

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4728-01
Bill No.: HB 1313
Subject: Property, Real and Personal; Taxation and Revenue - Property; Counties
Type: Original
Date: February 14, 2012

Bill Summary: This proposal limits the increase in assessed valuation of residential property by the percentage of increase in the federal Social Security benefits for the elderly and disabled who own and live in their principal residence.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Department of Insurance, Financial Institutions and Professional Registration** state this proposal has no fiscal impact on their respective agencies.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. 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 the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP.

According to BAP, this proposal limits the increase in assessed valuation of residential property used as a principal residence by qualified taxpayers (homeowners aged 65 or disabled, under the proposed income limit) to the percentage of increase in Social Security benefits for the elderly and disabled. This proposal will limit the growth in revenues for the Blind Pension Fund.

According to Census 2010 data:

- 14% of Missourians are at least age 65
- 18.4% of all housing units owner-occupied with a householder age 65 or over.

According to the State Tax Commission, the assessed value of residential property totaled \$51.553 billion in tax year 2010.

This proposal will not directly impact general revenues. To the extent that growth in property tax payments is slowed by this proposal, growth in Blind Pension Fund receipts may also be slowed.

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ASSUMPTION (continued)

This proposal will limit the growth in municipal revenues, including school districts, if levies are not otherwise adjusted.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposed legislation has the potential to have a negative impact on school district property tax revenue because those taxpayers aged 65 or over or those who are disabled have increases in their property assessments limited to the increase in their social security payments. While it is impossible to accurately calculate the loss in property tax revenue, it likely would be small in most districts. The loss in revenue is going to be the difference between reassessment growth and the percentage of increase in social security payments, if any, for a limited segment of taxpayers.

DESE states there does not appear to be any fiscal impact to the state school foundation formula.

Officials from the **Office of State Auditor (SAU)** assume §137.115.17 (6) gives the SAU the authority to promulgate rules to implement provisions of the subsection; however, the SAU has no other duties listed in the proposal.

Officials from the **Missouri Tax Commission (TAX)** do not have any information available on the number of property owners who would qualify for this limitation. Therefore TAX is unable to project the revenue impact.

Officials from **Kansas City** assume that limiting the rate for increases to assessments on any subset of taxpayers will reduce the basis of the City's property tax collection since property values do not necessarily match the formula used to determine Social Security increases.

Officials from the city of **Columbia** and **Raytown** responded, but were unable to determine fiscal impact.

Officials from **Cole County** responded, but did not indicate fiscal impact.

Officials from the **Parkway School District** indicated the fiscal impact on this proposal on their district is unknown.

Officials from the **Independence School District** assume there is a cost associated with this proposed legislation, but were unable to calculate an amount.

ASSUMPTION (continued)

Officials from the **Mexico School District** state the fiscal impact on their district cannot currently be determined, but assume this proposal would lessen the amount of local revenue to Missouri school districts.

Officials from the **Special School District of St Louis County (SSD)** stated this proposal had too many variable to estimate the fiscal impact of this proposed legislation. It would probably have a negative impact, but not a material impact, on SSD. Increases in property tax revenue are limited to the lower of CPI or 5% and Social Security increases are based on the CPI. However, the mechanics vary as to how each of these rates are computed. In other words, an increase may not occur in Social Security benefits in a given year when property tax rates increase.

Oversight assumes, based on additional information from the Missouri Tax Commission, that the total assessed valuation of residential property has decreased in the last three assessment cycles. For the purposes of this fiscal note, **Oversight** will assume no revenue losses to political subdivisions resulting from the limits on assessed valuations proposed in this legislation.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Beginning January 1, 2013, this proposal limits the increase in assessed valuation of residential property to the percentage of increase in the federal Social Security benefits in the previous year for an individual who is 65 years of age or older or who is disabled, has a federal adjusted gross income of less than \$72,380, and owns and lives in his or her principal residence.

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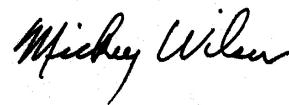
FISCAL DESCRIPTION (continued)

The maximum income limit will increase by the same incremental increase in the general price level as specified in the Missouri Constitution.

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
 Taxation Division
 State Tax Commission
Office of Secretary of State
 Administrative Rules Division
Office of State Auditor
Cities
 Kansas City
 Columbia
 Raytown
Counties
 Cole
Schools
 Mexico
 Special School District of St Louis County
 Parkway
 Independence



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