

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4015-02  
Bill No.: HB 1894  
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; County  
Officials; Property, Real and Personal  
Type: Original  
Date: January 14, 2020

---

Bill Summary: This proposal modifies provisions relating to property assessments.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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 2021	FY 2022	FY 2023
<b>Local Government</b>	<b>(Unknown, Could exceed \$43,000,000)</b>	<b>(Unknown, Could exceed \$43,000,000)</b>	<b>(Unknown, Could exceed \$43,000,000)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined an unknown fiscal impact. The requirement for local assessment officials to provide a report and the details proposed may have an unknown fiscal impact. Section 137.181 also places a greater burden of proof on an assessor if the valuation of any real property increases by more than three percent if said assessment is appealed to the county board of equalization, or court, this has an unknown fiscal impact on local taxing jurisdictions which rely on property taxes as a source of revenue.

Officials from the **Office of the State Courts Administrator** assume the proposal will have no fiscal impact on their organization.

Officials from **Clay County** assume this proposal would increase the cost of doing assessments in Clay County by one half of their budget, or **\$1,400,000**.

Officials from the **Warren County Assessor's Office** state only St. Louis County, St. Charles County and Jackson County are Certificate of Value counties within the State of Missouri. The sales information that all other counties receive are voluntary only, and many times do not include bank owned or foreclosed real property information. In addition, resting the burden of proof upon the Assessor with little to no verified and correct sales data within counties with a Certificate of Value is nearly impossible.

There would be a loss in revenue to all taxing jurisdictions each year, for new construction but it is impossible to calculate. The cost to prepare fee appraisals of appeals and legal fees would exceed **\$1,500,000** per year.

Officials from the **Jefferson County Assessor's Office** assume the proposed language would add approximately **\$469,927** per year to the expense of the Jefferson County Assessment Fund budget to perform fee appraisals on appeals of residential and commercial properties that were raised above 3% of the prior assessed valuation.

The bill does not exclude increases due to new construction. Jefferson County has 4,562 active permits for new real estate construction as of January 6, 2020. The office estimates a large majority of those permits will increase the assessed valuation of the parcel they are located on above the proposed 3% limit.

ASSUMPTION (continued)

Therefore, if each of those parcels exercises their right to appeal to the Jefferson County Board of Equalization, the office estimates a minimum of 18,250 man-hours to review data and prepare a defense of the assessed valuations for a Board of Equalization hearing.

The median salary for a Residential Appraiser, per Section 120.850 of the Jefferson County Code of Ordinances, is \$42,166 annually. This equates to an hourly salary of \$20.27 per hour. Therefore, the calculation of 18,250 hours times \$20.27 per hour equals \$369,927 per year to the expenses of the Assessment Fund. This figure does not include full-time employee benefits as outlined in the County Code of Ordinances, nor vehicle purchases, computer and equipment costs, or other items necessary for an employee to perform their work duties. Those costs are impossible to calculate but could exceed an additional \$100,000 of expense to the Assessment Fund.

Also, sale prices are not disclosed when a new deed is recorded in Jefferson County, also known as “non-disclosure”, therefore we will not have any way to know how sales are bank-owned or foreclosures to accurately report that data to the State Tax Commission. I cannot report a cost to my office to provide that data.

Officials from the **Macon County Assessor’s Office** estimate a loss of \$100,591 in county school tax if the proposal is enacted.

Officials from the **Perry County Assessor’s Office** assume the potential revenue lost in the county would depend greatly on the number of appeals and their outcome. Costs to the county will include the added labor costs to gather the information for the report along with programming costs to produce the reports. Additional costs would vary greatly depending on the number of appraisals needed for appeals by shifting the burden of proof to the Assessor. Total costs to the office may exceed **\$5,000**.

Officials from **Andrew County Assessor’s Office** assume the proposal would have a negative fiscal impact.

Officials from **Caldwell County Assessor’s Office** assume it would cost **\$125,000** to meet the time frame and added work load. We would need to hire a general appraiser and two clerks.

**Oversight** assumes this proposal could result in additional costs to local assessment authorities. Oversight will show a cost that could exceed \$43,000,000, by extrapolating a state-wide impact using the estimates provided by the responding counties (\$1,400,000 + \$1,500,000, + \$469,927 + \$5,000 + \$125,000 = roughly \$3,500,000).

ASSUMPTION (continued)

Using information regarding the 2018 assessed valuation totals from the State Tax Commission, Oversight notes the total locally assessed taxable property for the five counties responding with estimates (Caldwell, Clay, Jefferson, Perry and Warren) totaled \$8,475,745,825. Therefore, extrapolating \$3,500,000 in additional costs over \$8,475,745,825 of assessed valuation of those counties x \$104.111 billion of assessed property state-wide, would approach \$43 million in additional assessor-related expenses (or \$374,000 per county). Oversight does not have better information available, so will rely on the estimates provided.

**Oversight** assumes any modification of assessed value would be subject to a decision by the county board of equalization, county commission, or court per section 137.181. This provision itself does not modify assessed values; therefore, Oversight will not show an impact to the Blind Pension Fund or local political subdivisions as a result of this provision.

**Oversight** received a limited number of responses from county assessors related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other county assessors were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

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

FISCAL IMPACT - Local Government

FY 2021  
(10 Mo.)

FY 2022

FY 2023

**COUNTY ASSESSORS**

	(Unknown, Could exceed	(Unknown, Could exceed	(Unknown, Could exceed
Cost - additional staff and resources to handle additional appeals - §53.115	<u>\$43,000,000)</u>	<u>\$43,000,000)</u>	<u>\$43,000,000)</u>

<b>ESTIMATED NET EFFECT ON COUNTY ASSESSORS</b>	<b>(Unknown, Could exceed <u>\$43,000,000)</u></b>	<b>(Unknown, Could exceed <u>\$43,000,000)</u></b>	<b>(Unknown, Could exceed <u>\$43,000,000)</u></b>
---	--	--	--

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill requires each county assessor to make an annual report, due by April 1, to the State Tax Commission providing a summary update of property assessments made in the county. The report must include information detailing how any bank-owned and foreclosed property affected the valuations of other assessed property. Additionally, the State Tax Commission will review and summarize these reports into a single abbreviated report that will be provided to the General Assembly no later than July 1 (Section 53.115, RSMo).

This bill specifies that whenever an assessor increases the value of any real property by more than 3% and the assessment is appealed to the County Board of Equalization, the County Commission, or a court of this state, the assessment will be presumed to be an error and will be subject to modification. The assessor will have the burden to prove the assessment is correct and may overcome this burden by presenting clear and convincing evidence that the assessed value does not exceed the true market value of the property (Section 137.181).

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

State Tax Commission  
Office of the State Courts Administrator  
Clay County  
Warren County Assessor's Office  
Jefferson County Assessor's Office  
Macon County Assessor's Office  
Perry County Assessor's Office  
Andrew County Assessor's Office  
Caldwell County Assessor's Office



Julie Morff  
Director  
January 14, 2020



Ross Strobe  
Assistant Director  
January 14, 2020