notices at $363 per 1,000 notices, and $11,400 per year to print new 150,000 new tax forms and instructions. In addition, DOR officials assume Personal Tax would require twenty-Five FTE Revenue Processing Technician I (Range 10, Step L) based on one (1) FTE for every 6,000 claims received and one FTE Section Supervisor (Range 22, Step Q) to maintain the unit and handle policy issues. Customer Assistance would require one FTE Tax Collections Technician I (Range 10, Step L) for every 15,000 calls on the delinquent tax line, one FTE Tax Collection Technician I (Range 10, Step L) for every 24,000 calls on the non-delinquent tax line, and one FTE Revenue Processing Technician I (Range 10, Step L) for every additional 4,800 contacts in the field offices.

In total, the DOR estimated cost to implement this proposal including twenty-nine additional employees and the related benefits, equipment, and expense was $1,238,754 for FY 2011, $1,312,890 for FY 2012, and $1,350,301 for FY 2013.

Oversight assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly $5,000 per employee.

Officials from **St. Louis County** assume this proposal would have a minimal fiscal impact on their organization if it is administered at the state level. If the program is administered at the local level, the county assumes there would be a one-time cost of $10,000 for computer programming and a salary of $39,500 per year for clerical staff to track and update records.

Officials from the **City of Centralia** assume that if the County Collector continues to charge the statutory fees for assessment and collection, this bill would result in a loss of revenues otherwise due to the City and the Library District in the amount to 2% of the tax deferred each year. This is roughly estimated to not exceed $900 each year, but could be considerably less if the degree of eligible taxpayer participation is low.

Officials from the **City of Kansas City** assume this proposal would have an unknown negative fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Francis Howell School District** note that this proposal would allow senior citizens to defer paying property taxes on their residences under certain conditions, and assume the proposal would have a negative fiscal impact on their organization.

Officials from the **St. Joseph Police Department** assume this proposal could ahve negatively impact their organization's funding.

Oversight has reviewed the federal Census Data and notes that approximately 70% of housing units are owner-occupied, and approximately 22% of Missouri residents are 60 years of age or older. Therefore, approximately (70% x 22%) = 15% of Missouri housing units would be owned by persons 60 years of age or older.

Oversight assumes it is not possible to estimate the number of persons who would actually apply for this tax deferral, the value of real estate they own, or the amount of taxes which would be subject to deferral under this proposal. Oversight notes that the proposal would limit the amount of deferred taxes based on the assessed value of the home and any existing liens against the home, and also assumes that many of the potential tax deferral claimants would be enrolled in the Homestead Preservation Credit program. These factors would significantly reduce the number of additional claims filed.

Oversight also notes that DOR currently has personnel involved in tracking Homestead Preservation Credit claims; therefore Oversight assumes this proposal could be implemented with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

Oversight assumes the first applications for deferral would be prepared in October, 2010 for 2010 taxes otherwise payable December 31, 2010. The first reimbursements to county collectors would be in January 2011 for those deferred taxes. The deferrals, reimbursements, and withholdings would begin in state FY 2011. Oversight assumes that transfers from the state General Revenue Fund to the Senior Property Tax Deferral Revolving Account would be required for the first few years of operation.

Oversight also assumes there would be significant unknown costs for county collectors, assessors, clerks, and recorders in implementing this proposal.

Oversight assumes that the two percent withholding from payments to the collectors would result in an unknown reduction in revenues to the political subdivisions since county collectors would abstract the reduced tax collections resulting from the tax deferrals and reimbursements from the Senior Property Tax Deferral Revolving Account to all taxing authorities. Oversight assumes that the two percent withheld from taxes paid to local governments could reduce but not eliminate the need for transfers from the General Revenue Fund. Oversight assumes the impact on the state Blind Pension Fund would be ½ of 1% of the impact to local governments, with an unknown net loss of tax revenue less than $100,000.

DOR also provided an estimate of the IT cost to implement this proposal of $80,136, based on 3,024 hours of programming to make changes to the individual tax processing system.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

FISCAL IMPACT - State Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
Transfers - Senior Property Tax Deferral Revolving Account	(More than $100,000)	(More than $100,000)	(More than $100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(More than $100,000)**	**(More than $100,000)**	**(More than $100,000)**
BLIND PENSION FUND			
Revenue			
Reimbursements from Senior Property Tax Deferral Revolving Account	Less than $100,000	Less than $100,000	Less than $100,000
Revenue reduction			
Reduced tax collections	(Less than $100,000)	(Less than $100,000)	(Less than $100,000)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**(Less than $100,000)**	**(Less than $100,000)**	**(Less than $100,000)**

FISCAL IMPACT - State Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
SENIOR PROPERTY TAX DEFERRAL REVOLVING ACCOUNT			
Revenues - collections of deferred taxes	$0	More than $100,000	More than $100,000
Transfers - General Revenue Fund	More than $100,000	More than $100,000	More than $100,000
Reimbursements - to county collectors	(Unknown)	(More than $100,000)	(More than $100,000)
NET EFFECT ON SENIOR PROPERTY TAX DEFERRAL REVOLVING ACCOUNT	**More than $100,000**	**More than $100,000**	**More than $100,000**

FISCAL IMPACT - Local Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL GOVERNMENTS			
Revenue			
State reimbursements from Senior Property Tax Deferral Revolving Account	Unknown	More than $100,000	More than $100,000
Revenue reduction			
Reduced tax collections	(More than $100,000)	(More than $100,000)	(More than $100,000)
Withholding from tax collections	(More than $100,000)	(More than $100,000)	(More than $100,000)
Cost to counties			
Additional administrative cost to county assessor, collector, clerk, and recorder	(More than $100,000)	(More than $100,000)	(More than $100,000)
NET EFFECT ON LOCAL GOVERNMENTS	**(More than $100,000)**	**(More than $100,000)**	**(More than $100,000)**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation would allow senior citizens 62 years of age or older to defer paying property taxes on their residences under certain conditions.

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
    Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
St. Louis County
City of Centralia
City of Kansas City
Francis Howell School District
St. Joseph Police Department

Mickey Wilson

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Director
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