COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5016-02
Bill No.: HB 1513
Subject: Taxation and Revenue - Property; Property, Real and Personal; Elderly; Counties; Disabilities
Type: Original
Date: May 8, 2018

Bill Summary: This proposal establishes a limit on residential property assessment increases for the elderly and disabled who own and live in their principal residence proportional to the increase of their Social Security benefit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Blind Pension Fund	$0	$0 or (Unknown)	$0 or (Unknown)
Total Estimated Net Effect on Other State Funds	**$0**	**$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 2019	FY 2020	FY 2021
Total Estimated Net Effect on All 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 **Office of Administration Division of Budget and Planning** assume this proposal limits residential property assessed valuation increases for properties used as a principal residence by qualified taxpayers (homeowners aged 70 or disabled, under the proposed income limit) to the percentage of increase in Social Security benefits for the elderly and disabled. This proposal could diminish the state's Blind Pension Fund revenue growth, and by the same amount, Total State Revenue.

According to 2016 American Community Survey 1-year estimates, the number of Missouri owner-occupied households with a householder age 65 or older was 468,883, which is 19.8% of all occupied housing units, or 30.0% of owner-occupied housing units.

According to the U.S. Census Bureau's 2016 Population Estimates there were 650,711 persons in Missouri age 70 or older representing 10.7% of the population.

This proposal will not directly impact General Revenues. To the extent this proposal slows property tax payment growth, Blind Pension Fund receipts growth may also slow. If localities do not otherwise adjust levies, this proposal will limit the growth in municipal revenues, including school districts. As the bill may impact local tax liability distribution, this bill may impact 18(e) calculations.

These changes only apply to the counties, and the City of St. Louis, that adopt the provisions as stated in Section 137.115.18(2).

Officials at the **State Tax Commission** assume this proposal limits property tax increases for qualifying seniors (disabled, principal residents, and making $60,000 if single, $68,000 if married couple) proportionately to Social Security Benefit percentage increases to those counties that adopt the provisions. The State Tax Commission estimates an unknown fiscal impact on school districts, counties and other taxing jurisdictions. The Agency does not have data to determine the number of qualifying applicants. Since 2014 Social Security Benefits have increased by a total of 2%; however, the Agency cannot accurately project the amount or frequency of future increases. In 2005 to 2009 the State of Missouri had a similar program the Homestead Preservation Act. In 2005, the cost to the state of this credit were $2.9 million, 2006 $1.1 million, 2007 $87,000, 2008 $2.4 million. The program capped increases for qualifying seniors at 5% in assessment years and 2.5% in non assessment years. However it should be noted Social Security Benefit increase rates have been lower than the percentages in the previous Homestead Preservation Act.

ASSUMPTION (continued)

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Officials at the **Department of Elementary and Secondary Education** (**DESE**) assume that other than the potential impact on the revenue stream of state and local government, this proposal does not impact DESE.

Officials at the **City of St. Louis** assume the passage of this legislation to limit property assessment increases would be a detriment to the revenue of the City of St. Louis, the Assessor's Office and the Collector of Revenue. The average increase in Social Security in the past five years is 1%. The average property appreciation in a two-year assessment period is between 6%-8%. If the assessment increases are limited, the City will not be able to collect on between 11% and 15% of the appreciation. For example, if the assessment went up 10% and this equated to $10,000, the City could only collect $1,000. The estimated lost revenue is $200,999 in all taxing jurisdictions, which includes an estimated revenue loss of $38,692 to the City. There would also be a loss of as much as $1,256 to the Assessment Fund and $3,015 to the Collector of Revenue.

In addition to the losses mentioned above, passage of this legislation would require a major programming change that would cost between $50,000 and $100,000.

Officials at the **Kirksville R-III**, **West Plains** and the **Summersville R-II School Districts** each assume a negative impact to the district.

Officials at the **City of Columbia** assume they are unable to determine a fiscal impact.

Officials at **Callaway County**, the **City of Kansas City**, 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.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet

ASSUMPTION (continued)

these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight has no information as to which counties, if any, would adopt the provisions in this proposal. Taxing entities in those counties would presumably have a lower rate of revenue growth than taxing entities in counties which did not adopt the provisions. Oversight notes that actual assessed valuation and revenue growth for those taxing entities could also be impacted by other provisions in the state constitution and statutes.

Oversight also notes that revenue growth for the state's Blind Pension Fund, which is supported by a property tax levy, would be reduced proportionally by the limitation on assessed valuation growth because the Blind Pension Fund levy rate is fixed by statute.

Oversight will assume for fiscal note purposes that this proposal would be implemented beginning in August of 2018 (FY 2019) and the resulting limitation on increases in assessed valuations could take effect beginning in January, 2019, which would reduce tax collections in December 2019 (FY 2020). Due to the uncertainty as to the number or size of local governments which would adopt these provisions, Oversight will indicate a fiscal impact from $0 to a negative Unknown in FY 2020 and FY 2021 for the Blind Pension Fund and for local governments.

Oversight notes that assessment occurs in January of the odd number of years. Oversight assumes that some political subdivisions may be able to enact this proposal by January 2019, however, some may do it after that date. Those that pass it later would note see the impact until 2021.

FISCAL IMPACT - State Government	FY 2019 (10 Mo.)	FY 2020	FY 2021
BLIND PENSION			
Revenue reduction - limitation on assessment increases.	$0	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION	**$0**	**$0 or (Unknown)**	**$0 or (Unknown)**

FISCAL IMPACT - Local Government	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL GOVERNMENTS			
Revenue reduction - limitation on assessment increases.	$0	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**$0**	**$0 or (Unknown)**	**$0 or (Unknown)**

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, 2019, this bill 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 70 years of age or older or who is disabled, has a federal adjusted gross income of less than $60,000 for a taxpayer with single filing status or $68,000 for a taxpayer with married filing jointly status, and owns and lives in his or her principal residence. Any taxpayer meeting the requirements must provide the county assessor with either proof of age or proof of disability.

The provisions of the bill will expire December 31 six years after the effective date.

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

Callaway County
City of Columbia
City of Kansas City
Department of Elementary and Secondary Education
Department of Revenue
Jackson County Board of Election Commission
Joint Committee on Administrative Rules
Kirksville R-III School District
Office of Administration
  Division of Budget and Planning
Office of the Secretary of State
State Tax Commission
St. Louis City
St. Louis County Board of Election Commission
Summersville R-II School District
West Plains School District

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JH:LR:OD