

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0287-01
Bill No.: HB 458
Subject: Taxation and Revenue - General, Taxation and Revenue - Property
Type: Original
Date: February 11, 2019

Bill Summary: This proposal introduces provisions relating to a tax credit for senior citizen property owners.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Total Estimated Net Effect on FTE	0	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 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal will not impact Total State Revenue and will not impact the calculation under Article X, Section 18(e).

This proposal would create a refundable tax credit for the amount of state property taxes, under Chapter 137, paid by taxpayers who are eligible to receive full social security benefits beginning with tax year 2020. Eligible taxpayers must own their residence with no outstanding obligations. Taxpayers may claim tax credits on up to 20% of state property taxes paid in the first year they qualify for the credit. The percentage of state property taxes paid covered by the tax credit increases yearly, until the credit covers 100% of paid state property taxes in the fifth year that an individual qualifies. No taxpayer who claims this credit may also claim the property tax credit under Section 135.020.

B&P notes that there are no state property taxes, there are only local property taxes, levied under Chapter 137. The only state property tax is levied under Section 209.130 for the Blind Pension Trust Fund. Therefore, no taxpayer will have a state property tax liability from Chapter 137 that could be used to claim the tax credit within this proposal.

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

Officials at the **University of Missouri Economic & Policy Analysis Research Center** assume they are not able to estimate the number of senior citizens who own their property free-and clear of any obligation, nor are we able to estimate the assessed valuations of said properties. Therefore, we are unable to provide an impact estimate of this bill.

Officials at the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of the Secretary of State (SOS)** assume 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 \$5,000. The SOS recognizes that

ASSUMPTION (continued)

this is a small amount and does not expect that additional funding would be required to meet 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 require additional resources.

Oversight notes this proposal allows a tax credit against the qualified taxpayer's state real property tax under Chapter 137. The state does not assess any state real property tax and therefore this proposal would not have a fiscal impact.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
	<u>\$0</u>	<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, 2020, this bill authorizes a tax credit phased-in at 20% increments over five years to equal 100% of the amount of real property tax paid on a senior citizen's primary residence. To qualify, the senior citizen or his or her spouse must be eligible for full social security retirement benefits the year prior to the credit and must have owned his or her home free of any obligation for at least two years. A senior citizen may move and waive the two year ownership requirement, provided the new primary residence is wholly owned and free of any obligation. If the property becomes subject to an encumbrance during the phase-in, the senior citizen will no longer be eligible for the tax credit. However, the senior citizen will automatically become re-eligible and will be re-credited with any previously accumulated years of eligibility in the first year following the year in which the encumbrance is removed. The refundable credit cannot be sold or transferred.

The bill specifies that a taxpayer cannot claim this credit and the senior citizens property tax credit.

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

Department of Revenue
Joint Committee on Administrative Rules
Office of Administration Division of Budget and Planning
Office of the Secretary of State
University of Missouri Economic & Policy Analysis Research Center



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February 11, 2019

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