

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2890H.011
 Bill No.: HJR 88
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Motor Vehicles; Department of Revenue; State Tax Commission
 Type: Original
 Date: January 31, 2024

Bill Summary: This legislation proposes a constitutional amendment to allow the General Assembly to exempt tangible personal property from personal property taxation by general law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0 or (More than \$8,000,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (More than \$8,000,000)	\$0	\$0

*The potential fiscal impact of “(More than \$8,000,000)” would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 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	\$0

*Transfer out and transfer in net to zero if the Governor calls a special election.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal requires voter approval and would only allow the general assembly to enact limits with legislation later. This proposal will not impact: - TSR - The calculation under Article X, Section 18(e) - B&P

Officials from the **Department of Revenue (DOR)** note this is a constitutional amendment that would be presented to voters at the November 24, 2024, general election. The voters would determine if they want to grant the General Assembly the right to exempt tangible personal property from tax. If the amendment is not adopted, it will not have a fiscal impact to the state.

This proposal itself would not have a direct impact on state revenue. However, any action taken by the General Assembly to disallow any tangible personal property to become exempt from taxation would have a fiscal impact. That fiscal impact would be outlined in the fiscal note for that legislation.

The Department notes that the constitutionally created Blind Pension Fund (Article III, Section 38(b)) receives \$.03 for each \$100 valuation of taxable property in the state of Missouri, which is the only property tax collected by the state. Reducing the assessed rate will decrease the amount they receive. DOR defers to the Department of Social Services for the estimated loss of funding to the Blind Pension Fund.

Officials from the **Department of Social Services** note Section A. Section 6 Article X of the Missouri Constitution is amended to allow the general assembly to provide that tangible personal property may be exempted from the payment of tangible personal property taxes by general law, in such amounts and upon such conditions as may be determined by law, and the general assembly may provide for certain tax credits or rebates in lieu of or in addition to such an exemption.

Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Exempting payment of tangible personal property taxes or providing for tax credits or rebates in lieu of or in addition to an exemption could impact the BP fund.

According to the [Missouri Department of Revenue State Tax Commission Annual Report for 2022](#), \$28,437,262,802 of the \$135,215,666,531 Total Assessed Valuation for the State of Missouri comes from tangible personal property. Therefore, tangible personal property comprises 21.03% ($\$28,437,262,802 / \$135,215,666,531 = 21.03\%$) of the total taxable property in Missouri.

Property Tax income for the BP fund in SFY 2023 was \$41,900,031.19 or approximately \$41.9 million, (rounded down). 21.03% is tangible personal property revenue; therefore, the total tangible personal property revenue for BP is \$8,811,577 ($\$41,900,031.19 * 0.2103 = \$8,811,576.56$, rounded up).

Therefore, FSD estimates that the potential impact to the BP fund, as a result of the provisions outlined in this legislation, is a decrease in the amount collected up to \$8,811,577.

For the purpose of this fiscal note, FSD assumes that the earliest implementation would be for assessments for calendar year 2025. Therefore, the fiscal impact to the BP fund would be a decrease of \$0 - \$8,811,577 in collections received for the BP fund beginning in the SFY 2026. If the state chooses to continue funding BP payments at the current level, a general revenue pickup would be needed to replace lost BP fund revenue resulting from this legislation.

Officials from the **Dent County Assessor** assume taxes are eliminated on personal property that will remove approximately \$2,000,000 from their tax receipts, and approximately \$1,800,000 from the school districts. This may not affect class 1 counties very much, but class 3 counties will have a hard time surviving without that revenue.

Oversight notes this proposal allows the General Assembly to exempt tangible personal property from property tax. Oversight assumes this proposal is permissive and would require further enabling language. Therefore, Oversight will show only the potential election cost in FY 2025 and assume any potential fiscal impact would be included in the fiscal note for 'general laws' enacting this personal property tax exemption.

Officials from **Office of the Secretary of State (SOS)** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$8 million based on the cost of the 2022 primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal

years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY25 petitions cycle, the SOS estimates publication costs at \$60,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State’s office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2025. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide general election is in November 2024 (FY 2025). It is assumed the subject within this proposal could be on this ballot; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2025.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Transfer Out</u> - SOS - reimbursement of local election authority election costs if a special election is called by the Governor	\$0 or (More than <u>\$8,000,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (More than <u>\$8,000,000</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>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$8,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election if called for by the Governor	\$0 or (More than \$8,000,000)	\$0	\$0
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Certain small businesses that pay personal property tax could be impacted by this proposal (pending voter approval).

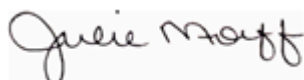
FISCAL DESCRIPTION

The proposed legislation proposes a constitutional amendment to allow the general assembly to exempt tangible personal property from personal property taxation by general law.

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
 Department of Social Services
 Office of the Secretary of State
 State Tax Commission
 Dent County Assessor



Julie Morff
 Director
 January 31, 2024



Ross Strobe
 Assistant Director
 January 31, 2024