COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1197S.05C
Bill No.: SCS for HCS No. 2 for HB 713
Subject: Taxation and Revenue - Property; Taxation and Revenue - Income; Corporations; Taxation and Revenue - Sales and Use; Motor Vehicles; Agriculture
Type: Original
Date: May 5, 2023

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)*
General Revenue*	Could exceed ($24,921,017)	Could exceed ($141,215,212)	Could exceed ($183,688,932)	Could exceed ($966,135,780)
Total Estimated Net Effect on General Revenue	**Could exceed ($24,921,017)**	**Could exceed ($141,215,212)**	**Could exceed ($183,688,932)**	**Could exceed ($966,135,780)**

*Oversight notes the fully implemented fiscal impact could be many years into the future. §143.011 adds an additional five (5) annual one-tenth rate reductions of the individual income tax rates, based on net general revenue collects. Also, §143.071 creates three (3) corporate rate income tax reductions of one-half of one percent, based on corporate income tax collections. It is unknown when (or if) all of the rate reductions will occur; therefore, Oversight listed the fully implemented fiscal year as "Unknown" when we reflected the fiscal impact of all five individual income tax rate reductions and all three corporate income tax rate reductions above.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Blind Pension Fund	$0	(Could exceed $3,518,942)	(Could exceed $3,518,942)	(Could exceed $3,518,942)
School District Trust Fund (0688)	(Unknown)	(Unknown)	(Unknown)	(Unknown)

Parks and Soils State Sales Tax Fund(S) (0613 & 0614)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund (0609)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	**(Unknown)**	**(Could exceed $3,518,942)**	**(Could exceed $3,518,942)**	**(Could exceed $3,518,942)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Total Estimated Net Effect on FTE	**0**	**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	Fully Implemented (FY Unknown)
Local Government	**(Unknown)**	**(Could exceed $792,657,530)**	**(Could exceed $792,657,530)**	**(Could exceed $812,454,791)**

FISCAL ANALYSIS

ASSUMPTION

Section 136.370 – Sales and Use Tax Audit Refunds

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would allow a taxpayer to receive a refund for sales and use tax paid after an audit under certain circumstances.

A taxpayer may be granted a refund if the Administrative Hearing Commission (AHC) or a court determines that negligence and/or incorrect information provided by an employee of DOR resulted in a business failing to collect and remit the sales tax when it was originally due, and that business was subsequently audited by DOR.

B&P is unable to estimate a potential impact from this provision, therefore, B&P defers to DOR for the administration and fiscal impact resulting from this language.

Officials from the **Department of Revenue (DOR)** note this provision would allow the Department to issue a refund to a taxpayer if a court of law finds that a Department employee provided incorrect information to the taxpayer. The Department estimates the fiscal impact to be less than $100,000.

In response to a similar proposal this year, (SB 203), officials from the **Missouri Department of Conservation** assume this proposal would have an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC=s sales taxes are constitutional mandates. Oversight notes the proposed refund of sales tax paid could negatively impact the

Conservation Sales Tax Funds. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

In response to a similar proposal this year, (SB 203), officials from the **Department of Natural Resources** assume the proposal will have no fiscal impact on their organization

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight notes the proposed refund of sales tax paid could negatively impact the Park, Soil, and Water Funds. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for DNR's funds.

Oversight assumes section 136.370 allows for a refund to taxpayers if certain negligence or incorrect information has occurred. Oversight will range the fiscal impact of $0 (no refunds are issued) to an unknown, less than $100,000 cost to General Revenue Fund, Conservation Commission Fund, Park & Soil Fund, School District Trust Fund and Local Governments based on information provided by the Department of Revenue.

Oversight notes this provision is effective August 28, 2023, and taxpayers must file a claim for these refunds by April 15, 2024. Oversight will show the impact of these refunds in FY 2024.

<u>Section 137.115.1 Personal Property Assessment Rate Reduction</u>

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal reduces the personal property assessment value percentage from 33.33% to 31% beginning with tax year 2024. B&P further notes that property taxes are levied for a calendar year, with the taxes owed by December 31st of that year. Therefore, a reduction to a tax year's assessed value will impact collections for the following fiscal year. For example: tax year 2024 reduction will impact FY25 collections.

B&P notes that subsection 9 of this provision changes the motor vehicle depreciation schedule, in addition to the assessment percentage decrease under this subsection. B&P further notes that the two changes combined will have a smaller impact than what would be shown if the two changes were calculated separately. Therefore, B&P will show the impact of reducing the assessment percentage for motor vehicles combined with the impact from the proposed deprecation schedule.

Based on data published by STC, total property tax assessments were $135,148,692,788 in 2022. In addition, total estimate property taxes were $9,492,396,528. Based on additional data published by STC, B&P determined that approximately 25.75% of all personal property is assessed at the 33.33% rate (other items are already assessed at lower rates), of which 14.77% are motor vehicles. Therefore, B&P estimates that the market value for relevant personal property was approximately $104,412,806,460, of which $20,664,235,127 was for motor vehicles.

Using data published by STC, B&P estimates that the statewide average personal property tax rate is 6.8%. B&P notes that the Blind Pension Trust Fund levies a statewide property tax of $0.03 per $100 value.

Therefore, B&P estimates that this provision, excluding motor vehicles, could reduce revenues to the Blind Pension Trust Fund by $296,473 and local property tax collections by $66,138,490 annually beginning in FY25. Table 1 shows the estimated impact, less motor vehicles.

Table 1: Estimated Revenue Impact from Reduced Assessment Percentage

Property Type	Assessment %	Blind Pension	Local
Tangible Personal	31.00%	($729,846)	($163,406,845)
Motor Vehicles Only	31.00%	($433,373)	($97,268,355)
Impact, except for MV		($296,473)	($66,138,490)

Officials from the **State Tax Commission** assume the reduction in assessment percentage from thirty-three and a third percent to thirty-one percent would reduce tax collected on personal property tax collections by approximately $200 million. The bill also requires all of the software used in the counties to meet minimum standards which could require a cost to some counties for upgrades.

The **City of O'Fallon** estimates that the reduction in the percentage of assessed value for personal property would cost the City about $100,000 annually.

Oversight assumes this proposal reduces the percentage at which personal property is assessed, effectively reducing the assessed value of personal property over time. Oversight notes the revenue growth in property tax is determined by the following method:

Last year's revenues plus an allowance for growth equal to either:

- Inflation;
- Growth in total assessed value, or;
- 5%, whichever is lowest.

Oversight notes property tax revenues are designed to be relatively revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to real property owners (as personal property assessed values decrease).

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities, which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Oversight notes the proposed reduction in the percentage at which personal property is assessed could reduce the maximum allowed revenue growth (relative to current law) which could impact all taxing entities. Oversight notes there may be administrative costs to counties to administer this provision. Oversight will show B&P's estimated impact for all local political subdivisions on the fiscal note.

<u>Section 137.115.9 Personal Property Assessment Method</u>

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal requires county assessors to use the MSRP for a vehicle and then depreciate the motor vehicle value following the proposed 10-year depreciation schedule. For farm vehicles, assessors are to use the MSRP and then a proposed 5-year depreciation schedule.

B&P notes that this section is impacted by the emergency clause contained in Section B. However, B&P notes that tax assessments for tax year are already in progress. It is unclear that even with an emergency clause; this provision could take effect before such tax assessments must be complete. Therefore, B&P assumes that this proposal will not be implemented until tax year 2024 assessments and will thus begin impacting state and local revenues in FY25.

Using sales data published by the U.S. Bureau of Transportation Statistics, B&P was able to determine the average price for new vehicles from 1990 – 2021. B&P then used published articles to estimate the average sales price for new vehicles in 2022 and 2023. Based on research, B&P was able to obtain a depreciation schedule similar to the one historically shown in the NADA publications. In addition, DOR provided data to B&P with the number of motor vehicles registered in Missouri by model year. Table 1 shows the comparison between the estimated current depreciation schedules used in NADA versus the proposed schedule for model years 2003 - 2023. B&P notes that the amounts shown are the percentage of market value remaining after depreciation.

Table 2: Proxy and Proposed Depreciation Schedule

Model Year	Current Remaining Value	Proposed Remaining Value	Difference
2023	85.0%	85.0%	0.0%
2022	75.0%	75.0%	0.0%
2021	67.5%	65.0%	(2.5%)
2020	61.7%	55.0%	(6.7%)
2019	54.7%	45.0%	(9.7%)
2018	49.2%	35.0%	(14.2%)
2017	44.3%	25.0%	(19.3%)
2016	39.9%	15.0%	(24.9%)
2015	35.9%	5.0%	(30.9%)
2014	32.3%	5.0%	(27.3%)
2013	29.0%	5.0%	(24.0%)

Model Year	Proposed Remaining Value	Proposed Remaining Value	Difference
2012	26.1%	5.0%	(21.1%)
2011	23.5%	5.0%	(18.5%)
2010	21.2%	5.0%	(16.2%)
2009	19.1%	5.0%	(14.1%)
2008	17.2%	5.0%	(12.2%)
2007	15.4%	5.0%	(10.4%)
2006	13.9%	5.0%	(8.9%)
2005	12.5%	5.0%	(7.5%)
2004	11.2%	5.0%	(6.2%)
2003	10.0%	5.0%	(5.0%)

**2002 and older estimates calculated, but not shown.*

B&P then took the original sales data and applied the current depreciation schedule and the proposed schedule to determine the difference in market values. B&P notes that motor vehicles are then assessed at 33.33% of their market value, while farm machinery is assessed at 12% of market value. However, this proposal would also reduce the assessment percentage for motor vehicles to 31% of their market value. This impact was calculated simultaneously with the proposed depreciation schedule in order to prevent overestimating either proposed change. Table 3 shows the estimated average current and proposed assessed values for model years 2003 – 2023.

Table 3: Estimated Current and Proposed Average Assessed Value

Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference
2023	$14,213	$13,231	($982)
2022	$11,909	$11,087	($822)
2021	$10,218	$9,160	($1,058)
2020	$8,065	$6,692	($1,373)
2019	$6,922	$5,301	($1,621)
2018	$6,130	$4,059	($2,071)
2017	$5,482	$2,880	($2,602)
2016	$4,901	$1,715	($3,186)

Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference
2012	$3,028	$540	($2,488)
2011	$2,789	$552	($2,237)
2010	$2,500	$549	($1,951)
2009	$1,669	$407	($1,262)
2008	$1,516	$410	($1,106)
2007	$1,382	$418	($964)
2006	$1,243	$416	($827)
2005	$1,032	$384	($648)

2015	$4,353	$565	($3,788)	2004	$898	$373	($525)
2014	$3,818	$550	($3,268)	2003	$762	$355	($407)
2013	$3,416	$548	($2,868)				

**2002 and older estimates calculated, but not shown.*

Using data published by STC, B&P estimates that the statewide average personal property tax rate is 6.8%. B&P notes that the Blind Pension Trust Fund levies a statewide property tax of $0.03 per $100 value. Table 4 shows the estimated state and local revenue impact by model year.

Table 4: Estimated Revenue Impact by Model Year

Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss	Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss
2023	93,124	($27,006)	($6,158,290)	2011	233,800	($156,646)	($35,217,294)
2022	250,577	($62,644)	($13,866,931)	2010	204,757	($120,807)	($26,896,880)
2021	281,533	($90,091)	($20,056,411)	2009	170,742	($64,882)	($14,507,948)
2020	287,551	($117,896)	($26,584,090)	2008	241,668	($79,750)	($17,997,016)
2019	331,860	($162,611)	($36,219,200)	2007	244,129	($70,797)	($15,846,413)
2018	338,301	($209,747)	($47,176,074)	2006	234,404	($58,601)	($13,051,615)
2017	366,085	($285,546)	($64,138,092)	2005	221,323	($42,051)	($9,658,536)
2016	348,732	($334,783)	($74,809,989)	2004	214,644	($34,343)	($7,587,665)
2015	348,451	($397,234)	($88,875,912)	2003	179,193	($21,503)	($4,911,680)
2014	318,691	($312,317)	($70,127,955)	2002 and older	1,403,602	($112,288)	($26,275,429)
2013	297,730	($256,048)	($57,494,640)	**Total Estimated Impact**		**($3,222,469)**	**($723,219,498)**
2012	273,170	($204,878)	($45,761,438)				

Therefore, B&P estimates that this provision could decrease revenues to the Blind Pension Trust Fund by up to $3,222,469 and local revenues by up to $723,219,498 annually beginning in FY25.

Officials from the **State Tax Commission** note this has an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. The bill would require additional FTE for the State Tax Commission to receive the Manufacturer Suggested Retail Price (MSRP) from a vendor and then configure that data to fit the multiple assessment programs used in the state.

The cost of the data is unknown as well as the cost of licensing for each county in the state. The bill does not allow for all currently assessed vehicles to use a previously assessed value in the depreciation schedule so the MSRP would have to be obtained for all new and used vehicles by

Vehicle Identification Number. The depreciation schedule ends after 10 years so approximately fifty percent of the vehicles in the state would no longer be assessed. The depreciation schedule would reduce motor vehicle assessments by approximately 45%.

The current system uses average trade in value listed in the October issue of the National Automobile Dealers Association guide and that value will be less than the starting value of MSRP in most cases which could cause an increase in assessments. The use of a depreciation schedule would require that the vehicle values decrease each year regardless of the true market values.

In response to a similar proposal from this year, (SB 493), officials from the **Adair County SB40 Board** note they currently have approximately $104ml in Personal Property Assessed Valuation taxed at .1456 for an estimated Personal Property Tax revenue of $150k. The local assessor estimated 61% of all vehicles are over 10 years old.

The most important statement 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 similar proposal from this year, (SB 493), officials from the **St Louis City SB40 Board** note per data from their county assessor, they assume the following fiscal impacts:

		Before Legislation	**Taxes**
Vehicles	**2013-2022**	518,399,258	$42,851,401
	2012 & Older	85,768,109	$7,089,678
		604,167,367	**$49,941,079**
		After Legislation	**Taxes**
		213,195,500	$17,622,953
Difference from changes to vehicles		390,971,867	$32,318,126

Total 2022 PP Value at 33.33%		1,259,655,321	
Vehicles		604,167,367	
All other Personal Property	**@ 33.33%**	655,487,954	$54,183,290
	Market Value	1,966,463,861	
	@ 31%	609,603,797	$50,390,459

AV decrease (non-vehicles)	**45,884,157**	**$3,792,830**

Loss in taxes from change to 31% assessment rate and applying vehicle depreciation schedule	$32,318,126
Loss in taxes from change to 31% assessment on personal property other than vehicles	$3,792,830
Loss from Legislation to all taxing jurisdictions	$36,110,956
City Portion (loss)	$7,226,909
Developmentally Disabled (loss)	$598,493
Loss to Collector of Revenue Fund	$541,664
Loss to Assessment Fund	$225,693

The **City of Springfield** anticipates a negative fiscal impact of an indeterminate amount from the change in valuation of certain types of property.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect B&P's estimated impact in the fiscal note.

Oversight notes B&P's estimated impact <u>does not</u> include farm tractors or machinery. Oversight is unable to estimate the quantity and current value of farm machinery that may be impacted by this proposal. Oversight notes per the STC website, agricultural property makes up 1.45% of the total assessed value, or about $1,959,656,045. Oversight will show a negative unknown impact for this provision.

Oversight notes the Office of Administration - Budget and Planning estimate this proposal could reduce revenues to the Blind Pension Trust Fund and local taxing entities beginning in FY 2025. Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by B&P to show the loss in property tax revenue for the Blind Pension Fund and all local political subdivisions.

In response to a similar proposal from this year (HCS SB 133), officials from the **State Tax Commission** assume the cost of the data as well as the cost of licensing for each county in the state has been estimated to be less than $200,000.

Oversight is unsure when the STC will incur the additional costs and require the additional FTE. Therefore, Oversight will reflect this fiscal impact to the STC in fiscal years 2024 and 2025.

Officials from the **Howell County Assessor** note if the purpose of this legislation is to reduce taxes on citizens, it will only move the tax burden over to real property and increase the burden residential property carries at this time and potentially may cause more harm to homeowners. The assessed values are not the problem with personal property, it is the levy setting process where school districts are not rolling back their levies due to a change in the Constitution in 1987 and legislative changes in 1994 and 2004.

In Howell County the personal property this targets is 67% of the total personal property assessed value and generated $3,410,920 of local funding in 2022. Statewide it is 21% of total assessed value generating $1,987,103,270 of local funding. This proposal does not offer any method of replacement as required by law.

A 9 year depreciation schedule is too rapid for vehicles, a more appropriate schedule is 15 years as it will still reduce taxes annually but not create as large a shift in the tax burden to real property.

Adding farm machinery to this is problematic as there is no centralized list of who owns farm machinery and the assessment of farm machinery is voluntary reporting under current statutes. This will add another $300,000 in lost revenue to Howell County and will cost much more in other counties with a higher concentration of farm machinery and equipment in them.

Requiring payment out of the current assessment fund may be a Hancock amendment violation as an unfunded mandate.

Total estimated local revenue loss in Howell County $4,183,400

Total estimated local revenue loss Statewide of $3,000,000,000 or more. This loss of revenue to essential services may cause a loss of jobs, delivery of services and in the emergency services could translate into a loss of citizen lives.

Officials from the **Boone County Assessor** note this decrease in assessed value would cost the taxpayers of Boone County $25,063,000 in local tax revenue.

The total number of cars, trucks and motorcycles assessed in Boone County for the tax year 2022 currently is 113,090. Based on the current filing of House Bill 713 the number of vehicles that would be assessed at the minimum would be 61,060 or 54%. The 2022 total assessed value of the cars, trucks and motorcycles in Boone County was $605,000,000. By applying the depreciation table and the lower assessment ratio outlined in House Bill 713, the same vehicles would have a total assessed value of $220,300,000.

Including farm machinery in this bill will only add additional hardship rural counties that depend on the revenue. Rural counties do not have the commercial tax base that is found in larger more urban counties. Farm machinery already receives a tax break due to the lower assessment ratio of 12% unlike the 33 1/3 % of motor vehicles. The 2022 total assessed value of the farm machinery in Boone County was $3,060,700. By applying the depreciation table outlined in House Bill 713, the same machinery would have a total assessed value of $176,500.

Since House Bill 713 would have such a dramatic loss in local revenue without any kind of mechanism for replacement that tax burden would be shifted. The school districts, municipalities and other tax jurisdictions would just raise their levies to offset the lost revenue.

The increasing of these levies would result in direct tax increase to real property owners. The real property tax increase would have a trickle-down effect. Increased mortgage payments due escrow accounts increasing; rental properties would increase rents to recoup the higher real property tax bill.

In closing the proposed bill needs to remove the farm machinery, change the 10-year deprecation table to a 20-year table with a minimum assessed value of $300 and leave the assessment ratio at 33 1/3%.

Officials from the **County Employees' Retirement Fund (CERF)** assume this section would have a negative fiscal impact to the County Employees' Retirement Fund. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. The bill, by reducing the assessment percentage of personal property from 33.3% to 31% would reduce the moneys that fund CERF. In FY2021 (the most recent year for which CERF has complete information), the CERF received total fee revenues of $35,587,162. The following amounts received were tied to the collection of property taxes:
2021 Collector Late Property Tax Fees: $15,397,498 (43% of fee revenue)
2021 Assessor Late Assessment Filing Fees: $11,106,885 (31% of fee revenue)
Total: $26,504,383 (74% of fee revenue)

CERF notes that the amount of these revenues fluctuates from year to year. CERF notes that there is insufficient information to quantify the exact impact on CERF's revenue streams but CERF assumes that the impact would be negative. CERF would expect the changes in the perfected version of SS/SCS/SB 8 to result in a deterioration of CERF's funding over time. Unless those fees are replaced with other sources, it likely has severe implications for CERF's sustainability including the possibility that the plan assets might be depleted.

Oversight notes this part of the proposal has an emergency clause.

In response to a similar proposal from this year, (SB 8), local taxing authorities assume the following:

Adair County estimates its revenues would be negatively impacted by $483,206 if the proposed legislation in Senate Bill 8 were to pass.

Andrew County officials project a revenue loss of more than $1.3 million if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. The number of motor vehicles in the county 10 years old or older stands at 16,292, while the number of farm machinery 10 years or older in the county is 1,522.

Audrain County projects that the county and its taxing entities could face a tax revenue loss of more than $1.54 million if Senate Bill 8 was passed.

The county estimates it could lose more than $225,000 in countywide districts that includes county revenue, handicap services, library and the Audrain County Health Center.

County officials believe the city of Mexico could have losses of more than $59,000 in personal property tax revenue, while the five fire districts are projected to lose more than $44,000. The two ambulance districts would lose more than $46,000.

Barton County projects it would lose nearly $875,000 in tax revenue if Senate Bill 8 was signed into law as perfected by the Senate, Barton County has more than 8,000 motor vehicles that are 10 years or older and only 3,323 motor vehicles newer than 10 years old. The county projects it would lose $563,437 in tax revenue.

For farm machinery, the county projects it would lose $311,291 in tax revenue, as the county has more than 4,500 pieces of farm machinery 10 years old or older.

Buchanan County estimates the county and its taxing entities could lose more than $3.9 million if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older.

Buchannan County has 19,677 motor vehicles registered that are more than 20 years old and 47,114 that are 10 years old or older. The amount of tax revenue the county is expected to lose if SB 8's depreciation schedule is implemented would be $2.92 million. The county expects it would lose more than $71,000 on pieces of farm machinery that are 10 years old or older.

The revenue loss on motor vehicles 10 years old or older to the St. Joseph School District would be more than $1.5 million, while the county's 12 fire district could lose $59,000 in personal property tax revenue.

Butler County would lose a total $1,822 million in taxes collected just from reducing to 31% and a minimum assessed value after 10+ years of $1.

Butler County officials say 69% of the total vehicles for the county are 10 years old or older with a total value of 103,894,020. At current assessed rate of 33.33% the tax dollars are $1,539,832 vs 31% $1,432,187. Difference of $107,645, if all vehicles over 10 years old go to $1 assessed the tax dollars would drop to $1,730,524. A difference of $1,430,619 just in 10+ year old vehicles (doesn't include farm equipment).

Callaway County estimates its could lose more than $2.4 million if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older.

County officials claim that there are 36,712 motor vehicles that are 10 years old or older in the county. The new depreciation schedule in SB 8 would result in a revenue loss of more than $1.6 million on those vehicles if SB 8 was implemented.

Chariton County estimates changing the assessment rate from 33.3333% to 31% is a 7% decrease of the value in that subclass. Which would translate to a loss of $3,275,722.00 in assessed valuation and assuming a $7.00 levy, a loss of $229,300.00 revenue to taxing entities.

Second, changing the depreciation table to only assess vehicles for 10 years would have a very negative effect on assessed valuation. Currently 69% of the vehicles in Chariton County are older than 10 years and they have an assessed valuation of $6,645,660. Assuming a $7.00 levy this portion would result in a $465,196.00 loss of revenue to taxing entities,

Third, changing the depreciation table to only assess farm machinery for 10 years would have a greater affect than vehicles. Currently 90% of the farm machinery in Chariton County is older than 10 years and has an assessed valuation of $8,627,140. Assuming a $7.00 levy this portion would result in a $603,890 loss of revenue to taxing entities.

Lastly, the accelerated depreciation table to get the vehicles depreciated by the time that they are 10 years old could be the costliest of all. This figure is impossible to produce, but Chariton County officials are confident that it would be a least another $1,000,000.00 loss of revenue to the taxing entities.

In summary, the total costs to the tax entities of Chariton would be $2,298,386.00 in tax revenue lost. Chariton County officials would like to stress that while schools may have the ability to increase levies and pass the expense onto another sub-class. Many of the fire districts, ambulance districts, road districts etc. have a statutory limit to their tax rate, which many are already charging. They have no way to recoup the loss of revenue. The legislature is limiting them on both sides of the equation,

Clay County estimated an approximate loss for Clay County based off the 2022 values - 179.8 million assessed value and an approximate $13.2 million to taxing jurisdictions and $66,195 to Assessment fund.

Clinton County officials project a revenue loss of more than $2.3 million if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. Clinton. County has 15,357 motor vehicles that are 10 years old or older and 1,516 pieces of farm machinery that are 10 years old or older. Under the new depreciation schedule in SB 8, the county would expect to lose $1.34 million on motor vehicles and nearly $96,000 on farm machinery.

The county's school are estimated to lose the most tax revenue at more than $1.3 million, while the county's 10 fire districts would lose more than $116,000 and two ambulance districts would lose about $39,000.

Officials in **Cole County** project a revenue loss of more than $3.5 million if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. Cole County has 49,146 motor vehicles that are 10 years old or older. Under the new depreciation schedule in SB 8, the county would expect to lose $2.2 million in personal property tax on those vehicles,

Dallas County projects to lose $200,000 in tax revenue if the assessment on personal property is changed from 33.3% to 31% in the first year of implementation.

Dallas County has nearly 12,100 motor vehicles that are 20 years old or older and 21,750 motor vehicles that are 10 years old or older, which makes up for 74% of the motor vehicles in Dallas County.

Dallas County says 75% of the farm machinery in the county is over 10 years old. This will cause a $1,457,991 decrease in assessed value which is about a $70,000 loss in tax revenue.

The tax revenue losses to other taxing entities in the county if SB 8 is implemented is as follows:

- School Districts will lose $1,000,000
- Fire Districts will lose $120,000
- State will lose $8,000
- County will lose $40,000
- Road and Bridge will lose $70,000
- Health Dept. will lose $24,000
- Library will lose $24,000
- Seniors will lose $13,000.

Franklin County projects a loss of $25.5 million in the assessed valuation of personal property if the percentage is reduced from 33.3% to 31%.

The county also has nearly 25,000 motor vehicles that are 20 years or older, and more than 58,500 motor vehicles that are 10 years or older. If SB 8 is implemented, Franklin County projects its assessed valuation on motor vehicles to decrease by $70.6 million.

Franklin County also has more than 4,900 pieces of farm machinery that is 10 years or older and projects the assessed valuation on those items will decrease by $1.1 million.

Greene County officials project a loss of more than $19.9 million in personal property tax revenue if SB 8 is implemented. Officials project the assessed valuation rolling back to 31% would cause a tax revenue loss of nearly $4 million.

The county has 168,311 motor vehicles that are 10 years old and older and applying the new depreciation scheduled in SB 8 could cause a revenue loss of nearly $16 million. The county has 2,991 items registered as farm machinery and would expect a loss of more than $97,000 in tax revenue if 8B 8 is implemented.

The impact of SB 8 on Greene County's taxing entities and services. The schools in Greene

County would have a toss of more than $14.6 million, while the county's 12 fire districts would have a combined loss of $1.1 million in tax revenue. The cities of Greene County would see a loss of $1.37 million. The county's other services that include general revenue, roads, senior services, library, disabilities and OTC could expect to lose nearly $2.76 million.

Harrison County officials estimate an assessed valuation loss of more than $13.7 million if SB 8 is passed and signed into law. The county had an assessed valuation of more than $8.86 million on vehicles that were 10 years old or older in 2022. If SB § is implemented the projected loss in assessed valuation would be $8.85. The estimated loss in assessed valuation for farm machinery in the county would be more than $2.8 million.

Holt County officials estimate a fiscal impact of $534,000 in tax revenue lost if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older.

Holt County has nearly 6,200 motor vehicles in the county that are 10 years old or older and 3,201 that are 20 years old and older. The fiscal impact on the county if the new depreciation schedule in SB 8 is implemented would be a revenue loss of more than $291,000. The revenue impact on farm machinery 10 years old or older would be a loss of more than $133,000.

Lincoln County projects a loss of more than $3.4 million in tax revenue if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older.

The county estimates it has 44,000 vehicles in the county that are 10 years old or older and 23,000 vehicles that are 20 years old or older. If the depreciation schedule change in SB 8 on motor vehicles and farm machinery was implemented, it could take the normal assessment value of more than $50 million on those motor vehicles/farm machinery 10 years old or older in the county and drop it to an assessed valuation of more than $46,000. That would result in a projected loss of more than $3 million in tax revenue,

Miller County projects a combine tax revenue loss from all its taxing entities of more than $1.67 million on motor if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. The bill would basically zero out 34,921 items (all motorized vehicles and farm machinery older than 10 years.

Notable taxing entities" projected losses in tax revenue include: Lake Ozark Fire & Ambulance ($111,854); Moreau Fire District ($32,139); Osage Beach Fire District ($15,459); Iberia Fire District ($23,379); Miller County Library ($41,375); Miller County Nursing Home ($50,139); Miller County Sheltered Workshop ($27,384); Miller County Health Center ($39,423).

New Madrid County estimates a loss of $12,000,000 assessed value and over $600,000 in personal property tax revenue

Newton County projects a tax revenue loss of more than $3.8 million if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 1(¢ years old or older. The county has 55,516 motor vehicles that are 10 years old or older and 26,442 motor vehicles that fall into the category of 20 years old or older. If the depreciation schedule in SB 8 was implemented the county projects a tax revenue loss of nearly $3 million.

Newton County has 1,665 pieces of farm machinery in its county but is unable to identify how many of those pieces are 10 years old or older at this time.

Nodaway County officials estimate the fiscal impact of Senate Bill § will be a reduction of more than $1.4 million in personal property tax revenue if the assessment drops from 33/3% to 31% and the depreciation table in SB § is used on motor vehicles and farm machinery over 10 years old or older for the county and its taxing entities.

According to county officials, there are more than 17,251 motor vehicles that are 10 years old and older, which would account for more than $935,000 loss in tax revenue generated from those vehicles.

Oregon County has 9,719 motor vehicles/farm machinery that are 10 years old or older in the county and that the tax revenue generated from the personal property on those items will be significantly reduced.

Pettis County projects a loss of $1.5 million in tax revenue the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. The county also projection a loss of more than $134,000 on farm machinery that is 10 years old or older is the depreciation schedule in SB 8 is implemented.

Phelps County projects a combined loss of more than $852, 000 if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older.

The amount of tax revenue lost by the taxing entities in the county if the new depreciation schedule was implemented on motor vehicles and farm machinery 10 years old or older would be more than $612,000. The county has 22,445 motor vehicles that are 10 years old or older and 746 pieces of farm machinery that is 10 years old or older.

Polk County projects a tax revenue loss of $125,163 if the personal property assessment fell from 33/3% to 31% upon the implementation of SB 8.

Across the county the taxing entities would see their tax revenue drop by:

- Gen Revenue - $7,323.34
- County Road - $4,370.95
- Special Roads Districts -$1,859.16

- Jr. College - $686.59
- Schools - $93,868.57
- Late Assessment - $1,235.10
- Fire Districts - $3,723.30
- Senior Citizen Service - $ 1,127.63
- Health - $ 3,972.18
- Library - $ 5,434.90
- SB40 - $ 474.52
- Cities - $ 353.80

Putnam County would lose approx. $4,050,190 in assessed value. The 2022 total personal property assessed value in the county was $29,304,651.

Ralls County officials estimate its taxing entities and the county would lose nearly $920,000 in personal property tax revenue if SB 8 was implemented.

The county has 13,207 vehicles that are 10 years old or older and, if the new depreciation scheduled in SB 8 was implemented, county officials project a $12.56 million loss in assessed value.

Randolph County officials estimate losses of approximately $3.1 million in personal property tax revenue if Senate Bill 8 is signed into law. The county has more than 8,000 motor vehicles that are 10 years old or older and would stand to lose $772,000 if the new depreciation table was implemented.
Scotland County estimates the fiscal impact of the bill for fiscal years 2023, 2024 and 2025 to be revenue losses of $1,337,039 in personal property tax, which stands at 64% of its local personal property tax revenue. The proposed legislation would be a:

- $291,476.94 reduction due to the depreciation schedule
- $1,045,562,06 reduction due to reducing the percentage of true value 64% of the vehicles assessed in Scotland County are 10 years old or older

Scott County officials estimate the county and its taxing jurisdictions could see a loss of more than $2.77 million in revenue generated from personal property taxes from vehicles and farm machinery if SB 8 was passed and signed into law.

The county has more than 45,000 vehicles with more than 29,000 of them being 10 years old and older. Scott County projects a loss of more than $2.3 million from vehicles that are 10 years old or older. The county also has 1,624 items dedicated as farm machinery with more than 1,300 being 10 years old or older. The estimated loss on tax revenue from farm machinery if SB 8 was implemented would be nearly $450,000.

Shelby County officials project a tax revenue loss of $1.5 million if the assessment drops from

33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older.

The county has 7,718 motor vehicles in its county that are more than 10 years old and older. It also has 3,068 pieces of farm machinery that are 10 years old or older. County officials estimate a revenue loss of more than $1.4 million for the county and its taxing entities based on the new depreciation table in SB 8.

St. Clair County officials feel SB 8 would negative affect the county's budget, as well as other taxing entities in the county. As a rural county, St. Clair County does not take in much sales tax revenue to offset any loss of tax revenue on personal property tax. At this time, the county cannot determine the amount of vehicles in the county that are 10 years old or older but does project that 75% of the farm equipment would be over 10 years of age. This new depreciation schedule in SB 8 would impact tax revenue generated from farm machinery is already assessed at a lower percentage of 12%.

Sullivan County officials estimate a revenue loss of more than $569,000 if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. County officials expect a loss of $315,000 in tax revenue on 6,173 motor vehicles 10 years old or older due to the new depreciation schedule in SB 8. Farm machinery 10 years old or older is estimated to generate $152,000 less in tax revenue because of the depreciation schedule in SB 8.

Washington County officials estimate a revenue loss of nearly $942,000 if the assessment drops from 33/3% to 31% and the depreciation table in SB 8 is used on motor vehicles and farm machinery over 10 years old or older. The number of motor vehicles in the county 10 years old or older stands at 21,749.

Section 143.011 – Individual Income Tax Rate

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would add five additional rate reductions to the three that are scheduled under current law.

Based on current revenue forecasts and average revenue growth, B&P estimates that revenues in FY23, FY25, FY26, and FY27 will reach the SB 3 (2022) growth trigger requirement for reductions to the top rate of tax. Therefore, the top rate of tax is estimated to be reduced in tax years 2024, 2026, 2027, and 2028 under SB 3 (2022).

For the purpose of this fiscal note, B&P will assume that the additional five proposed reductions will occur in tax years 2029, 2030, 2031, 2032, and 2033. B&P acknowledges that it is unlikely that all income tax reductions will occur in consecutive years.

Using tax year 2020 data, the most recent complete tax year available, and accounting for the changes in individual income tax law created by SB 3 (2022), B&P estimates that this section may reduce tax collections by $116,359,173 for calendar year 2029. Once fully implemented, B&P estimates this provision could reduce tax collections by $574,133,660 annually. Table 1 shows the assumed top tax rates and estimate impact by calendar year.

Table 1: Individual Income Tax Reduction by Tax Year

Tax Year	GR Impact
2029	($116,359,173)
2030	($231,940,904)
2031	($346,730,044)
2032	($460,704,774)
2033	($574,133,660)

However, because this proposal would take effect January 1st individuals will adjust their withholdings and declarations during FY29. Based on actual collections data, B&P estimates that 42% of individual income taxes are paid during fiscal year 1 and 58% are paid during fiscal year 2.

Therefore, B&P estimates that this provision could reduce TSR and GR by $48,870,853 in FY29. Once fully implemented, and annually thereafter, this provision may reduce TSR and GR by $574,133,660. Table 2 shows the estimated impact from this section by fiscal year.

Table 2: Individual Income Tax Reduction by Fiscal Year

Fiscal Year	GR Impact
FY29	($48,870,853)
FY30	($164,903,500)
FY31	($280,152,343)
FY32	($394,599,431)
FY33	($508,344,906)
FY34	($574,133,660)

Officials from the **Department of Revenue (DOR)** note the current individual income tax rate for tax year 2023 is 4.95% per SB 3 (2022) and is projected to be 4.8% for tax years 2024 & 2025. Per SB 3, the individual income tax rate is then scheduled to drop over a period of years to 4.5% based on certain state revenue growth. The Department is unable to determine when these scheduled drops in the rate will actually occur, but for fiscal note purposes only, DOR will assume they will drop over the next consecutive years.

This provision changes the number of reductions from an additional three to eight bringing the final tax rate to 4.0%. Therefore, the current and proposed rates are:

Current and Proposed Income Tax Rates

Tax Year	Current Rate	Proposed Rate
2024	4.8%	4.8%
2025	4.8%	4.8%
2026	4.7%	4.7%
2027	4.6%	4.6%
2028	4.5%	4.5%
2029	4.5%	4.4%
2030	4.5%	4.3%
2031	4.5%	4.2%
2032	4.5%	4.1%
2033+	4.5%	4.0%

The Department used its internal Income Tax Model that contains confidential taxpayer data to estimate the fiscal impact. The model calculates the calendar/tax year impact, then converts the data to fiscal year using a 42% in the first year and 58% in the second year split for conversion. The loss to General Revenue is projected as follows:

By Tax Year

Tax Year	Amount
2023	$0.00
2024	$0.00
2025	$0.00
2026	$0.00
2027	$0.00
2028	($116,012,720.40)
2029	($231,250,442.14)
2030	($345,698,725.98)
2031	($459,334,731.12)
2032	($572,147,705.67)

By Fiscal Year

Fiscal Year	Loss to GR
2023	$0.00
2024	$0.00
2025	$0.00

2026	$0.00
2027	$0.00
2028	$0.00
2029	($164,412,563.53)
2030	($279,318,721.35)
2031	($393,425,848.13)
2032	($506,716,180.43)

This provision will require modification to the MO-1040 form and to the MO-1040P form. Additionally DOR will need to modify their website and their individual income tax computer system. These changes are estimated to cost $7,193.

At this time, the Department believes it can handle this work with existing resources. However, should DOR reach the number of errors or correspondence to justify additional FTE from this proposal or in combination with other proposals that will pass, DOR will seek the required number of FTE through the appropriation process. The Department is providing the number of errors or correspondence that require additional FTE.

1 FTE Associate Customer Service Rep for every 14,700 errors created
1 FTE Associate Customer Service Rep for every 5,700 pieces of correspondence generated

Oversight notes both DOR and B&P's estimates include data from their internal Income Tax Model.

Oversight notes that it does not currently have the resources and/or access to state tax data to produce a thorough independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR. Therefore, for the purpose of this fiscal note, Oversight will note B&P's estimated impact for this provision. For the purpose of this fiscal note, Oversight will reflect the assumption that the SB 3 (2022) reductions are triggered consecutively.

<u>Section 143.022 – Business Income Exemption</u>

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would add Schedule F (farm income) and Form 4835 to the list of income types included within the business income exemption. B&P notes that Form 4835 is for farm rental income, which is included within Schedule E and is therefore already included within the existing exemption. Therefore, this proposal will only add Schedule F to the business income exemption.

B&P further notes that the business income exemption was fully implemented for tax year 2023, with a total exemption allowance of 20%. In addition, this proposal will start on August 28, 2023. Therefore, B&P assumes that the exemption would apply to tax year 2023 income.

In order to prevent overestimating the impact of this provision, B&P accounted for the reduced individual income tax rates proposed in Section 143.011.

Using tax year 2020 data, the most recent and complete year available, and accounting for the individual income tax reductions contained within Section 143.011, B&P estimates that this provision may reduce TSR and GR by $2,263,751 in FY24. Once the individual income tax reductions contained within Section 143.011 have fully implemented, B&P estimates that this provision could reduce TSR and GR by $1,805,230 annually. Table 1 shows the estimated impact by year.

Table 1: Estimated Impact by Year

Tax Year	Fiscal Year	GR Loss
2023	2024	($2,264,343)
2024	2025	($2,163,730)
2025	2026	($2,159,422)
2026	2027	($2,112,061)
2027	2028	($2,067,767)
2028	2029	($2,025,378)
2029	2030	($1,977,312)
2030	2031	($1,932,478)
2031	2032	($1,890,456)
2032	2033	($1,848,433)
2033	2034	($1,805,230)

*Estimates include contemporaneously occurring rate reductions contained in Section 143.011.

Officials from the **Department of Revenue (DOR)** note this proposal attempts to add the income of farmers as reported on two specific IRS forms to the business exemption. Those forms are the Schedule F and Form 4835. It should be noted the income reported on Form 4835 is reported onto the Schedule E which is already exempt per statutes.

The Department used its internal Income Tax Model that contains confidential taxpayer data to calculate the fiscal impact. SB 3 adopted in 2022, lowered the individual income tax rate to 4.95% starting January 1, 2023 and additionally is projected to lower the current tax rate down to 4.5% over a period of years based on revenue growth. DOR will show the impact through the implementation period.

The Department notes that this income is reported at the time of filing of the return and is will result in a loss to general revenue:

Tax Year (Fiscal Year)	Amount
2023 (FY 2024)	($2,254,947)
2024 (FY 2025)	($2,161,749)
2025 (FY 2026)	($2,156,214)
2026 (FY 2027)	($2,104,034)
2027 (FY 2028)	($2,056,505)

This proposal will require modification to the MO-A form and to the MO-1040 form. Additionally DOR will need to modify their website and their individual income tax computer system. These changes are estimated to cost $7,193.

Oversight notes both DOR and B&P's estimates include data from their internal Income Tax Model.

Oversight notes that it does not currently have the resources and/or access to state tax data to produce a thorough independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR. Therefore, for the purpose of this fiscal note, Oversight will note B&P's estimated impact for this provision. For the purpose of this fiscal note, Oversight will reflect the assumption that the SB 3 (2022) reductions are triggered consecutively.

<u>**Section 143.071 – Corporate Income Tax Rate Reduction**</u>

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal will reduce the corporate income tax to 3.75%, starting with tax year 2024. Beginning with calendar year 2025, the corporate income tax may be reduced by an additional 0.5% when the revenue from tax on income of corporations exceeds the highest amount collected in any prior fiscal year by at least $50 million. No more than three additional reductions shall occur.

Based on current revenue forecasts, B&P notes that the additional 0.5% reduction would not be triggered for tax year 2025, based on estimated FY24 revenues. Therefore, for the purpose of this fiscal note, B&P will assume that the additional reductions will be triggered for tax year 2026, 2027, and 2028.

B&P notes that under Section 148.720, RSMo, the financial institutions tax (formerly known as the bank franchise taxes) (Sections 148.030, 148.140, and 148.620, RSMo.) shall be reduced by a proportional amount to any reduction in the corporate income tax. Such reduction shall occur in the calendar year in which the corporate tax rate is reduced. Table 3 shows the proposed tax rates for corporations and the corresponding reduced financial institution tax rates.

Table 3: Proposed Corporate Tax Rate

Tax Year	Corporate Rate	Franchise Tax Rate

2023	4.00%	4.48%
2024	3.75%	4.20%
2025	3.75%	4.20%
2026	3.25%	3.64%
2027	2.75%	3.08%
2028	2.25%	2.52%

*Assumes additional rate reductions triggered in TY26, TY27, and TY28.

Corporate Income Tax
In FY22, net corporate tax collections were $711,062,676 at a tax rate of 4.0%.

B&P estimates that reducing the corporate income tax could reduce GR by $44,441,417 beginning with tax year 2024. Once fully implemented, B&P estimates this provision could reduce corporate income tax collections by $311,089,921 annually. Table 4 shows the estimated impact by tax year.

Table 4: Est. Corp Impact by Tax Year

Tax Year	GR Impact
2024	($44,441,417)
2025	($44,441,417)
2026	($133,324,252)
2027	($222,207,086)
2028	($311,089,921)

However, because this proposal would take effect January 1, corporations would adjust their declarations payments during FY24. Based on historic remittance patterns, B&P notes that corporate income tax collections are split approximately 50/50 between fiscal years. Table 5 shows the estimate impact on general revenue by fiscal year.

Table 5: Est. Corp Impact by Fiscal Year

Fiscal Year	GR Impact
FY24	($22,220,709)
FY25	($44,441,417)
FY26	($88,882,835)
FY27	($177,765,669)
FY28	($266,648,504)

FY29	($311,089,921)

Financial Institution Tax
B&P notes that the financial institution tax is paid annually in the fiscal year following the end of a calendar year. In FY22, financial institutions tax collections were $53,870,066 at a tax rate of 4.48%.

B&P notes that the financial institutions tax is distributed to GR (2%) and local funds (98%) on an annual basis and that tax payments for tax year 1 are distributed in FY2. For example: tax payments for 2024 will be collected and distributed during FY25. Table 6 shows the estimated impact on state and local funds by fiscal year.

Table 6: State and Local Impact from Brank Franchise Tax Reduction

Tax Year	GR (2%)	Local (98%)
FY24	$0	$0
FY25	($67,338)	($3,299,542)
FY26	($67,338)	($3,299,542)
FY27	($202,013)	($9,898,625)
FY28	($336,688)	($16,497,708)
FY29	($471,363)	($23,096,791)

Officials from the **Department of Revenue (DOR)** note the current corporate tax rate is 4% a year. The FY 2022 net collections were $711.1 million. Starting January 1, 2024 this proposal will reduce the corporate tax rate to 2% for tax year 2024. Since this proposal is effective January 1, 2024 it is assumed only 6 months of collections will be impacted in FY 2024.

Then starting in tax year 2026, this proposal provides that another 1% reduction can occur if the amount of revenue received in FY 2025 exceeds the FY 2024 collections by $50 million. If it does, the 1% rate reduction will occur starting the following tax year. Therefore, the earliest this reduction could occur is tax year 2026.

Additionally in Section 143.071.1(3), this proposal establishes a procedure by which the corporate tax rate could be reduced to 2.25%. This will result in a loss to general revenue.

Corporate Rate Reduction	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
	($22,220,709)	($44,441,417)	($88,882,835)	($177,765,669)	($266,648,504)

Per Section 148.720 whenever there is a reduction in the corporate tax rate there shall be a proportional decrease in the financial institutions tax. The financial institutions tax is currently

4.48% with 98% of it distributed to locals and 2% retained by general revenue. In FY 2022, DOR collected $53,870,066 in tax. Per Section 148.720 the reduction in the financial institutions tax is reduced in the following year. The tax rates are expected to be:

Tax Year	Corporate Rate	Financial Institutions Rate
2023 current	4.0%	4.48%
2024	3.75%	4.2%
2025	3.75%	4.2%
2026	3.25%	3.64%
2027	2.75%	3.08%
2028	2.25%	2.52%

The Department used its internal Income Tax Model that contains confidential taxpayer data from the 2020 tax year (the most recent complete tax year data) to calculate the fiscal impact.

Impact to Funds from reduction:

State and Local Impact from Corporate Rate Reduction

	FY24	FY25	FY26
State Impact			
Corporate Tax Rate Reduction	($22,220,709)	($44,441,417)	($88,882,835)
Financial Institutions Tax Rate Reduction	$0	($67,338)	($67,338)
Total GR Loss	($22,220,709)	($44,508,755)	($88,950,173)
Local Impact	FY24	FY25	FY26
Financial Institutions Tax Rate Reduction	$0	($3,299,542)	($3,299,542)

State and Local Impact from Corporate Rate Reduction (cont.)

	FY27	FY28	FY29
State Impact			
Corporate Tax Rate Reduction	($177,765,669)	($266,648,504)	($311,089,921)
Financial Institutions Tax Rate Reduction	($202,013)	($336,688)	($471,363)
Total GR Loss	($177,967,682)	($266,985,192)	($311,561,284)
Local Impact	FY27	FY28	FY29
Financial Institutions Tax Rate Reduction	($9,898,625)	($16,497,708)	($23,096,791)

This provision will result in changes needing to be made to their computer programs and forms. These changes are estimated at $7,193.

<u>Section 143.114 – Employee Stock Ownership Deduction</u>

Officials from the **Office of Administration - Budget and Planning (B&P)** note this program extends the current income tax deduction for capital gains related to certain employee stock ownership sales. B&P notes that this is an extension of an existing program. Therefore, this provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** note this proposal extends the Employee Stock Ownership Plan Deduction. This deduction was to sunset on December 31, 2022 and the sunset language is removed thereby assuring this deduction will be permanent. Extending or removing the sunset language of an existing program is not expected to have impact.

For informational purposes, this deduction began in 2017. No one claimed the credit in 2017. In 2018, 17 people claimed the credit. However, in 2019 & 2020 more than zero but less than the minimum reportable number filed for this deduction. Under Section 32.057, the Department does not disclose the number of tax returns or amounts claimed if the number is so low it could identify the taxpayer. The minimum number of returns to report is 10. What DOR can provide is the grand total claimed from 2017-2020 which was $722,342.

Oversight is unable to estimate the amount to be claimed under this deduction in future years. However, using DOR's total of $722,342 in deductions claimed from 2017-2020 (4 years), DOR could estimate the average annual impact over that time period was $9,751 ($722,342 / 4 years x 5.4% individual income tax rate). Therefore, Oversight will show a negative unknown impact for this provision, not reaching the $250,000 threshold.

<u>Section 143.124 – Private Pensions Income Tax Adjustments</u>

Officials from the **Office of Administration - Budget and Planning (B&P)** note the following:

Individual Retirement Distributions
Currently taxpayers may subtract $6,000 of their individual retirement income, if their Missouri Adjusted Gross Income (MAGI) is less than $25,000 for taxpayers filing single or head of household and $32,000 for married filing combined taxpayers. B&P notes that these payments would include IRAs and 401(k) plans.

This proposal would allow taxpayers to subtract $12,000 of their retirement income, if their MAGI is less than $50,000 for singles and $64,000 for married filing combined taxpayers.

Based on data published by the IRS, B&P estimates that this provision may exempt up to $356,706,746 in individual retirement arrangement payments for taxpayers filing single,

$119,123,284 for taxpayers filing head of household, and $366,736,152 for married filing joint taxpayers; for a total of up to $763,701,991 in income exempted under this section.

However, exemptions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. B&P notes that this proposal would also impact the tax rate applied to individual income. For the purpose of this fiscal note, B&P will estimated the impact for this provision using the proposed tax rates under Section 144.011 contained within this proposal.

Consequently, B&P estimates that exempting individual retirement arrangement payments could reduce TSR and GR by $36,657,696 (top tax rate 4.8%) in FY25. Once the individual income tax reductions contained within Section 143.011 have fully implemented, this provision could reduce TSR and GR by $30,548,080 annually.

Pensions and Annuities
B&P notes that the term "pensions and annuities" includes both public and private retirement funds. For the purpose of this fiscal note, B&P used tax year 2020 (the most recent complete year available) Missouri tax return data to estimate the percentage of payments from public pensions and annuities versus private pensions and annuities.

In tax year 2020, 61% of pension and annuity payments were from private funds and 39% were from public funds for individuals filing single. For married filing combined individuals, 51% of payments were from private funds, while 49% were from public funds. For taxpayers filing as head of household, 58% of pension and annuity payments were from private sources, while 42% were from public sources.

Private Pensions and Annuities
Currently taxpayers may exempt $6,000 of their private pension and annuity income, if their Missouri Adjusted Gross Income (MAGI) is less than $25,000 for taxpayers filing single or head of household and $32,000 for married filing combined taxpayers.

This proposal would allow taxpayers to subtract $12,000 of their retirement income, if their MAGI is less than $50,000 for singles and $64,000 for married filing combined taxpayers.

Based on data published by the IRS, B&P estimates that this provision may exempt up to $749,989,260 in private pension and annuity payments for taxpayers filing single, $231,810,834 for taxpayers filing head of household, and $509,493,355 for married filing joint taxpayers; for a total of up to $231,810,834 in income exempted under this section.

However, exemptions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. B&P notes that this proposal would also impact the tax rate applied to individual income. For the purpose of this fiscal note, B&P will estimated the impact for this provision using the proposed tax rates under Section 144.011 contained within this proposal.

Consequently, B&P estimates that exempting individual retirement arrangement payments could reduce TSR and GR by $57,147,381 (top tax rate 4.8%) in FY25. Once the individual income tax reductions contained within Section 143.011 have fully implemented, this provision could reduce TSR and GR by $47,622,818 annually.

Self-Employed (Keogh) Payments
Currently taxpayers may exempt $6,000 of their Keogh retirement income, if their Missouri Adjusted Gross Income (MAGI) is less than $25,000 for taxpayers filing single or head of household and $32,000 for married filing combined taxpayers.

This proposal would allow taxpayers to subtract $12,000 of their retirement income, if their MAGI is less than $50,000 for singles and $64,000 for married filing combined taxpayers.

Based on data published by the IRS, B&P estimates that this provision may exempt $3,566,765 in Keogh payments for taxpayers filing single, $1,160,709 for taxpayers filing head of household, and $5,160,139 for married filing joint taxpayers; for a total of $1,160,709 in income exempted under this section.

However, exemptions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. B&P notes that this proposal would also impact the tax rate applied to individual income. For the purpose of this fiscal note, B&P will estimated the impact for this provision using the proposed tax rates under Section 144.011 contained within this proposal.

Consequently, B&P estimates that exempting individual retirement arrangement payments could reduce TSR and GR by $437,650 (top tax rate 4.8%) in FY25. Once the individual income tax reductions contained within Section 143.011 have fully implemented, this provision could reduce TSR and GR by $364,708 annually.

Pension Subtraction Summary
B&P estimates that this proposal could reduce TSR and GR by $94,242,727 (top tax rate 4.8%) in FY25. Once the individual income tax reductions contained within Section 143.011 have fully implemented, this provision could reduce TSR and GR by $78,535,606 annually. Table 1 shows the estimated loss by provision and fiscal year.

Table 1: Revenue Loss from Social Security Exemption

Tax Year	Fiscal Year	Tax Rate	IRAs	Private Pensions/Annuities	Keogh Plans	Total
2024	2025	4.80%	($36,657,696)	($57,147,381)	($437,650)	($94,242,727)
2025	2026	4.80%	($36,657,696)	($57,147,381)	($437,650)	($94,242,727)
2026	2027	4.70%	($35,893,994)	($55,956,811)	($428,532)	($92,279,337)
2027	2028	4.60%	($35,130,292)	($54,766,240)	($419,415)	($90,315,947)
2028	2029	4.50%	($34,366,590)	($53,575,670)	($410,297)	($88,352,557)
2029	2030	4.40%	($33,602,888)	($52,385,100)	($401,179)	($86,389,167)
2030	2031	4.30%	($32,839,186)	($51,194,529)	($392,062)	($84,425,777)

2031	2032	4.20%	($32,075,484)	($50,003,959)	($382,944)	($82,462,387)
2032	2033	4.10%	($31,311,782)	($48,813,388)	($373,826)	($80,498,996)
2033	2034	4.00%	($30,548,080)	($47,622,818)	($364,708)	($78,535,606)

**Estimates include contemporaneously occurring rate reductions contained in Section 143.011.*

Officials from the **Department of Revenue (DOR)** note this proposal is changing the taxability of retirement income. Currently, depending on the type of retirement benefit and the taxpayer's Missouri adjusted gross income (MAGI) some of the benefits are taxable.

Public Retirement Benefits
Per statutes, any retirement benefits other than public pension benefits are eligible to receive up to the first $6,000 in income from retirement benefits as an exemption from taxation. This would include pensions from private companies, 401(k), deferred compensation plans, annuities, and self-employed retirement plans (Keogh). This exemption is only allowed for individual taxpayers with a MAGI of less than $25,000 or for those filing a combined return of up to $32,000 MAGI.

Starting January 1, 2024, this proposal would increase the $6,000 to $12,000 for taxpayers. It would also increase the number of people eligible for this exemption by increasing the MAGI of individual filers to $50,000 and the MAGI of combined filers to $64,000. This will increase the number of people eligible for this exemption.

Impact
The Department notes these changes are to begin for tax years starting January 1, 2024 and therefore will not fiscally impact the state until FY 2025 based on when the tax returns are filed claiming the exemption.

DOR used information reported by taxpayers on their federal returns to start the calculation of the additional revenue that may be exempt from tax. Then DOR used their internal Individual Income Tax Database for Missouri DOR found the following distribution of filers of public and private pensions.

Pensions	Public	Private
Singles	39%	61%
Married Filing Joint	49%	51%
Head of Household (HOH)	42%	58%

Here is the estimated loss per benefit type:

Estimated Loss by Retirement Income

Retirement Income	4.95%	4.8%	4.7%	4.6%	4.5%
Individual Retirement Distributions	($37,803,249)	($36,657,696)	($35,893,994)	($35,130,292)	($34,366,590)
Pensions/Annuities (Private)	($58,933,237)	($57,147,381)	($55,956,811)	($54,766,240)	($53,575,670)

Self-Employed (Keogh)	($451,327)	($437,650)	($428,532)	($419,415)	($410,297)
Total GR Loss	**($97,187,813)**	**($94,242,727)**	**($92,279,337)**	**($90,315,947)**	**($88,352,557)**

Retirement Income	4.40%	4.3%	4.2%	4.1%	4.0%
Individual Retirement Distributions	($33,602,888)	($32,839,186)	($32,075,484)	($31,311,782)	($30,548,080)
Pensions/Annuities (Private)	($52,385,100)	($51,194,529)	($50,003,959)	($48,813,388)	($47,622,818)
Self-Employed (Keogh)	($401,179)	($392,062)	($382,944)	($373,826)	($364,708)
Total GR Loss	**($86,389,167)**	**($84,425,777)**	**($82,462,387)**	**($80,498,996)**	**($78,535,606)**

SB 3 adopted in 2022 set the individual income tax rate at 4.95% in tax year 2023. The tax rate is scheduled to continue to reduce over a period of several years until the rate equals 4.5%. At that time it was to remain the 4.5%. However, this proposal would lower it further to 4.0%. Since this proposal begins with tax year 2024 (FY 2025) the rate is estimated to be 4.8%. For fiscal note purposes, DOR will show the loss at each of those tax rates over SB 3's and this proposal's implementation period. This will result in a loss to general revenue. DOR estimates the loss to general revenue:

Table 2: Estimated Loss by Fiscal Year

	Tax Year (Fiscal Year)			
Tax Rate	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY28)
4.95%	($97,187,813)	($97,187,813)	($97,187,813)	($97,187,813)
4.80%	($94,242,727)	($94,242,727)	($94,242,727)	($94,242,727)
4.70%		($92,279,337)	($92,279,337)	($92,279,337)
4.60%			($90,315,947)	($90,315,947)
4.50%				($88,352,557)

Tax Rate	2028	2029	2030	2031	2032
4.40%	($86,389,167)	($86,389,167)	($86,389,167)	($86,389,167)	($86,389,167)
4.30%		($84,425,777)	($84,425,777)	($84,425,777)	($84,425,777)
4.20%			($82,462,387)	($82,462,387)	($82,462,387)
4.10%				($80,498,996)	($80,498,996)
4.00%					($78,535,606)

Administrative Impact
This proposal will require modification to the MO-A form and to the MO-1040P form. Additionally DOR will need to modify their website and their individual income tax computer system. These changes are estimated to cost $7,193.

At this time the Department believes it can handle this work with existing resources. However, should DOR reach the number of errors or correspondence to justify additional FTE from this proposal or in combination with other proposals that will pass, DOR will seek the required number of FTE through the appropriation process. The Department is providing the number of errors or correspondence that require additional FTE.

1 FTE Associate Customer Service Rep for every 14,700 errors created
1 FTE Associate Customer Service Rep for every 5,700 pieces of correspondence generated

Section 144.030 – Boat Dock Sales Tax Exemption

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would exempt boat docks from state and local sales taxes beginning August 28, 2023. B&P notes that this would also exempt the leasing of boat docks from sales tax. Based on information provided by DOR, B&P estimates that this proposal could reduce TSR by an amount that may exceed $100,000 per year. This proposal will also reduce local sales tax revenues by an unknown amount.

Officials from the **Department of Revenue (DOR)** note this proposal will add boat docks and the rental of boat docks to the list of items exempt from state and local sales tax. The current state sales tax rate is 4.225%. It is distributed as follows:

General Revenue is 3%
School District Trust Fund is 1% (Section 144.701)
Conservation Commission Fund is .125% (Article IV, Section 43(a))
Parks, Soil & Water Funds .1% (Article IV, Section 47(a))

When calculating sales tax DOR used a 4.07% weighted average for local political subdivisions.

Sales tax is collected on all items that are tangible personal property unless expressly delineated in statutes to be exempt. There has been a growing confusion among taxpayers as to when and if they owe sales tax on boat docks. In Section 339.503 boat docks are considered real property and therefore are subject to property tax not sales tax. However, in Sections 137.016 & 137.090 boat docks are referred to as tangible personal property which is subject to sales tax. Additionally, some county assessors are assessing boat docks as real property and collecting property tax on them.

From FY 2019-FY 2022 the Department has conducted audits of businesses that own or lease boat docks. DOR has found that at least $144,000 in unpaid boat dock sales tax went unreported. Mostly due to the confusion they believed it was subject to real property tax rather than sales tax.

There is no single source for the number of boat docks in Missouri. The Department is unable to determine the number of boat docks in the state or to determine the number that are not currently paying sales tax. This bill will eliminate the confusion and make the docks exempt which will result in a loss to the sales tax funds of an unknown amount exceeding $100,000.

This will require the Department to update their forms, website and computer systems which is estimated to cost $7,193.

<u>Section 273.050 (Repealed) – Local Option Dog Tax</u>

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would remove the annual payment due date and allow dogs to remain in Missouri if the local option dog tax (Section 273.060) is not paid. However, this proposal does not remove the actual local tax levy, only the statute containing the due date.

Therefore, it would be possible for a local jurisdiction to still levy the tax and set their own annual due date. B&P notes that such local tax is not currently levied in any county in Missouri. This provision will not impact TSR or the calculation under Article X, Section 18(e).

Oversight does not anticipate a fiscal impact from this provision. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>Responses regarding the proposed legislation as a whole</u>

Oversight will note the total one-time costs, estimated at $35,965, associated with the updates of DOR's sales and income tax systems and form updates for all sections within the proposal, in the fiscal note beginning FY 2024.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Officials from the **Office of Administration - Administrative Hearing Commission, Department of Commerce and Insurance,** and the **Joint Committee on Public Employee Retirement** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Kansas City, Newton County Health Department, Branson Police Dept,** and the **St. Louis County Police Dept** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

The **Joint Committee on Public Employee Retirement's** review of this legislation indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

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 (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves 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 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY Unknown)
GENERAL REVENUE FUND				
Revenue Reduction – §136.370 Sales and Use Tax Refunds p. (4)	$0 to (Unknown, less than $100,000)	$0	$0	$0
Cost – State Tax Commission – §137.115.9(1) – Software/programming costs and FTE/other administrative costs p. (10)	(Unknown, less than $200,000)	(Unknown, less than $200,000)	(Unknown, less than $200,000)	(Unknown, less than $200,000)
Revenue Reduction – §143.011 – Individual Income Tax Rate Reduction p. (19)	$0	$0	$0	($574,133,660)

Revenue Reduction - §143.022 –Business Exemption p. (22)	($2,264,343)	($2,163,730)	($2,159,422)	($1,805,230)
Revenue Reduction – §143.071 – Corporate Income Tax Rate Reduction p. (26)	($22,220,709)	($44,441,417)	($88,882,835)	($311,089,921)
Revenue Reduction – §143.071 – Financial Institutions Tax Rate Reduction p. (27)	$0	($67,338)	($67,338)	($471,363)
Revenue Loss – §143.114 Employee Stock Ownership Deduction – extends sunset date ** p. (28)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §143.124 – Retirement Income Tax Deduction p. (30)	$0	($94,242,727)	($92,279,337)	($78,535,606)
Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption p. (33)	(Unknown, could exceed $100,000)	(Unknown, could exceed $100,000)	(Unknown, could exceed $100,000)	(Unknown, could exceed $100,000)
Costs – DOR – Form, computer, and IIT changes – p. (21, 23, 27, 32, 33)	($35,965)	$0	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**Could exceed ($24,921,017)**	**Could exceed ($141,215,212)**	**Could exceed ($183,688,932)**	**Could exceed ($966,135,780)**
BLIND PENSION FUND				

Revenue Loss - §137.115.1 – Reduction in property taxes from reduction in personal property assessed valuation percentage to 31% p. (5)	$0	Could exceed ($296,473)	Could exceed ($296,473)	Could exceed ($296,473)
Revenue Loss - §137.115.9 – motor vehicles - change in property taxes from change in personal property assessed valuation method p. (8)	$0	Up to ($3,222,469)	Up to ($3,222,469)	Up to ($3,222,469)
Revenue Loss - §137.115.9 – farm machinery - change in property taxes from change in personal property assessed valuation method p. (10)*	$0	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**(Could exceed $3,518,942)**	**(Could exceed $3,518,942)**	**(Could exceed $3,518,942)**
SCHOOL DISTRICT TRUST FUND				
Revenue Reduction – §136.370 Sales and Use Tax Refunds p. (4)	$0 to (Unknown, less than $100,000)	$0	$0	$0
Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption p. (33) ***	(Unknown)	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**
PARKS AND SOILS STATE SALES TAX FUNDS				
Revenue Reduction – §136.370 Sales and Use Tax Refunds p. (4)	$0 to (Unknown, less than $100,000)	$0	$0	$0
Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption p. (33) ***	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**
CONSERVATION COMMISSION FUND				
Revenue Reduction – §136.370 Sales and Use Tax Refunds p. (4)	$0 to (Unknown, less than $100,000)	$0	$0	$0
Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption p. (33) ***	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**

***Oversight** assumes the revenue reduction from the change in the farm machinery assessed valuation method under §137.115 could reach the $250,000 threshold.
** **Oversight** assumes the income tax revenue reduction from the extension of the current income tax deduction for ESOP's under §143.114 would *not* reach the $250,000 threshold.
*** **Oversight** assumes the sales tax revenue reduction from the exemption of boat docks under §144.030 would *not* reach the $250,000 threshold.

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY Unknown)
LOCAL POLITICAL SUBDIVISIONS				
Revenue Reduction – §136.370 Sales and Use Tax Refunds p. (4)	$0 to (Unknown, less than $100,000)	$0	$0	$0
Costs – Counties – §137.115 - to administer the changes in assessment from this proposal p. (6)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Loss – §137.115.1 - Loss of property tax revenues from reduction in personal property assessed value percentage to 31% p. (5)	$0	(Could exceed $66,138,490)	(Could exceed $66,138,490)	(Could exceed $66,138,490)
Revenue Loss - §137.115.9 – motor vehicles - change in property taxes from change in personal property assessed valuation method p. (8)	$0	Up to ($723,219,498)	Up to ($723,219,498)	Up to ($723,219,498)
Revenue Loss - §137.115.9 – farm		(Unknown)	(Unknown)	(Unknown)

machinery - change in property taxes from change in personal property assessed valuation method p. (10)	$0			
Revenue Reduction – §143.071 – Financial Institutions Tax Rate Reduction p. (27)	$0	($3,299,542)	($3299,542)	($23,096,791)
Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption p. (33) ***	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**(Unknown)**	**(Could exceed $792,657,530)**	**(Could exceed $792,657,530)**	**(Could exceed $812,454,791)**

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that is obligated to pay taxes.

FISCAL DESCRIPTION

This proposal modifies provisions relating to taxation.

This proposal contains an emergency clause for section 137.115.

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 Natural Resources
Missouri Department of Conservation
Joint Committee on Administrative Rules

County Employees' Retirement Fund (CERF)
Office of the Secretary of State
Office of Administration - Administrative Hearing Commission
Department of Commerce and Insurance
Joint Committee on Public Employee Retirement
City of Springfield
City of O'Fallon
City of Kansas City
Newton County Health Department
Branson Police Dept
St. Louis County Police Dept
Adair County
Andrew County
Audrain County
Barton County
Boone County
Buchanan
Butler County
Callaway County
Chariton County
Clay County
Clinton County
Cole County
Dallas County
Franklin County
Greene County
Harrison County
Holt County
Howell County
Lincoln County
Miller County
New Madrid County
Newton County
Nodaway County
Oregon County
Pettis County
Phelps County
Polk County
Putnam County
Ralls County
Randolph County
Scotland County
Scott County
Shelby County

St. Clair County
Sullivan County
Washington County
St Louis City SB40 Board
Adair County SB40 Board

Julie Morff
Director
May 5, 2023

Ross Strope
Assistant Director
May 5, 2023