

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2882H.011
 Bill No.: HB 1668
 Subject: Taxation and Revenue - Property; Political Subdivisions; Property, Real and Personal
 Type: Original
 Date: February 1, 2024

Bill Summary: This proposal changes the percentage of the cap on the inflationary growth factor for the assessment growth of real or personal property occurring within a political subdivision.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 137.073 - Inflationary Growth Factor

Officials from the **City of Kansas City** assume this legislation will have a negative fiscal impact in years where the CPI and actual growth is higher than 3 percent. Currently, the growth cap is 5 percent and this legislation proposes to reduce the cap to 3 percent. In 2023, this proposed legislation (if enacted), would have resulted in lost property tax revenues greater than \$3 million.

Officials from the **Eureka Fire Protection District (EURE) - St. Louis** assume this would impact the ability of the District to keep up with the inflationary growth of the economy and could force a reduction in services.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal does not impact: - TSR - The calculation under Article X, Section 18(e).

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed the bill. The bill has no direct fiscal impact to the Joint Committee on Public Employee Retirement. The JCPER's review of this legislation indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

Officials from the **Department of Revenue (DOR)** note this proposal changes how property is assessed. This will not impact DOR as assessment is handled by the State Tax Commission and County Assessors.

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

Officials from the **Department of Social Services, State Tax Commission**, and the **Office of Administration** 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.

Oversight notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth.

Oversight notes the growth factor currently used in the tax levy calculation is either actual growth in assessed valuation, inflation based on CPI ([6.5% per the STC](#)) or 5% whichever is lower.

Oversight notes in years where actual growth and inflation exceed 3%, this proposal would result in lower authorized revenues in the rate setting calculation. This would reduce the tax rate applied to total assessed values relative to current law, thereby reducing revenues for all tax entities.

Therefore, **Oversight** will show a range of \$0 (inflation or actual growth is less than 3% and the changes in the bill would not make an impact) to an unknown loss in property tax revenue to local political subdivisions beginning in FY 2026.

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 ((Total Assessed Value/100)*.03). Because this proposal alters only components of the rate setting calculation, it does not limit the assessed value portion of this equation, therefore the Blind Pension Fund will not be impacted by this proposal.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue change</u> - §137.073 – Change in growth factor cap	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

FISCAL DESCRIPTION

This bill modifies the manner in which a political subdivision may revise each tax levy to allow for inflationary assessment growth for all subclasses of real and personal property.

Currently, the inflationary growth factor for any subclass of real and personal property is limited to the actual assessment growth, exclusive of new construction and improvements, but not to exceed the consumer price index, or 5%, whichever is lower.

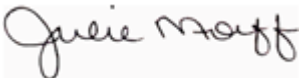
This bill limits the inflationary growth factor for any subclass of real or personal property to the actual assessment growth, but not to exceed the lower of the following:

- (1) The consumer price index; or
- (2) The following percentages:
 - (a) For tax levy revisions before January 1, 2025, 5%; or
 - (b) For tax levy revisions on or after January 1, 2025, 3%.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
State Tax Commission
Office of Administration - Budget and Planning (B&P)
Joint Committee on Public Employee Retirement (JCPER)
Department of Revenue (DOR)
Newton County Health Department
City of Kansas City
Eureka Fire Protection District (EURE) - St. Louis
Phelps County Sheriff
Kansas City Police Department
St. Louis County Police Department



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February 1, 2024



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