

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0360-01
Bill No.: HJR 30
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Veterans
Type: Original
Date: March 26, 2019

Bill Summary: This proposes a constitutional amendment exempting from taxation certain real and personal property owned by certain disabled veterans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 or (\$7,800,000)	\$0	\$0 or \$1,200,000
Total Estimated Net Effect on General Revenue	\$0 or (\$7,800,000)	\$0	\$0 or \$1,200,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Blind Pension (0621)	\$0	\$0	\$0 or (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 or (Unknown)

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

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal would go to public vote in November 2020. For the purpose of this fiscal note, B&P assumes that the tax exemption would begin January 1, 2021 if voter approved.

This proposal would exempt, upon voter approval, veterans with a combat-related total combined disability rating of 80% or greater from real and personal property taxation up to \$200,000 of actual value in 2020 and adjust for inflation thereafter. Current law only exempts former prisoners of war (POW) with total service-connected disabilities.

During FY 2018, there were 1,948 veterans that claimed the Senior Property Tax Credit (PTC) as 100% disabled veteran, for total PTC claims of \$1.2 million. Under this proposal, these veterans would no longer be subject to real personal property taxes and thus would no longer claim the PTC beginning with tax year 2021. B&P notes that some veterans age 65 and older may have elected to claim the PTC as a senior rather than as a disabled veteran, and would no longer claim the PTC under this proposal. Therefore, B&P estimates that this proposal will increase General Revenue by greater than \$1.2 million annually beginning in FY 2022.

Based on data from the U.S. Census Bureau, there were 25,718 veterans with a service-connected disability of 70% or greater in Missouri during 2017. Additionally, based on data from the U.S. Census Bureau, the average median housing value in Missouri was \$145,400 in 2017. Therefore, B&P estimates that this proposal may have a significant unknown negative impact to the Blind Pension Fund as well as local real and personal property tax collections.

B&P notes that while this proposal will impact state funds, neither Total State Revenue nor the calculation under 18(e) would be impacted since it is voter-approved.

Officials at the **Office of the Secretary of State (SOS)** assume 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.

ASSUMPTION (continued)

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. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. The SOS estimates \$65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

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 assumes the proposal would be submitted to the voters in November 2020. Oversight also assumes that if the voters approved the constitutional amendment, there would be an unknown reduction in political subdivision tax revenues, and an impact to the state Blind Pension Fund. Any impact to tax revenues would begin in FY 2022 since calendar 2020 taxes (collected in FY 2021) would already be determined before the November 2020 election.

Officials at the **Department of Revenue (DOR)** assume this section states that all property, real and personal, of the state, counties, and other political subdivisions and of nonprofit cemeteries shall be exempt from taxation. This section also states that property, real and personal, of any citizen of this state who is a veteran with a combat-related disability and a total combined disability rating of eighty percent or higher, as determined by the United States Department of Veterans Affairs under the provisions of Title 38 of the United States Code, [a total service-connected disability,] up to two hundred thousand dollars of actual value in the year 2020 and adjusted for inflation thereafter shall be exempt from taxation.

ASSUMPTION (continued)

The Department believes that there are approximately 479,820 veterans residing in Missouri. The Department is unable to determine how many of the total veterans in Missouri would be included in the qualifications above. The Department will show an impact at 100 percent, assuming that all veterans in the State of Missouri could have a total service-connected disability and pay the average per capita amount of property tax collected.

Assuming that all of these individuals own their dwelling and or tangible personal property, specific by the various classifications of property tax, they would pay Missouri property tax. The Tax Foundation estimates that the per capita state and local property tax collections for Missouri equals \$990. If each veteran were exempt from state and local property tax, property tax collections would decrease by \$475,021,800 ($479,820 \times \990).

The Missouri Blind Pension fund receives \$.03 for each \$100 valuation of taxable property in the state of Missouri. The Department is unable to determine the actual valuation of the taxable property owned by Missouri veterans, as there are no publications specifying assessed value of property owned by Missouri veterans.

The Department estimates that the Missouri Blind Pension Fund could decrease by a minimum to substantial amount.

Officials at the **State Tax Commission** assume an unknown fiscal impact. They Commission does not possess the data of the number of eligible individuals who would qualify of the 479,828 veteran population in Missouri.

Officials at **Greene County** assume the loss of revenue for the County resulting from the elimination of property tax, real and personal, would be approximately \$284,000,000 based on collections in 2018.

Officials at **St. Louis County** assume a loss of approximately \$3.5 million per year across all taxing jurisdictions in St. Louis County. The total number of veterans in the US averages 7.55% of the total population. Applying that % to the population of St. Louis County leads me to believe that there are 75,419 veterans living here. The national average of veterans with an 80% or greater service-related disability is 1.34%. $75,419 \times 1.34\% = 1,010$. The average value of a residential parcel in St. Louis County is \$203,175, though the bill limits the appraised value of the exemption to \$200,000. The assessed value of a \$200,000 residential parcel is \$38,000.

The average tax rate in St. Louis County is \$9.0813/\$100 of assessed value. The average tax bill that would be exempted is \$3,450.88 ($\$38,000 / \$100 \times 9.0813 = \$3,450.00$). Exempting 1,010

ASSUMPTION (continued)

tax bills of \$3,450.88 each totals: \$3,485,389

Officials at the **St. Francois County** are unable to determine the impact as they can not calculate the number of veterans in their County.

Oversight will range the reduction in property tax collections from \$0 (not approved by voters) to an unknown amount starting in FY 2022. Oversight notes if political subdivisions have room within their levy, the loss of assessed valuation from property of qualifying veterans may result in a higher tax levy, thereby increasing the property taxes of other taxpayers.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Revenue</u> - DOR veterans no longer claiming the Senior Property Tax Credit	\$0	\$0	\$0 or \$1,200,000
<u>Transfer Out</u> - Local Election Authorities the cost of the special election if called for by the Governor	\$0 or <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0 or \$1,200,000</u>
BLIND PENSION FUND			
<u>Revenue Reduction</u> - DSS no personal property tax collected from veterans	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - DSS no personal property tax collected from veterans	\$0	\$0	\$0 or (Unknown)
<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 <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses could pay higher property taxes if the levy is increased to make up for tax collections lost from eligible veterans.

FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment authorizes a real and personal property tax exemption for veterans with a combat-related disability and a total combined disability rating of 80% or more, as determined by United States Department of Veterans Affairs. The property tax exemption is capped at \$200,000 in actual value for 2020, and indexed for inflation in subsequent years.

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
Greene County
Office of Administration Division of Budget and Planning
Office of the Secretary of State
State Tax Commission
St. Francois County
St. Louis County



Kyle Rieman
Director
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Ross Strobe
Assistant Director
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