

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1617-02
Bill No.: HCS for HB 704
Subject: Taxation and Revenue - General; Department of Revenue
Type: Original
Date: May 3, 2019

Bill Summary: This proposal modifies provisions relating to payment of taxes.

FISCAL SUMMARY

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

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 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 to (Unknown over \$100,000)	\$0 to (Unknown over \$100,000)	\$0 to (Unknown over \$100,000)

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 or the calculation under Article X, Section 18(e).

This proposal may have an unknown negative impact to the Blind Pension Trust Fund, if the fund receives payments paid under protest that are subsequently required to be refunded and if such interest payment required under Section 32.068 is higher than the interest that would have otherwise been paid under current law. This proposal may have a significant negative impact to local taxing jurisdictions if the interest payment under Section 32.068 is higher than the interest payments required under current law.

Officials at the **Department of Revenue**, the **Office of the State Treasurer** and the **State Tax Commission** each assume there is no fiscal impact from this proposal.

In response to the previous version, officials at **Monroe County Assessor** and the **St. Francois County Assessor's Office** each assumed there was no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 300, officials at the **St. Louis County Treasurer** reported that currently, the State of Missouri can earn approximately 2% interest on monies in its accounts, whereas St. Louis County is limited to 0.35%. If the State of Missouri calculates the interest on refunded taxes at the state rate, then St. Louis County could lose \$165,000 per year based on the most recent tax refund data. St. Louis County would owe more to taxpayers than it has received and could earn, which would make this proposal an unfunded mandate. Counties cannot be compelled to return more money than they receive. Also, the St. Louis County Collector is simply a pass-through agent for school, fire, library and other property tax district revenues. This bill directs enforcement actions against the collector for monies that may no longer be in the County's possession, as they would be distributed to other taxing districts.

The Department of Revenue, for informational purposes, provided Oversight with the history of the interest rate calculated under §32.068.

Interest Rates – Refunds 32.068/32.069				
Year	Q1	Q2	Q3	Q4
2018	0.9%	1.0%	1.2%	1.3%
2019	1.5%	1.7%		

ASSUMPTION (continued)

Interest Rates – Delinquencies 32.065	
Year	
2018	4%
2019	5%

The Department of Revenue states that §32.068 is determined quarterly by the state treasurer and §32.065 is adjusted annually by the Director of Revenue. House Bill 1858(2018) modified §32.069 by changing the rate in which interest on refunds is determined from Section 32.068 to Section 32.065 (effective July 1, 2019).

Oversight notes that this proposal would require the County Collectors to pay interest on refunded tax rates under the interest rate calculation in §32.068. Oversight was unable to determine if the amount of interest currently paid by the County Collectors is higher or lower than the rate currently calculated under §32.068. Oversight will assume that the rate earned by counties would be lower than that earned by the state

Oversight will show a \$0 to Unknown negative impact to the Blind Pension Fund and \$0 to Unknown over \$100,000 to the local County Collectors' funds.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
BLIND PENSION FUND			
<u>Revenue Reduction</u> - §139.031 interest paid	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT - Local Government

FY 2020
(10 Mo.)

FY 2021

FY 2022

COUNTY COLLECTOR FUNDS

<u>Revenue Reduction</u> - \$139.031 interest paid	\$0 to (Unknown over \$100,000)	\$0 to (Unknown over \$100,000)	\$0 to (Unknown over \$100,000)
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	\$0 to	\$0 to	\$0 to
ESTIMATED NET EFFECT ON THE COUNTY COLLECTOR FUNDS	(Unknown over \$100,000)	(Unknown over \$100,000)	(Unknown over \$100,000)

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, taxpayers are allowed to receive interest on refunded property taxes protested or disputed, and that have been distributed by the collector to appropriate taxing authorities, at a rate equivalent to the rate of interest such taxes would have earned if held by the collector. This bill entitles such a taxpayer to receive interest at a rate calculated by the State Treasurer and applied by the Director of the Department of Revenue (§32.068).

This bill waives any sovereign or official immunity otherwise applicable to the taxing authorities and the collector for the purpose related to this provision, and the taxpayer may seek an order enforcing the provisions of this bill against a collector and any taxing jurisdictions which received the protested funds.

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
Monroe County
Office of Administration Division of Budget and Planning
Office of the State Treasurer
State Tax Commission
St. Francois County Assessor
St. Louis County



Kyle Rieman
Director
May 3, 2019

Ross Strobe
Assistant Director
May 3, 2019