COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0217H.01P
Bill No.: Perfected HJR 17
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Elderly; Constitutional Amendments
Type: Original
Date: April 27, 2021

Bill Summary: This proposal proposes a constitutional amendment relating to a tax exemption for certain senior citizen property owners.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	$0 or More Than ($7,000,000)*	$0	$0 or Less than $33,277,237
Total Estimated Net Effect on General Revenue	**$0 or More Than ($7,000,000)***	**$0**	**$0 or Less than $33,277,237**

*The potential fiscal impact of "(More than $7,000,000)" in FY 2022 would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Blind Pension Fund (0621)	$0	$0	$0 or (Unknown, Could exceed $3,354,262)
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0 or (Unknown, Could exceed $3,354,262)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	**$0**	**$0**	**$0 or (Unknown, Could exceed $458,362,226)**

*Potential costs and state reimbursements net to zero in FY 2022 if a special election is called.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of the Secretary of State** 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. The cost of the special election has been estimated to be $7 million based on the cost of the 2020 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, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2022. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2022 and the next scheduled general election is in November 2022 (both in FY 2023). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date).

Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2022.

Officials from the **State Tax Commission** have reviewed this proposal and determined an unknown fiscal impact on taxing jurisdictions such as school districts, counties, cities, fire districts who receive revenue from the taxation of real residential property. The act proposes escalating percentages for exemption over a span of five years ending with a complete exemption of real property taxes in year five for the "primary residence" of qualified taxpayers of sixty five years of age who meet the acts criteria for eligibility requirements. The U.S. Census Survey estimates a total of 17.3% of Missourians (1,061,775) are 65 or above. The agency does not have the data to determine how many of these individuals own residential property that meet the eligibility and ownership criteria proposed in the proposal, however given the significant percentage of the population who potentially meet the criteria, the unknown fiscal impact of the exemption could be significant on the 2900 local taxing jurisdictions in Missouri.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal would go to public vote in November 2022. If approved, the tax exemption would begin January 1, 2023 if voter approved. Since property taxes are not due until December, this proposal would begin impacting state and local funds in FY24.

This proposal would create a property tax exemption for taxpayers who are eligible to receive full social security retirement benefits. Eligible taxpayers must own their residence with no outstanding obligations for at least two years. Taxpayers would be exempt from 20% of local real property taxes paid in the first year they qualify for the credit. The percentage of local real property taxes paid covered by the exemption increases yearly, until the credit covers 100% of paid property taxes in the fifth year that an individual qualifies.

B&P notes that while the exemption would not begin until January 1, 2023 the exemption percentage allowed would be retroactive to the year after such individual reached the age eligible to receive full social security retirement benefits. For example: A qualified individual who reached the required age in 2017 would be eligible for a 100% exemption beginning January 1, 2023. Therefore, B&P will show the full estimated loss from this proposal during the first tax year the exemption would be available.

Using data provided by the United States Census Bureau, the average median real estate taxes paid on homes without a mortgage was $1,274 in Missouri during 2018. In addition, approximately 324,047 homeowners in Missouri were age 65 or older and resided in mortgage free owner-occupied housing. Based on the above information, B&P estimates that approximately $412.8 million in real estate taxes paid could be offset by this tax exemption.

B&P notes that this proposal would only exempt local real property taxes paid. B&P further notes that the Blind Pension Trust Fund levies a property tax of $0.03 per $100 valuation. Based on data provided by the United States Census Bureau, the median value of a home in Missouri was $151,600 in 2018. B&P notes, however, that based on Section 137.115, RSMo, assessed value for real property is 19% of the market value. Therefore, based on a market value of $151,600, B&P estimates that the assessed value would be $28,804. Using the number of qualified homeowners, B&P estimates that the total assessed value of qualifying homes was $9.3 billion in 2018. Using the Blind Pension property tax levy and the median assessed value of homes, B&P estimates that approximately $2.8 million in property taxes would still be owed to the Blind Pension Trust Fund under this proposal. Therefore, B&P estimates that this proposal would exempt $410.0 million in local property taxes.

Total Real Estate Taxes		
Number of Qualifying Seniors		324,047
Median Real Estate Taxes Paid in MO	X	$1,274
Total Estimate Real Estate Taxes		$412,835,878
Blind Pension Trust Fund		
Number of Qualifying Seniors		324,047
Median Assessed Value of Homes in MO	X	$28,804
Estimated Assessed Value of Qualifying Property		9,333,849,788
Blind Pension Trust Fund - Rate	X	0.0003
Taxes owed to Blind Pension Trust Fund		$2,800,155
Local Real Estate Taxes		
Total Estimate Real Estate Taxes		$412,835,878
Estimate Exempt Property Taxes	—	$2,800,155
Estimated Total Local Property Tax Loss		**$410,035,723**

B&P notes that this proposal would require qualified individuals who make use of a service within a district that levies a property tax for such services to pay that portion of the property tax in the year that service was used. For example: if an individual uses ambulance services in 2023, that individual would be required to pay the property tax levy for the ambulance district in 2023. B&P notes that enforcement of this provision could be extremely difficult.

B&P notes that this bill does not allow any taxpayers to claim both this exemption and any other tax exemption, tax credit, or tax incentives with respect to any local real property tax exempted by this proposal. This would prevent individuals claiming the exemption from also claiming the Property Tax Credit. Based on the data from the Census Bureau, B&P estimates that of individuals age 65 and older who own their homes, 66% of such individuals own their homes with no mortgage. Based on information provided by DOR, there was approximately $18,764,671 in PTC claims paid for tax year 2019 that could also be eligible for the tax exemption in this proposal (66% of all homeowner PTC claims of $28,588,752). Therefore, B&P estimates that this proposal may increase GR by up to $18,764,671.

Therefore, B&P estimates that this proposal may reduce local real property tax revenues by $410,035,723 annually beginning in FY24, depending on voter approval. This proposal may also increase GR by up to $18,764,671 annually beginning in FY24, depending on voter approval.

Officials from **Department of Revenue (DOR)** assume this proposal is to be voted on at the general election in November 2022 or at a special election called for the purpose and states that for all tax years beginning on or after January 1, 2023, a qualified taxpayer shall, beginning the calendar year following the year in which the taxpayer becomes eligible for full Social Security retirement benefits, be exempt from his or her local real property tax liabilities according to the provisions of subsection 3. In order to be a qualified taxpayer, you must wholly own your property without obligation (no mortgage).

The first year in which a qualified taxpayer is eligible for the exemption, the exemption shall equal twenty percent of each local real property tax paid on the taxpayer's primary residence, the second year shall equal forty percent, the third year shall equal sixty percent, the fourth year shall equal eighty percent, and the fifth year, the qualified taxpayer shall be fully exempt from any local real property tax.

No individual receiving the exemption authorized under this section shall be eligible for or receive any other tax exemptions, tax credits, or tax incentives with respect to any local real property tax exempted, in whole or in part, by this section, which would include the Senior Property Tax Credit.

The Missouri Department of Revenue shall promulgate rules to implement the provisions of this section.

Methodology
Per the U.S. Census Bureau's American Community 5 year Survey there are 2,775,635 housing units in Missouri of which 1,650,019 are owner-occupied homes and of those 609,316 have no mortgage.

Additionally the Bureau reports that in 2019 of the homes without a mortgage 331,367 homes were owned by seniors over the age of 65. For simplicity of the fiscal note we will assume that all those seniors could be eligible for this program.

The Department is unable to determine how many of the total qualifying individuals are single, married, or widowed. This fiscal note response will be calculated as if each individual owns their own primary residence.

Per the Missouri State Tax Commission, $4,301,451,472 was paid in residential property tax in 2019. Using the State Tax Commission numbers, the average amount of property tax owed by those owner occupied homes was $1,550 ($4,301,451,472 / 2,775,635.00).

When the Department multiplies the average amount of property tax paid by the number of mortgage free eligible homes the estimated amount of property tax eligible for exemption under this legislation would equal $513,618,850 (331,367 * $1,550).

Pursuant to this proposed legislation, the exemption would phase in at twenty percent increments each year. Therefore, the Department estimates the following decreases to local government(s) in an aggregated total per year totaling:

	Exemption	Total Lost Revenue
year 1 FY 24	20%	($102,723,770.00)
year 2 FY 25	40%	($205,447,540.00)
year 3 FY 26	60%	($308,171,310.00)
year 4 FY 27	80%	($410,895,080.00)
year 5 FY 28	100%	($513,618,850.00)

DOR notes that while this bill appears to phase in over a five year period, upon becoming effective it allows a senior who is already over the age of 65 to begin the exemption based on their age. So a senior who is 70 on the effective date would receive the 100% exemption. DOR is unable to determine of the current seniors how many are over the age of 70 and would be entitled to the full 100% exemption. DOR notes this proposal begins on January 1, 2023 and therefore, the first time the tax returns would be filed claiming the credit would be January 1, 2024 (FY 2024). Therefore, DOR assumes this proposal could be Up to the 100% exemption amount starting in FY 2024.

	Total Lost Revenue
year 1 FY 24	($513,618,850.00)
year 2 FY 25	($513,618,850.00)
year 3 FY 26	($513,618,850.00)
year 4 FY 27	($513,618,850.00)
year 5 FY 28	($513,618,850.00)

Additionally the Senior Property Tax Credit (135.010 - 135.035) allows a tax credit for up to $750 in rent constituting real property taxes paid and up to $1,100 in actual real property tax paid for homeowners. This proposal would eventually exempt all real property taxes paid by those reaching the age of 65. This proposal would prohibit those eligible for the property tax exemption to claim the Senior Property Tax Credit.

Tax Year	Returns Filed	Senior Credit Claimed
2017	62,531	$34,909,101
2018	56,848	$31,968,826
2019	58,571	$32,953,784

DOR does not have any data to indicate what portion of the senior property tax credit is claimed by those who have a mortgage and those that don't. The savings shown above are expected to be less than the amount indicated based on those with mortgages could still claim the senior property tax credit. DOR notes this would be a savings to General Revenue would be less than $33 million annually starting in FY 2024.

Officials from the DOR anticipate no administrative impact on their organization.

Officials from the **Department of Social Services** assume Section A. Article X of the Missouri Constitution is amended to exempt individuals, who become eligible for full Social Security retirement benefits, incrementally over four years with a full exemption in the fifth year and all years thereafter on real property they wholly own, without an encumbrance, that is their primary residence for at least two years.

Blind Pension (BP) is funded from 0.03% of each $100 assessed valuation of taxable property. Exempting individuals based on the provisions of this legislation could impact the BP fund. According to the Missouri Department of Revenue State Tax Commission Annual Report for 2019, $91,097,367,024 of the $118,262,121,312 Total Assessed Valuation for the State of Missouri comes from Real Property. Therefore, Real Property comprises 77.03% ($91,097,367,024/$118,262,121,312 = 77.03%) of the total taxable property in Missouri. Property Tax income for the BP fund in SFY 2020 was $36,641,194 or approximately $36.6 million (rounded down). 77.03% is real property revenue; therefore, the total real property revenue for BP is $28,224,712 ($36,641,194 * 0.7703 = $28,224,712).

The number of individuals who become eligible for full Social Security retirement benefits that own real property wholly, without an encumbrance, which is their primary residence for at least two years is unknown. To estimate how the BP fund will be impacted by this legislation, FSD made the assumption that the population of individuals who could potentially be eligible for the property tax exemption outlined in this legislation would be any individual age sixty-five or older. According to the United States Census Bureau, Missouri's total population was approximately 6,137,428 in 2019. Of those, approximately 1,062,037, or 17.30% (1,062,037/6,137,428 = 17.30%) are age sixty-five or older. FSD estimates that the potential impact to the BP fund, as a result of the provisions outlined in this legislation, is a decrease in the amount collected up to $4,882,875 ($28,224,712 * 0.1730 = $4,882,875; rounded up). Therefore, the fiscal impact to FSD is up to $4,882,875 annually beginning in SFY 2023.

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

Officials from the **City of Ballwin** state they do not collect property tax.

Officials from the **City of Bland** and the **City of Claycomo** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **City of Corder** state without analyzing their municipalities' demographics along with their property tax records, it is difficult to give a precise financial impact. They do not have specific demographic information at their disposal. However, given the estimated percentage of residents over the age of 65, it is estimated that this legislation could decrease their property tax revenue by 5%.

Officials from the **City of Hale**, **Gainesville Fire Department** and the **St. Clair Fire Protection District** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **City of Kansas City** assume this legislation, because it increases exemptions, will have a negative fiscal impact to the City of Kansas City, Missouri. They estimated a financial impact using various assumptions. They utilized census data to identify the various factors. They assumed seniors represent 12.6% of the KCMO population. They then estimated the impact based on 100% of seniors owning property and 40% of seniors owning property. They assumed approximately 66% of seniors have no debt on the primary residence. In the fifth year, once property is fully exempted, the City estimated that property tax losses could be as high as $18.4M (estimating 100% of seniors are homeowners, using a Median home value of $148,500) or approximately $7.4M (estimating 40% of seniors are homeowners, using the Median home value).

Officials from the **City of Springfield** anticipate a fiscal impact but has no assessment data on Springfield senior citizens (fully eligible to qualify for full Social Security retirement benefits) who own their home without obligation so they cannot calculate the fiscal impact.

Officials from the **City of St. Louis Assessor's Office** state the passage of this legislation would have a negative fiscal impact on the City of St. Louis based on the following assumptions:

302,838	City of St. Louis population per U.S. Census
38,158	12.6% of population over 65 per U.S. Census
59,659	19.7% of population under 18 per U.S. Census
243,179	population eligible to own property
16%	eligible to own property who are 65 or older
6.8%	property owned by those over 65 (16% x .434% owner occupied housing rate per U.S. Census)
67,447	Single family residential units in City of St. Louis
6.8%	property owned by those over 65
4,586	potential single family residential units owned by those over 65
$111,500	avg. value of a single family residence in St. Louis per Assessor's records
$1,729	avg. tax on a single family residence in St. Louis per 2019 tax rate

		All Jurisdictions	Loss to City of St. Louis	Loss to Assessment Fund	Loss to Collector Fund
2023	20%	$1,585,839	$306,936	$9,911	$23,788
2024	40%	$3,171,678	$613,872	$19,823	$47,575
2025	60%	$4,757,516	$920,808	$29,734	$71,363
2026	80%	$6,343,355	$1,227,744	$39,646	$95,150
2027	100%	$7,929,194	$1,534,680	$49,557	$118,938

The losses are based on the 2019 tax rate. It is impossible to predict how many properties will be in each level of exemption in any given year. This would be a low estimate, assuming all potential properties in 2023 are affected, but does not add in any exemptions for newly qualified properties for each successive year.

The Assessor estimates that implementing this program would have an additional programming cost of $50,000 to $100,000. In essence, this will require the Assessor to track both the market value and the adjusted value from this legislation which will be a major programming change.

There are Special Business Districts and Community Improvement Districts that will likely lose funds also, but it is not possible to estimate or predict how much that loss might be.

Officials from **Jackson County** assume a negative fiscal impact of $100,000 for additional staff and technology costs in assessment office to track and maintain these records. Significant potential fiscal impact to taxing jurisdictions who would lose current assessed property valuation owned or potentially owned by senior citizens.

Officials from the **Newton County Health Department** assume the impact would be the amount of lost revenue from those individuals who are eligible for exemption.

Officials from the **Bollinger County Assessor's Office** estimate a revenue decrease based on the following assumptions:

Estimated Residential Value	$100,000
Assessed Value	$19,000
Average Tax Levy	4.4266
Annual Tax	$841.05
Est. Qualified Full SS Retirement Benefits	1,459
Estimated Tax Revenue	$1,227,098

This would result revenue losses as follows:

2023	20% Exemption	$245,420
2024	40% Exemption	$490,839
2025	60% Exemption	$932,594
2026	80% Exemption	$1,109,296
2027	90% Exemption	$1,227,098

Officials from the **Boone County Assessor's Office** assume it would require one additional full time employee costing Boone County $75,000 annually given the cumbersome nature of this complex proposal in addition to a significant but unknown cost to the taxing entities of Boone County.

Officials from the **Howell County Assessor's Office** state they are unable to determine but the range of revenue losses but it could be as small as $1,000 and as great as $1,000,000 or more per year for all political subdivisions. There could be significant costs for development/enhancement of software $5,000 to $15,000.

Officials from **Wright County Assessor's Office** state this increases their workload with no additional funding.

Officials from the **Boone County Sheriff's Office** assume the impact of this is hard to measure at this time. The taxes are a funding mechanism for local governmental services and could cause infrastructure and public safety issues. As a local community ages, or is an attractive retirement location, the lost revenue will increase as the population is past the threshold of full social security age. As such there will be a need to replace the lost tax revenue.

Officials from the **St. Joseph Police Department** assume any reduction in property taxes would result in reduction of revenue to their City's general fund balance. Part of their operating budget comes from the general fund, so we could have a negative impact. How much it would impact us is unknown.

Officials from the **Florissant Valley Fire Protection District** state this could adversely affect their tax revenues to the point of affecting service delivery of life-saving services. We are a busy fire district that will need to increase their services in the future to meet the needs of their community and this bill could be a significant factor in a negative way.

Officials from **Lexington Fire & Rescue** state, in many rural communities, the retired population is very high. This population requires emergency services at a greater rate. Therefore if you decrease taxes to this group you will in fact be defunding the very services they use the most (EMS and Fire, etc.).

Officials from the **Raytown Fire Protection District** state they are not sure how to quantify the exact amount, but this legislation would be a significant financial hit to their Fire District and would almost certainly result in a severe reduction in the service they are able to provide to their citizens. Their primary source of revenue as a Fire District is generated by the payment of property tax and targeted recipients of this exemption are by far the utilizers of this service. Their ambulance billing model relies heavily on a 2019 voter approved ambulance levy which allows them to not bill a citizen beyond what insurance will cover.

Officials from the **Wentzville Fire Protection District** state, as a Tax Supported Fire Protection District, any reduction in taxes will have an impact on their budget and ability to respond to emergency calls. All tax supported Governmental agencies will be impacted by any granting of exemptions to Real and/or Personal Property Taxes.

Officials from the **Cole Camp Ambulance District** stat the ambulance district is supported partially by a property tax, so any reduction in property taxes collected will impact the services they can provide.

Officials from the **Kansas City Public Schools** state they are unable to provide a response as they do not have data behind ownership of properties. Each $100,000 residence would result in $942 of revenue loss for KCPS and charters in Kansas City.

Officials from the **St. Charles Community College** assume this bill would have a significant negative impact. The college lacks access to property owner data to quantify the amount.

Officials from **Nodaway County Ambulance District** state, as they are funded through sales tax, this bill is believed to have no impact on their ambulance district.

Officials from the **Crestwood Police Department**, **Ellisville Police Department**, **Kansas City Police Department**, **St. Louis County Police Department**, **Cedar Creek Fire Protection District**, **Plato Rural Fire Protection District**, **Rolla Rural Fire Protection District**, **Crawford County 911 Board**, **Pettis County Ambulance District** and the **High Point R-III School District** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes, per the United States Census Bureau American Community Survey, 350,316 housing units were owned and occupied without a mortgage by someone age 65 and older in Missouri.

Per the US Census Bureau, Oversight notes the median value of owner occupied units was $168,000 in 2019. Oversight estimates the median assessed value at $31,920 (19% of $168,000).

Oversight notes that Article III, Section 38(b) of the Missouri Constitution states there is an assessment of up to three cents on every one hundred dollars of valuation of taxable property that is collected for the Blind Pension Fund. Using the median assessed value estimated above, Oversight estimates a potential loss of revenue to the Blind Pension Fund of $3,354,262 (350,316 * ($31,920/100) * .03).

Oversight notes this proposal exempts local real property tax paid for certain taxpayers. Oversight is uncertain if this language would impact the Blind Pension Fund. Therefore, Oversight will show a range of impact from $0 (Blind Pension Fund tax levy is not considered a local property tax) to a loss in revenue of $3,354,262 to the Blind Pension Fund.

The median real estate taxes paid for owner-occupied units without a mortgage in Missouri was $1,318 in 2019. Using the numbers above, Oversight estimates the loss of revenue to local political subdivisions at approximately $458,362,226 ((350,316 * $1,318) less the estimated Blind Pension Fund tax $3,354,262).

Oversight notes the exemption is staggered over years of eligibility; however, individuals who reach the age of 70 would be eligible to receive the full exemption. Oversight will show the full estimated loss from the exemption beginning with the first year.

In addition, **Oversight** assumes there could be an unknown cost for implementation and tracking of eligible taxpayers as well as a potential cost to track the reimbursement requirements for services utilized. Oversight will show an unknown cost to local assessment authorities for implementation and tracking.

Oversight will also a show a potential positive impact to local political subdivision that may receive reimbursement for services utilized.

Oversight notes the Property Tax Credit can be claimed by renters and individuals with encumbrances on their property; therefore, Oversight cannot estimate the number of individuals that would no longer be able to claim the Property Tax Credit and will show the savings to General Revenue as less than $33,277,237 (three year average) based on information provided by Department of Revenue.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than $5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 their office can sustain with their core budget. Therefore, we reserve 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.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
Transfer Out - Local Election Authorities the cost of the special election **if** called for by the Governor	$0 or More Than ($7,000,000)	$0	$0
Savings - DOR - seniors no longer claiming the Senior Property Tax Credit	$0	$0	$0 or Less than $33,277,237
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 or More Than ($7,000,000)**	**$0**	**$0 or Less than $33,277,237**
FISCAL IMPACT – State Government Continued	FY 2022 (10 Mo.)	FY 2023	FY 2024
BLIND PENSION FUND			
Revenue Loss - from exempted property tax	$0	$0	$0 or (Unknown, Could exceed $3,354,262)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**$0**	**$0 or (Unknown, Could exceed $3,354,262)**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Transfer In - to Local Election Authorities - the cost of a special election	$0 or More Than $7,000,000	$0	$0
Cost - Local Election Authorities - the cost of the special election **if** called for by the Governor	$0 or More Than ($7,000,000)	$0	$0
Revenue Gain - from taxing entities repaid for services utilized	$0	$0	$0 or Unknown
Costs - Collector - implementation and tracking	$0	$0	$0 or (Unknown)
Revenue Loss - from exempted property tax	$0	$0	$0 or (Unknown, Could exceed $458,362,226)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**$0**	**$0 or (Unknown, Could exceed $458,362,226)**

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if this proposal resulted in a higher overall tax rate for commercial property.

FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment authorizes a tax exemption 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 property tax exemption. However, the senior citizen will automatically become re-eligible and will be credited with any previously accumulated years of eligibility in the first year following the year in which the encumbrance is removed.

The exemption would also apply to senior citizens who have placed their primary residence in trust to a third party. If the eligible taxpayer dies, and the surviving spouse is not eligible for full social security retirement benefits, they will not be allowed to receive the exemption until they obtain the age required for full social security retirement benefits.

No individual may claim this tax exemption with any other tax exemption, tax credit, or tax incentive with respect to any local property tax exempted.

Additionally, any qualified taxpayer that utilizes a service in a political subdivision that is authorized to impose a real property tax will be liable to pay that portion of their property tax for that tax year.

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 Administration - Budget and Planning
Department of Revenue
Department of Social Services
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of the State Auditor
City of Ballwin
City of Bland
City of Claycomo
City of Corder
City of Hale
City of Kansas City
City of Springfield
City of St. Louis
Jackson County
Newton County Health Department
Bollinger County Assessor
Boone County Assessor
Howell County Assessor
Wright County Assessor

Boone County Sheriff
Crestwood Police Department
Ellisville Police Department
Kansas City Police Department
St. Joseph Police Department
St. Louis County Police Department
Cedar Creek Fire Protection District
Florissant Valley Fire Protection District
Gainesville Fire Department
Lexington Fire & Rescue
Plato Rural Fire Protection Association
Raytown Fire Protection District
Rolla Rural Fire Protection District
St. Clair Fire Protection District
Wentzville Fire Protection District
Cole Camp Ambulance District
Crawford County 911 Board
Nodaway County Ambulance District
Pettis County Ambulance District
High Point R-III School District
Kansas City Public Schools
St. Charles Community College

Julie Morff
Director
April 27, 2021

Ross Strope
Assistant Director
April 27, 2021