

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0002-01
Bill No.: HB 5
Subject: Taxation and Revenue - Property; Property, Real and Personal; Housing
Type: Original
Date: September 7, 2011

Bill Summary: Would provide property tax abatement for property damaged as a result of a natural disaster.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Blind Pension	\$0 to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0 to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Senate, Office of the Governor, the Office of the State Treasurer, the Office of the State Auditor, the Office of Administration, Administrative Hearing Commission, the Department of Agriculture, the Department of Corrections, the Department of Economic Development, the Department of Elementary and Secondary Education, the Department of Health and Senior Services, the Department of Higher Education, the Department of Mental Health, the Department of Public Safety, Capitol Police, and Missouri Veterans Commission, the Missouri Highway Patrol, the Department of Revenue, the Missouri Consolidated Health Care Plan, the Joint Committee on Administrative Rules, the Joint Committee on Public Employee Retirement, the MoDOT and Highway Patrol Employees' Retirement System, Platte County, the City of Belton, and the City of Kansas City**, assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume the proposed legislation would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would allow commercial property destroyed in a natural disaster to be removed from a county's tax book, on a pro-rata basis. The property would be added back when the property is placed back in use.

The proposal would have no direct impact on General Revenues. However, in the event assessed values are lowered, Blind Pension Fund receipts (and Total State Revenue) may be reduced by an unknown amount.

Officials from **Platte County** assume this proposal would authorize the county commission to adopt a policy of removing commercial property improvements destroyed by a natural disaster from the tax rolls similar to the provision currently in effect for residential property in the occupancy law. If the county commission adopts this section, the law would require the assessor's office to provide forms and our staff to verify the destruction and subsequent restoration of commercial properties.

ASSUMPTION (continued)

For a situation like the flood this summer any increased cost to the Platte County Assessor's office would be nominal and the tasks could be performed by existing staff. If destruction on the scope experienced by Joplin this summer were to occur in Platte County, additional staff might be required to process claims, but it would be difficult to estimate the costs.

Officials from the **State Tax Commission** (TAX) provided the following response.

The Commission has reviewed the proposed bill concerning the creation of section 137.081 and the amendment of 137.082, which would provide for the removal from assessment on a pro rata basis of commercial real property improvements destroyed by a natural disaster.

This proposed legislation would not have a fiscal impact on the State Tax Commission. The potential loss of revenue in Jasper County would be as follows:

County of Jasper	\$ 19,245
Joplin R-8 School	\$397,898
City of Joplin	\$ 64,400
Joplin Road Dist.	\$ 32,764
Senate Bill 40	\$ 13,140
Mental Health	\$13,140
All Other Districts	<u>\$ 47,579</u>
Total	<u><u>\$588,166.</u></u>

For 2011 (FY 2012), the law would become effective upon adoption by a county. Thereafter, it would be effective on January 1 following its adoption, i.e., the following tax year.

TAX officials told us the estimate of revenue reductions was based on assessed valuation losses of approximately \$21.8 million for commercial property.

Residential property

Section 137.082 of this proposal would provide a pro rata reduction in the assessed valuation of residential property damaged or destroyed due to natural disaster. TAX officials did not provide an estimate of the revenue reduction which could be attributed to residential property.

ASSUMPTION (continued)

Oversight assumes that residential assessed valuation losses for Joplin/Jasper County taxing authorities would be greater than \$100,000 for 2011 (FY 2012).

Oversight is also aware of property destruction in other Missouri locations during 2011.

Oversight notes that the maximum calculated impact would occur if local governments are unable to increase their tax levy rate to recover the loss of assessed valuation associated with the reduction of assessed valuation for properties damaged or destroyed due to a natural disaster. If local governments are able to increase their tax levy rate to recover those losses, this proposal would likely shift the property tax burden from owners of damaged property to other property owners. Oversight also notes that the proposal limits such tax rate adjustment to the amount of tax revenue lost due to the damage, and to the extent authorized by the voters of the political subdivision in the year following the destruction.

Oversight has reviewed the available information as to current levies and current levy rate limits reported by the Office of the State Auditor (SAO). SAO officials told us they reported the annual levy rate limits but not the maximum voter approved levy rates. Accordingly, Oversight does not have the information that would be required to determine which local governments would be able to increase their levy rates to fully recover the loss of assessed valuation due to property damage. We noted, based on our review of the annual rate limits, that certain local governments could increase their levy rates beyond their current level.

Oversight will indicate, for the purposes of this fiscal note, a range of revenue reduction from \$0 to Unknown for 2011 (FY 2012). The overall impact of this proposal on local government revenues for FY 2012, FY 2013, and FY 2014 would depend on the extent to which local governments adopt the provisions required by this proposal, the extent to which properties are damaged and subsequently restored, whether annual levy rates could be increased due to current levy rate limits, and whether local governments could obtain voter approval for increased levy rates.

ASSUMPTION (continued)

Oversight further assumes that most damaged properties would not be restored before January 1, 2012, and that some but not all affected local governments could increase levy rates or receive voter approval for a tax rate increase. Accordingly, for 2012 (FY 2013) and 2013 (FY 2014) Oversight will indicate additional revenue from \$0 to Unknown for restored property, and for levy rate adjustments.

Oversight assumes that the fiscal impact for the Blind Pension Fund would be about one-half of one percent of the reduction in local government revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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BLIND PENSION FUND

<u>Additional revenue</u> - property restored	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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<u>Revenue reduction</u> - reduction of assessed valuation for damaged property	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0 to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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LOCAL GOVERNMENTS

<u>Additional revenue</u> - property restored	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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<u>Additional revenue</u> - levy rate increases	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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<u>Revenue reduction</u> - reduction of assessed valuation	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
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FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which own or operate commercial or residential property.

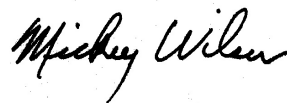
FISCAL DESCRIPTION

The proposed legislation would provide property tax abatement for property damaged as a result of a natural disaster.

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

Missouri Senate
Office of the Governor
Office of the State Treasurer
Office of the State Auditor
Office of the Attorney General
Office of Administration
 Administrative Hearing Commission
 Division of Budget and Planning
Department of Agriculture
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Higher Education
Department of Mental Health
Department of Public Safety
 Capitol Police
 Missouri Veterans Commission
Missouri Highway Patrol
Department of Revenue
State Tax Commission
Missouri Consolidated Health Care Plan
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
MoDOT and Highway Patrol Employees' Retirement System
Platte County
City of Belton
City of Kansas City



Mickey Wilson, CPA
Director

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