

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4540-01
Bill No.: HJR 54
Subject: Property, Real and Personal, Taxation and Revenue - Property
Type: Original
Date: February 1, 2018

Bill Summary: This proposes a constitutional amendment to extend the due date of personal property taxes to the last day of February.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-----------------------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| General Revenue | \$0 or (\$7,800,000) | \$0 | \$0 |
| Total Estimated Net Effect on General Revenue | \$0 or (\$7,800,000) | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|--|----------|----------|----------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| 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 2019 | FY 2020 | FY 2021 |
| Local Government | \$0 | \$0 or (Unknown) | \$0 or (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **State Tax Commission** assume this would have no fiscal impact on the Commission. However, it may have a fiscal impact on counties and other taxing jurisdictions by changing the date from December to February.

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal moves the personal property tax payment deadline to the last weekday in February following the tax year. The State receives three cents on every one hundred dollars in property tax receipts for the Blind Pension Fund. This proposal will not change the amounts collected; however, it could delay tax payments. Voter approval negates impact to Total State Revenue and the 18(e) calculation.

Oversight assumes that since the Blind Pension Fund will still receive its three cents on every one hundred dollars in assessed value, that this proposal will not have a fiscal impact on the Fund.

Officials at the **Office of the Secretary of State (SOS)** assume that each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY 2013, the appropriation had historically been an estimated appropriation because the final cost is dependent

ASSUMPTION (continued)

upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation. In FY 2017 the Secretary of State's Office was appropriated \$2.6 million to publish the full text of the measures. In FY 2017, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$2.4 million to publish (an average of \$400,000 per issue). The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2019. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2018 and the next scheduled general election is in November 2018 (both FY 2019). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2019.

Officials at the **Department of Revenue** and the **Department of Elementary and Secondary Education** each assume there is no fiscal impact from this proposal.

Officials at the **Boone County** assume an impact of \$225,000 annually.

Officials at the **Daviess County** assume the cost to the county would be as follows:

| | |
|------------------------------|--------------|
| Loss of revenue to county | \$2,550 |
| Loss of revenue to schools | \$7,700 |
| wages for extra staff needed | \$5,000 |
| mailing for tax statements | <u>\$500</u> |
| Total Impact to County | \$15,750 |

Officials at the **West Plains School District** assume in the end the revenue received would not be impacted. However, waiting an additional two months for these funds could place a strain on the district reserves and might require short term borrowing. Due to loan interest, this could cost out district up to \$50,000 annually.

ASSUMPTION (continued)

Officials at the **Macon County R-IV School District** assume this would not increase or decrease revenue. It would delay receiving budgeted local revenue. Loans may need to be taken out against future revenue with due dates for property tax payments.

Officials at the **Warrensburg R-IV School District** assume \$16,801 annual expenses for fees and interest on a tax anticipation note to pay staff for 2-3 months due to the delay in revenue. \$2,332 lost annually in interest revenue due to a 2 month delay on payment.

Officials at the **Wellsville-Middletown R-I School District** assume the delay in funding could cause a delay in scheduled set payments such as bond and lease-purchase agreements.

Officials at the **Pettis County R-V School District** assume that tax anticipation notes would have to be taken in order to make payroll.

Officials at the **Montgomery County R-II, Hazelwood** and the **Osage County R-2 School Districts** each assume their district may have to borrow funds to meet payments until local revenues arrive.

Officials at the **Summersville R-2 School District** assume this would negatively affect the districts. The budgeting process would change dramatically, because the number of lean months before receiving local levy funds would increase. Waiting longer means more stress financially. It would also generally affect delinquent taxes at districts. Overall, the affect should be minimal, but budgeting would change quite a bit. The fiscal year ends June 30th, so some payments would be staggered more as a result of this.

Officials at the **City of O'Fallon** assume they would be very concerned if it were extended beyond the February time period. The City of O'Fallon has a fiscal year end of December 31 which requires the City to have all of our property tax information reported and reconciled by mid-February in order to timely prepare the City's financial statements for the previous year ended. St. Charles County's Collectors Office has a high volume of property tax collections so the reporting of collections at year-end is delayed until all of the mail in payments are able to be processed and posted. In this scenario we would not be able to effectively close our general ledger books.

In addition, the City has two general obligation debt issuances for which we are required to remit debt service payments. We selected a March 1 due date for the debt service payments on both of them based upon the timing of the monies received from our debt service property tax levy. The

City is concerned that a change in the receipt of tax payments could potentially result in a

ASSUMPTION (continued)

negative cash balance as our payments will be due prior to receiving a large majority of our tax receipts.

Officials at the **City of Kansas City** and the **City of Columbia** each assume there is no fiscal impact from this proposal.

Officials at the **Kirksville R-III School District** assume there is no fiscal impact from this proposal.

Officials at the **Jackson County Board of Election Commission** and the **St. Louis County Board of Election Commission** each assume there is no fiscal impact from this proposal.

Oversight notes this proposal would extend the personal property tax filing deadline from December 31st annually to the last weekday of February following the calendar year in which the property was assessed. Personal Property is assessed yearly and is based on its ownership on January 1st. The personal property tax bills are mailed in November with payment due December 31st. Extending the payment deadline would result in the local political subdivisions still receiving the same amount of money in the state FY. However, with the delay some local political subdivisions may need to take out tax anticipation loans thereby resulting in interest payments. Oversight will show this impact as \$0 (constitutional amendment defeated) or (Unknown).

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|---|--|-------------------|-------------------|
| GENERAL REVENUE FUND | | | |
| <u>Transfer Out- to Local Election</u> | | | |
| Authorities the cost of a special election if called | \$0 or <u>(\$7,800,000)</u> | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | \$0 or <u>(\$7,800,000)</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|--|-------------------------|------------------------------------|------------------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Transfer In</u> - to Local Election Authorities the cost of a special election | \$0 or \$7,800,000 | \$0 | \$0 |
| <u>Cost</u> - Local Election Authorities the cost of the special election if called for by the Governor | \$0 or (\$7,800,000) | \$0 | \$0 |
| <u>Cost</u> - Local Political Subdivisions - interest payments on tax anticipation loans | <u>\$0</u> | \$0 to <u>(Unknown)</u> | \$0 to <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>\$0</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> |

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Upon voter approval, this Constitutional amendment changes the due date for personal property tax from December 31 of the calendar year the property is assessed to the last weekday of the February following the calendar year in which the property is assessed.

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

Boone County
City of Columbia
City of Kansas City
City of O'Fallon
Daviess County
Department of Elementary and Secondary Education
Department of Revenue
Hazelwood School District
Jackson County Board of Election Commission
Kirksville R-III School District
Macon County R-IV School District
Montgomery County R-II School District
Office of Administration
 Division of Budget and Planning
Office of the Secretary of State
Osage R-2 School District
Pettis County R-V School District
State Tax Commission
St. Louis County Board of Election Commission
Summersville R-2 School District
Warrensburg R-VI School District
Wellsville-Middletown R-1 School District
West Plains School District

Ross Strope



Acting Director
February 1, 2018