

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0163H.02C
 Bill No.: HCS for HJR Nos. 7 & 11
 Subject: Veterans; Taxation and Revenue - General; Taxation and Revenue - Property;
 Disabilities; Property, Real and Personal; Constitutional Amendments
 Type: Original
 Date: April 3, 2023

Bill Summary: This resolution proposes an amendment to the Constitution of Missouri relating to a property tax exemption for certain disabled veterans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0 or (More than \$10,000,000)	\$0	\$0 or Could exceed \$1,635,371
Total Estimated Net Effect on General Revenue	\$0 or (More than \$10,000,000)*	\$0	\$0 or Could exceed \$1,635,371

*The potential fiscal impact of “(More than \$10,000,000)” would be realized only if a special election were called by the Governor to submit this joint resolution to voters. All other impacts would be realized only if the joint resolution is approved by voters

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension Fund (0621)	\$0	\$0	\$0 or (Could exceed \$173,960)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 or (Could exceed \$173,960)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0 or (Unknown, Could exceed \$31,500,846)

*Potential costs and state reimbursements net to zero in FY 2024 if a special election is called.
 **Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue of disabled veterans resulting from this proposal.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal would go to public vote in November 2024. For the purpose of this fiscal note, B&P assumes that the tax exemption would begin January 1, 2025 if voter approved.

This proposal would exempt, upon voter approval, veterans with 100% disability rating from the Department of Veterans Affairs (VA) from real and personal property taxation. Current law only exempts former prisoners of war (POW) with total service-connected disabilities from real property tax on their homestead.

General Revenue

During tax year 2021, there were 2,342 veterans that claimed the PTC as a disabled veteran, for total PTC claims of \$1,635,371. Under this proposal, some of these veterans would no longer be subject to real personal property taxes and thus would no longer claim the PTC beginning with tax year 2025. 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 GR by up to \$1,635,371 annually beginning in FY26.

Blind Pension Trust Fund

Based on previous data from the Missouri Veterans Commission and current data published by the U.S. Census Bureau, B&P estimates that there were 14,905 veterans with a 100% service-connected disability rating from the VA during 2021, the most recent complete year available.

Additionally, based on data from the U.S. Census bureau, the average median housing value in Missouri was \$171,800 and the average median real estate taxes paid was \$1,676 in 2021. B&P notes however, that based on Section 137.115, RSMo, the assessed value for real property is 19% of the market value. Therefore, based on a market value of \$171,800, B&P estimates that the assessed value would be \$32,642.

B&P notes that the Blind Pension Trust Fund has a property tax levy of \$0.03 per \$100 valuation. Based on the U.S. Census Bureau data, B&P estimates that the Blind Pension Trust Fund receives a median of \$9.79 per real property within Missouri (\$32,642 median assessed value x 0.0003 Blind Pension levy). Therefore, B&P estimates that this proposal could reduce funding to the Blind Pension Trust fund by up to \$145,959 (\$9.79 x 14,905 veterans).

Median Value	\$171,800
	x
Assessed %	19%
Assessed Value	\$32,642
	x
Blind Pension Trust Fund levy	(0.03/100)
Median Blind Pension Tax	\$9.79
	x
Qualifying veterans	14,905
Loss to Blind Pension Trust Fund	(\$145,959)

B&P notes that this proposal would also exempt qualifying veterans from personal property tax. B&P further notes that the Blind Pension property tax is also levied on personal property. B&P does not have enough information to determine the potential fiscal impact from exempting qualified veterans from the personal property tax. Therefore, B&P estimates that the loss to the Blind Pension Trust fund could be greater than \$145,959 annually.

Local Property Tax Collections

Based on data from the U.S. Census bureau, the average median housing value in Missouri was \$171,800 and the average median real estate taxes paid was \$1,676 in 2021. Using this data, B&P estimates that the median property tax levy in Missouri is \$0.98 per \$100 market value. Subtracting the \$0.03 per \$100 valuation levy for the Blind Pension Trust Fund, B&P estimates that the median local real property tax levy is \$0.97 per \$100 market value. Therefore, B&P estimates that this provision will reduce local real property tax revenues by up to \$24,834,821 (\$171,800 median home value x \$0.97/\$100 x 14,905 veterans).

Median Home Value	\$171,800
Median Local Real Property Tax Levy	x
	(0.965/100)
Median Local Real Property Tax	\$1,666.21
	x
Qualifying veterans	14,905
Local Real Estate Taxes Lost	(\$24,834,821)

B&P notes that this proposal would also exempt qualifying veterans from personal property tax. B&P does not have enough information to determine the potential fiscal impact from exempting qualified veterans from the personal property tax. Therefore, B&P estimates that the loss to local revenues could be greater than \$24,834,821 annually.

Summary

B&P estimates that this proposal may increase GR by an amount up to \$1,635,371 annually beginning in FY26. In addition, this proposal could reduce funding to the Blind Pension Trust Fund by greater than \$145,959 annually beginning in FY26. This proposal may also reduce local tax collections by greater than \$24,834,821 annually beginning in FY26.

Officials from the **Department of Revenue (DOR)** assume if approved by voters at the November 2024, general election or at a special election called for this purpose, this proposal would allow for an exemption of real property tax for military disabled veterans. If this is not adopted by the voters, there will be no fiscal impact. If adopted, it is assumed that based on the certification date of this proposal, it would become effective January 1, 2025.

This proposal defines the eligible disabled veteran as a person with a 100% disability rate as established by the United States Department of Veterans Affairs. Per the U.S. Census Bureau's 2021 ACS 5 year report there are 32,771 disabled veterans in Missouri with a rating of 70% or higher. The Department reached out to the Missouri Veterans Commission who was not able to provide more recent information on disabled veterans than 2019. Given their past information about 45% of the reported veterans are 100% disabled (14,905). For fiscal note purposes, DOR will assume these are the only veterans who may qualify for this exemption.

The Department is unable to determine the actual number of veterans that would own their own property. For fiscal notes purposes, DOR will assume all of these veterans own their own dwelling. According to information from the State Tax Commission's annual report the average amount of property tax paid in Missouri for 2021 was \$1,690. The Department notes that some veterans may have a property tax amount that is lower than this amount. This would exempt from state and local real property tax of \$25,189,450 (\$1,690 per person x 14,905 veterans).

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.

Additionally, DOR notes that if a military disabled veteran is exempt from paying real property tax, they would no longer be eligible to claim the Senior Property Tax Credit. Currently a person can claim the Senior Property Tax Credit if:

- A. They are 65 years or older
- B. 100% Disabled Veteran as a result of military service
- C. 100% Disabled or
- D. 60 years of age or older and receiving surviving spouse benefits

In TY 2020 - 2,380 taxpayers checked the disable veteran box on the PTC form. They claimed 1,608,498 in property tax credits.

In TY 2021 – 2,342 taxpayers checked the disable veteran box on the PTC form. They claimed \$1,635,371 in property tax credits.

Two year average claimed by disabled veterans is \$1,621,935.

DOR notes that if a disabled veteran is also over the age of 65 years of age they may have just checked the 65+ box instead of the Veterans box so the amount that could be exempt could be higher.

DOR assumes this would result in a savings to General Revenue that Could Exceed \$1,621,935 annually from military veterans no longer owing real property tax and being ineligible for the property tax credit.

Given the election for this proposal is November 2024 (FY 2024) and the bill starts with property taxes on January 1, 2025; this proposal will have an impact starting in FY 2026 due to the filing deadline for the taxes being 12/31/2025 (FY 2026).

FY 2024	\$0
FY 2025	\$0
FY 2026	\$1,621,935 savings to GR and an Unknown loss to Blind Pension fund

This proposal will not have an administrative fiscal impact on the Department.

Officials from the **State Tax Commission (STC)** assume this has a possible negative fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. Under the criteria of the HJR, individuals who are receiving 100% disability compensation as a result of a service-connected disability would be exempt from taxation. The STC does not have enough information on the number of individual properties this would affect to provide an accurate amount of the reduction for the local taxing entities.

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 \$10 million based on the cost of the 2022 primary and general election reimbursements.

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.

For the FY24 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

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, the SOS reserves the right to request funding to meet the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight notes, per information on the State Tax Commission's [website](#), an applicant must meet the following requirements to qualify for the property tax exemption as it exists in current law:

- be a former prisoner of war; and
- a veteran of any branch of the armed forces of the United States or this state who became one hundred percent disabled as a result of his or her military service; and
- must own and occupy the homestead as a primary residence.

Oversight notes the phrase "total service connected disability" exists in current law and for purposes of this fiscal note assumes it has the same meaning as noted above by the State Tax Commission.

Based on information provided by DOR and B&P, **Oversight** notes there were 14,905 veterans with a total (100%) service-connected disability in Missouri as of December 2021.

Real Property Tax

Based on estimates from the [Housing Assistance Council](#), **Oversight** notes the homeownership rate for veterans is 77.4% with a median house value of \$150,000. Assuming a similar homeownership rate for veterans with a total (100%) service connected disability, Oversight estimates 11,536 veterans may qualify for the property tax exemption (14,905 * .774).

Oversight notes property tax levies differ based on the location of the property and the varying taxing entities. Based on information from the Greene County Collector's website, Oversight estimated the property tax levy for a property in the City of Springfield at \$5.3825 (not counting the .03 collected for the Blind Pension Fund) in the table below: Taxing District	2022 Tax Levy
County General Revenue	0.1040
Road	0.1040
Co. Dev. Disability Programs	0.0462
Library	0.2405
OTC College	0.1911
Springfield R-12 Schools	4.0767
City of Springfield	0.6200
Total	5.3825

Using the median value of \$150,000 and a tax levy of 5.3825, **Oversight** estimates a loss of revenue of \$1,662 per veteran ($((\$150,000 * .19 = \$28,500 \text{ in assessed value}) / 100 = \$285) * 5.3825$). Oversight estimates the total revenue losses to local political subdivisions at \$19,176,641 (11,536 veterans * \$1,662 revenue loss per veteran). Because tax rates vary by location, Oversight assumes the loss to local political subdivisions could exceed \$19,176,641.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ($(\text{Total Assessed Value}/100)*.03$). Oversight estimates a reduction in residential real property tax revenue to the Blind Pension Fund at \$8.55 per veteran ($\$150,000 * .19 = \$28,500 \text{ in assessed value} / 100 = \$285 * .03$) for an estimated total of \$90,096 ($11,536 * \8.55).

Personal Property Tax

Blind Pension Fund

Oversight notes the population of Missourians 18 years and older was estimated at 4,855,874 in 2022 per the U.S. Census Bureau and the estimated total personal property assessed value for 2022 was \$30,408,455,877 per the State Tax Commissions website. Assuming most property is owned by those over the age of 18, Oversight estimates a per capita personal property assessed value of \$6,262 ($\$30,408,455,877 / 4,855,874$) for Missourians.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ($(\text{Total Assessed Value}/100) \cdot .03$). Based on the population of 100% disabled veterans in MO, (14,905), the loss to the Blind Pension Fund is estimated at \$28,001($(\$6,262/100) \cdot .03 = \$1.88 \cdot 14,905$) if veterans with a total service-connected disability were exempted from personal property tax.

Local Political Subdivisions

Oversight notes the estimated personal property taxes paid for 2022 were \$2,056,178,766 per the State Tax Commissions website. Assuming most property is owned by those over the age of 18, Oversight estimates a per capita personal property tax burden of \$424 ($\$2,056,178,766 / 4,855,874$) for Missourians. Using the population of 100% disabled veterans in MO, Oversight estimates a potential loss of revenue of \$6,311,396 ($\$424 \cdot 14,905$) if veterans with a total service-connected disability were exempted from personal property tax.

Oversight assumes that if adopted, it is assumed that based on the certification date of this proposal, it would become effective January 1, 2025.

Oversight notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters AND/OR the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from disabled veterans) or could exceed the figures estimated by DOR and B&P to the Blind Pension Fund and local political subdivisions beginning in FY 2026.

Officials from the **County Employee Retirement Fund (CERF)** state they have reviewed HCS/HJR 7 (0163H.02C). Their review of this bill would indicate that it may result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how the exemption proposed under HCS/HJR 7 would impact contribution revenue but CERF assumes there may be a negative impact.

Officials from **Jackson County, City of Springfield,** and the **City of Kansas City** each anticipate a negative fiscal impact of an indeterminate amount on their respective county/cities.

Officials from the **St. Louis County Health Department** assume a reduction of property tax would negatively impact the health fund. The amount of the revenue loss is not known.

Officials from the **Lincoln County Assessor** assume this proposal could create tax burden shift on those who don't qualify for the exemption - taxing entities may raise tax levies to offset lost revenue from exemptions.

Officials from the **St Genevieve County Assessor** assume this proposal would a negative fiscal impact of an indeterminate amount.

Officials from the **Adair County SB40 DD Board** note they currently receive about \$600k in property tax revenues through personal and real estate tax collections on assessed valuations at a rate of .1457/\$100 Assessed Valuation. Statewide, the estimate percentage of Veterans over 18 years of age who have a disability of 70% or more is approximately 8 - 9%. With 11,366 Housing Units in Adair County, that is an average of approximately \$53 per household. Using 8.5% of the Housing Units as Veterans who would be exempt from all taxes, the estimated revenue loss could be as high as around \$50k.

The most important thing to understand is that ANY loss in property tax revenues WILL result in a reduction of essential services to people with intellectual and developmental disabilities in Adair County. Types of services that could be significantly reduced include sheltered employment, supported employment, transition services and other collaborative programs with the public schools, educational courses such as citizenship, relationships, healthcare self-advocacy, etc. Also, the agency's contribution of 20% share to leverage another 20% from state and 60% from federal Medicaid waiver dollars ('Partnership for Hope funds') would be reduced.

In response to a previous version: HJR 7, officials from the from the **Hannibal Rural Fire Protection District (HANR) – Marion** assume any reduction in real or personal property taxes would affect Hannibal Rural Fire Protection district by reducing revenues.

In response to a previous version: HJR 11 (2023), officials from the **St Louis Budget Division** note the City of St. Louis Assessor's Office has been unable to find any source that can provide the number of disabled veterans in the City. Therefore, the Office is unable to make any estimate of the fiscal impact of the proposed legislation.

Officials from the **Newton County Health Department, St. Louis County Police Department, Branson Police Department**, and the **Kansas City Police Department** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Social Services, Department of Public Safety – Veterans Commission**, and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their respective organizations/localities.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Revenue Gain</u> – DOR – Veterans no longer claiming the Senior Property Tax Credit	\$0	\$0	\$0 or Could exceed \$1,635,371
<u>Transfer Out</u> - SOS - reimbursement of local election authority election costs if a special election is called by the Governor	<u>\$0 or (More than \$10,000,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or (More than \$10,000,000)</u>	<u>\$0</u>	<u>\$0 or Could exceed \$1,635,371</u>
BLIND PENSION FUND			
<u>Revenue Loss</u> - no real property tax collected from veterans with a total service-connected disability	\$0	\$0	\$0 or (Unknown, could exceed \$145,959)
<u>Revenue Loss</u> - no personal property tax collected from veterans with a total service-connected disability	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown, could exceed \$28,001)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Could exceed \$173,960)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – to implement and monitor	\$0	\$0	\$0 or (Unknown)
<u>Revenue Loss</u> - no real property tax collected from veterans with a total service-connected disability*	\$0	\$0	\$0 or (Unknown, Could exceed \$25,189,450)
<u>Revenue Loss</u> - no personal property tax collected from veterans with a total service-connected disability	\$0	\$0	\$0 or (Unknown, Could exceed \$6,311,396)
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$10,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election if called for by the Governor	<u>\$0 or (More than \$10,000,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS*	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown, Could exceed \$31,500,846)</u>

***Oversight** notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue of disabled veterans resulting from this proposal.

FISCAL IMPACT – Small Business

Oversight assumes there could be an impact to small businesses owned by veterans with a total service connected disability. Conversely, taxing jurisdictions may be able to increase the levy to all other property owners to make up for the lost revenue.

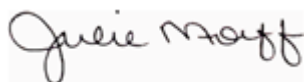
FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment authorizes a real and personal property tax exemption for any military veteran who has a 100% service-connected disability rating and is a resident of this state.

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

Office of Administration - Budget and Planning
Department of Revenue
State Tax Commission
Department of Social Services
Department of Public Safety – Veterans Commission
Office of the State Auditor
City of Springfield
City of Kansas City
St. Louis County Health Department
Newton County Health Department
Lincoln County Assessor
Hannibal Rural Fire Protection District (HANR) – Marion
St Louis Budget Division
St. Louis County Police Dept
Kansas City Police Department
Branson Police Department
County Employee Retirement Fund



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