

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0156-02
Bill No.: HCS for HB 43
Subject: Taxation and Revenue - Property; Property, Real and Personal
Type: Original
Date: February 17, 2017

Bill Summary: This proposal would change the laws regarding tax assessment of commercial real property destroyed by a natural disaster.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Blind Pension	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** stated this proposal would allow the governing body of any county or the City of St. Louis to allow changes to assessments of commercial real property destroyed by a natural disaster. The proposal includes a provision allowing political subdivisions to possibly adjust the rate of taxation to recover the loss of revenue, to the extent previously authorized by voters, in the following year.

BAP officials noted if the assessment causes lower property tax receipts, Blind Pension Fund revenues could be reduced by an unknown amount, thus lowering Total State Revenues. BAP officials also noted the proposal could impact tax liability distributions on the local level, which would impact Missouri Constitutional revenue limit section 18(e) calculations.

Officials from the **State Tax Commission** assume this proposal would have an unknown fiscal impact since the frequency, scope, or scale of a potential natural disaster would be difficult to predict as well as the fiscal impact. While the act provides for recovery of lost revenue of affected commercial properties by allowing political subdivisions to adjust the rate of taxation the following year, the fiscal impact would be unknown.

Officials from the **Joint Committee on Administrative Rules, St. Louis County, the City of Kansas City, the Jackson County Election Board, and the Platte County Board of Elections** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of the Secretary of State** and the **Department of Revenue** assumed a previous version of this proposal would have no fiscal impact on their organizations.

Officials from the **Everton School District** assumed a previous version of this proposal would result in a loss of revenue to their organization of \$250,000 or more in the event of a natural disaster.

Officials from the **Kirkville School District** assumed a previous version of this proposal could have a limited negative impact on Missouri public schools.

Officials from **Callaway County** and the **West Plains School District** assumed a previous version of this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, Daviess, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to our request for information.

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kansas City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Malta Bend, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoux R-2, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Webster Groves, Westview C-6 and the Wright City R-2 School District did not respond to our request for information.

ASSUMPTION (continued)

Oversight notes the proposal would only become effective upon its adoption by local government authorities and the actual occurrence of a natural disaster that destroyed commercial property. Oversight is not able to predict how many, if any, local governments would adopt the provisions in this proposal nor the timing and magnitude of destruction of commercial property after a natural disaster. Oversight will indicate an impact of \$0 or (Unknown) to the Blind Pension Fund and to local governments.

Oversight notes this proposal would become effective in August, 2017 (FY 2018) and could have a fiscal impact beginning in FY 2018, and continuing in FY 2019 and FY 2020.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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BLIND PENSION FUND

<u>Revenue reduction</u> - Reduction in assessed valuation of commercial real property destroyed in a natural disaster.	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON BLIND PENSION FUND	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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LOCAL GOVERNMENTS

<u>Revenue reduction</u> - Reduction in assessed valuation of commercial real property destroyed in a natural disaster.	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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FISCAL IMPACT - Small Business

A small business that experiences the destruction of commercial real property as a result of a natural disaster could apply for a reduction in property taxes on that property. A small business could also be subject to increased property taxes as a result of a political subdivision adjusting the tax rate to recover a loss of revenue from property destroyed by a natural disaster.

FISCAL DESCRIPTION

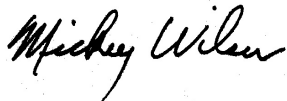
The proposed legislation would require the county assessor in a county whose governing body has adopted these provisions to adjust the property's valuation on the current year's tax book on a pro-rata basis for any commercial real property destroyed by a natural disaster. The owner of any such property would file an application with the assessor's office listing all destroyed property. The assessor would verify the destroyed property to ensure that the owner made a correct statement. Any person who fraudulently reports property as destroyed would be assessed double the value of the property in addition to other penalties provided by law. A political subdivision could recover lost revenue by adjusting the rate of taxation, to the extent previously authorized by the voters, in the tax year immediately following the year of destruction.

Once the restoration of the property is completed and a certificate of occupancy is issued, or the assessor has determined the restored property is suitable for commercial use, the valuation of the restored property would be returned to the tax rolls.

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 Revenue
Missouri State Tax Commission
Joint Committee on Administrative Rules
Callaway County
ST. Louis County
City of Kansas City
Everton School District
Kirksville School District
West Plains School District
Jackson County Election Board
Platte County Board of Election Commissioners



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February 17, 2017

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