

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0002-04
Bill No.: HCS for HB 5
Subject: Taxation and Revenue - Property; Property, Real and Personal; Housing
Type: Original
Date: September 9, 2011

Bill Summary: Would provide property tax abatement for commercial 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 8 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

In response to a previous version of this proposal, officials from the **Missouri Senate**, the **Office of the Governor**, the **Office of the State Treasurer**, the **Office of the State Auditor**, the **Office of the Attorney General**, the **Office of Administration**, **Administrative Hearing Commission**, the **Department of Agriculture**, the **Department of Conservation**, 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 Natural Resources**, the **Department of Public Safety**, **Capitol Police**, **Missouri Veterans Commission**, and **State Emergency Management Agency**, 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**, and the **City of Belton** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed a previous version of this proposal would not result in additional costs or savings to their organization.

BAP officials stated that the 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. BAP officials deferred to the State Tax Commission for an estimate of the impact on assessed valuation and tax revenues.

Officials from the **State Tax Commission (TAX)** provided the following response to a previous version of this proposal.

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.

ASSUMPTION (continued)

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>\$588,166.</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.

Officials from **Platte County** assumed previous version of 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.

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 **City of Kansas City** stated that because this legislation provides for recovery of the losses incurred by the reassessment scheme established by this bill for areas damaged by natural disasters in the next year, there should be no loss over two years, although there will be a loss the year the assessment is changed to reflect the natural or other disaster.

ASSUMPTION (continued)

Officials from the **Parkway School District** stated that the impact of this proposal on their organization is unknown.

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.

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.

ASSUMPTION (continued)

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.

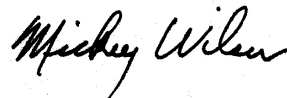
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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 Conservation
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Higher Education

SOURCES (continued)

Department of Insurance, Financial Institutions, and Professional Registration
Department of Natural Resources
Department of Mental Health
Department of Public Safety
 Capitol Police
 Missouri Veterans Commission
 State Emergency Management Agency
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
Parkway School District



Mickey Wilson, CPA
Director
September 9, 2011