

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3064H.06C  
 Bill No.: HCS #2 for HJR 78  
 Subject: Taxation and Revenue - General; Constitutional Amendments; Property, Real and Personal; State Tax Commission; Department of Revenue; Housing; Elderly  
 Type: Original  
 Date: March 8, 2024

Bill Summary: This joint resolution proposes a constitutional amendment relating to real property tax assessments.

**FISCAL SUMMARY**

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

\*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.

\*\*Oversight notes the potential savings to the General Revenue Fund is from reduced Senior Property tax credits issued if the proposed changes in the base year result in lower property tax bills for qualifying seniors in the future. Oversight assumes the potential savings will not reach the \$250,000 threshold in the next three years because the change in the base years will be relatively small until future years.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund*	\$0	\$0	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>

\*Oversight notes the Blind Pension Fund may experience a decrease in revenue relative to what it would have received under current law. Oversight assumes the potential savings will not reach the \$250,000 threshold in the next three years because the change in the base years will be relatively small until future years.

Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>\$0*</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>

\*Transfers and costs net to zero if the Governor calls a special election.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue (DOR)** note this proposal modifies how residential property assessment values will be calculated in the future. DOR is not directly impacted by this proposal. However, should seniors that currently receive the Senior Property Tax Credit (PTC) pay less or more in property tax under this proposal, which could change the amount of the PTC credit they receive. In FY 2022, there were 56,457 senior homeowners that claimed \$33,428,661 in PTC credits. The impact is unknown.

Officials from the **State Tax Commission** have determined that this bill proposes residential real property be valued at the most recent assessed value. This bill also proposes that the increase of real residential property is the Consumer Price Index percentage rate of increase or 2% whichever is less. This proposal has an unknown fiscal impact on the State Tax Commission, however the limitation on assessment growth may negatively impact revenues for school districts, counties, cities, fire districts and other local taxing jurisdictions supported by property tax revenues.

Additionally, restrictions on assessment growth may create disparities and inequities over time among residential properties and categories of homeowners, potentially shifting a greater share of the tax burden from one class of homeowner to another. A newer home's true market value used for assessment may increase far more than an older home or vice versa depending on market conditions. An assessment limit may impact assessment growth and over time potentially create a large disparity.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Callaway County SB 40 Board** assume the proposed legislation has a fiscal impact of an indeterminate amount.

Officials from the **Lincoln County Assessor** note by limiting the value increases this will throw counties out of tolerance with ratio studies it sends to the State Tax Commission - also stunting tax base growth to some taxing entities

The **County Employees' Retirement Fund (CERF)** has reviewed HCS#2/HJR 78 (3064H.06C). CERF's review of this bill would indicate that it may result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how changes to real property assessments under HCS#2/HJR 78 would impact contribution revenue but CERF assumes there would be a negative impact.

**Oversight** assumes this proposal would limit increases in the assessed values of individual residential property to the change in CPI per year (estimated at [6.5%](#) for 2022) or 2% whichever is lower.

**Oversight** notes property tax revenues are designed to be 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 other property owners.

**Oversight** notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. 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 a loss of revenue.

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property  $((\text{Total Assessed Value}/100) \cdot .03)$ . Because this proposal reduces (or limits growth) the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law.

**Oversight** assumes the magnitude of the impact to the Blind Pension Fund would depend on prevailing market conditions.

**Oversight** assumes there could be a saving to General Revenue from a reduction the amount of Senior Citizen Property Tax Credits claimed. Oversight will show a range of impact of \$0 (no reduction) to an unknown savings.

**Oversight** notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters) to an unknown loss in revenue to the Blind Pension Fund and local political subdivisions beginning in FY 2026.

**Oversight** assumes there could be costs for implementation and computer programming. Oversight will show an unknown cost to county assessors to implement this proposal beginning in FY 2026.

**Oversight** received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **Newton County Health Department, Phelps County Sheriff, St. Louis County Police Department, Office of the State Auditor, Department of Social Services,**

**Branson Police Department, and the Kansas City Police Department, each assume the proposal will have no fiscal impact on their respective organizations.**

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE</b>			
<u>Transfer Out - SOS - reimbursement of local election authority election costs if a special election is called by the Governor</u>	\$0 or (More than \$8,000,000)	\$0	\$0
<u>Cost Avoidance – possible reduction in the amount of Senior Property Tax Credit claims</u>	\$0	\$0	\$0 or Unknown
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 or (More than \$8,000,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or Unknown</u></b>
<b>BLIND PENSION FUND</b>			
<u>Revenue Loss - loss of property tax on property that appreciates more than the change in CPI or 2%</u>	\$0	\$0	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Transfer In - Local Election Authorities - reimbursement of election costs by the State for a special election</u>	\$0 or More than \$8,000,000	\$0	\$0

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<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
<u>Costs</u> - County Assessors - computer programing, administrative costs, and implementation and monitoring of assessed value increase exemptions on certain properties	\$0	\$0	\$0 or (Unknown)
<u>Revenue Loss</u> - loss of property tax on property that appreciates more than the change in CPI or 2%	\$0	\$0	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>

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

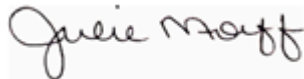
Upon voter approval, beginning January 1, 2025, this proposed Constitutional amendment provides that the true value of all residential real property that has been maintained by the homeowner as his or her primary residence shall be deemed to be the same value determined at the most recent previous assessment of the property.

In a new assessment or reassessment of the primary residence the assessed valuation of such property may be increased, provided that the increase does not exceed the change in the Consumer Price Index or 2%, whichever is less. Such limited increase may be exceeded to reflect the value added to the property as a result of new construction or improvements.

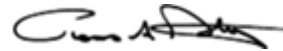
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue (DOR)  
State Tax Commission  
City of Kansas City  
Callaway County SB 40 Board  
Lincoln County Assessor  
County Employees' Retirement Fund (CERF)  
Newton County Health Department  
Phelps County Sheriff  
St. Louis County Police Department  
Office of the State Auditor  
Department of Social Services  
Kansas City Police Department  
Branson Police Department



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March 8, 2024



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