

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3074H.011
 Bill No.: HJR 82
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Elderly; Constitutional Amendments
 Type: Original
 Date: February 14, 2024

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

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 or could exceed \$24,374,962	\$0 or could exceed \$24,374,962
Total Estimated Net Effect on General Revenue	\$0 or (More than \$8,000,000)	\$0 or could exceed \$24,374,962	\$0 or could exceed \$24,374,962

*The potential fiscal impact of “(More than \$8,000,000)” in FY 2025 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
Blind Pension Fund	\$0	\$0 or could exceed (\$2,801,624)	\$0 or could exceed (\$2,801,624)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or could exceed (\$2,801,624)	\$0 or could exceed (\$2,801,624)

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 could exceed (\$443,849,128)	\$0 or could exceed (\$443,849,128)

*FY 2025 - Transfer out and transfer in net to zero **if** the Governor calls a special election.
 **Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** note this constitutional amendment requires a vote at the November 2024 general election. The citizens can vote to allow seniors over 65 with Missouri taxable income of less than \$45,000 to be exempt from paying property tax. This would apply to both personal and real property taxes. This proposal if adopted, would be effective starting January 1, 2025. However, given that property tax is not paid until the end of the year (December), this would not have a fiscal impact in FY 2025, but would start in FY 2026.

Based on information from the U.S. Census Bureau there are 530,159 seniors owning houses in Missouri as of 2022. Additionally, the U.S Census Bureau indicates the median home price in Missouri is \$199,400, the average real estate taxes paid is \$1,812 making the assessed value of the senior's residential property \$20,085,603,874.

The Department was unable to determine the breakdown of personal property taxes paid by seniors. DOR will show any losses as Could exceed the estimates above to account for the additional personal property tax loss.

Currently residential property is assessed at a rate of 19% of appraised value, to determine its assessed value, which is used to calculate how much property tax is owed.

The Department notes this proposal does restrict this benefit to seniors who have a "Missouri taxable income" of less than \$45,000. It should be noted that the term "Missouri taxable income" is not defined by this proposal, so DOR is unable to determine how many of the 530,159 seniors may qualify under these limits. For fiscal note purposes only, DOR will show the impact as if all the seniors qualify for this benefit.

The only property tax collected by the State is the Blind Pension Fund. The Missouri Blind Pension Fund is a fund for payment of pensions for the blind. The tax, or collection for the fund, consists of 3 cents on each \$100 valuation of taxable property in the State of Missouri. This proposal says that seniors do not pay property tax. It does not address the issue of determining assessed value. Should their property no longer be valued for determining the payment to the Blind Pension Fund, then this will result in a loss of \$6,025,681 [$\$20,085,603,874 * 0.0003$] to the Blind Pension Fund.

Fiscal Year	Loss to Blind Pension Fund
2025	\$0
2026	\$0 or (Could Exceed \$6,025,681)
2027	\$0 or (Could Exceed \$6,025,681)

The loss of revenue per county will depend on the number of seniors who own homes in each county. For example, St. Louis City only has about 10% of its homeowners over 65 while Morgan County has 44% of their homeowners are over 65. DOR defers to the counties for estimates of their impact.

The Department administers the Senior Property Tax Credit program which allows seniors based on their income to receive a tax credit based on the property tax they actually pay. Since this proposal would eliminate the amount paid in property tax it would also reduce the amount of tax credits claimed.

In FY 2022, there were 41,776 seniors that checked the box on the PTC form indicating they were over the age of 65+ and owned their home. They claimed \$24,374,962 in tax credits. Since this proposal would decrease their property tax amount by 100% DOR assumes this would result in \$24,374,962 in less claims.

Fiscal Year	Savings to GR from fewer PTC Claims
2025	\$0
2026	Up to \$24,374,962
2027	Up to \$24,374,962

This will not have an administrative impact on the Department as DOR does not do property tax assessment.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would go to public vote in November 2024. For the purpose of this fiscal note, B&P assumes that the tax exemption would begin January 1, 2025 if voter approved. Since property taxes are not due until December, this proposal would begin impacting state and local funds in FY26 for tax year 2025 assessments.

This proposal would exempt all individuals age 65 and older from all state and local property taxes in years where such individual had a Missouri taxable income of less than \$45,000.

Using data provided by the United States Census Bureau, the average median real estate taxes paid \$1,812 in Missouri during 2022. In addition, approximately 530,159 homeowners in Missouri were age 65 or older. Based on additional data provided by the United States Census Bureau approximately 46.5% of individuals aged 65 and older had incomes below \$45,000. Therefore, B&P estimates that approximately 246,496 individuals age 65 and older may qualify under this proposal.

Based on the above information, B&P estimates that qualifying individuals currently pay approximately \$446.7 million (246,496 seniors x \$1,812 median real estate tax) in real estate taxes.

B&P notes that the Blind Pension Trust Fund levies a property tax of \$0.03 per \$100 valuation. Based on data provided by the United States Census Bureau, the median value of a home in Missouri was \$199,400 in 2022. B&P notes, however, that based on Section 137.115, RSMo, the assessed value for real property is 19% of the market value. Therefore, based on a market value of \$199,400, B&P estimates that the assessed value would be \$37,886.

Using the number of qualified homeowners, B&P estimates that the total assessed value of qualifying homes was \$9.3 billion in 2022. Using the Blind Pension property tax levy and the median assessed value of homes, B&P estimates that qualifying taxpayers currently pay \$2.8 million to the Blind Pension Trust Fund and \$443.8 million in local property taxes.

<u>Total Real Estate Taxes</u>	
Number of Senior Homeowners	530,159
Percent with incomes < \$45,000	x 46.5%
Total Number of Qualifying Seniors	246,496
Median Real Estate Taxes Paid in MO	X \$1,812
Total Estimate Real Estate Taxes	\$446,650,752
<u>Assessed Value</u>	
Median Home Value	\$199,400
Assessment Rate	X 19%
Assessed Value	\$37,886
<u>Blind Pension Trust Fund</u>	
Number of Qualifying Individuals	246,496
Median Assessed Value of Homes in MO	X \$37,886
Estimated Assessed Value of Qualifying Property	9,338,747,456
Blind Pension Trust Fund - Rate	X 0.0003
Loss to Blind Pension Trust Fund	\$2,801,624
<u>Local Real Estate Taxes</u>	
Total Estimate Real Estate Taxes	\$446,650,752
Estimate Blind Pension Levy	— \$2,801,624
Estimated Local Property Tax Loss	\$443,849,128

B&P notes that SB 190 (2023) allows counties to exempt individuals aged 62 and up from the difference between the property tax liability when such individual turned 62 and the property tax

liability (if greater) in any subsequent tax year. Therefore, some individuals may already receive part of their real estate taxes exempted under SB 190. SB 190 (2023) did not impact funding to the Blind Pension Fund.

B&P further notes that these estimates do not include any commercial or agricultural real property, or any personal property owned by qualifying individuals. Therefore, the actual loss to the Blind Pension Trust Fund could exceed \$2,801,624 and the actual loss to local jurisdictions could exceed \$443,849,128 annually beginning in FY26.

B&P notes that many of the qualifying individuals may currently receive the Missouri Property Tax Credit. Therefore, this proposal may reduce the paid property tax claims for qualifying individuals. Based on information provided by DOR, there were approximately \$24,374,962 PTC claims paid for tax year 2022 from individuals who may qualify under this proposed exemption. Therefore, B&P estimates that this proposal could increase GR by \$24,374,962 annually beginning in FY26.

Officials from the **Department of Social Services (DSS)** note the Blind Pension is funded from 0.03% of each \$100 assessed valuation of taxable property. Exempting individuals based on the provision of this legislation could impact the BP fund.

According to the [Missouri Department of Revenue State Tax Commission Annual Report for 2022](#), \$128,795,068,222 of the \$135,215,666,531 Total Assessed Valuation for the State of Missouri comes from real and personal property. FSD made the assumption that this statute does not govern the assessment percentages of personal property assessed by the tax commission (Centrally Assessed Companies). Any funds received for the BP fund from that source were not considered in the calculation of the fiscal impact of this legislation. Therefore, real and personal property comprises 95.25% ($\$128,795,068,222 / \$135,215,666,531 = 95.25\%$) 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). 95.25% is real property revenue; therefore, the total property revenue for BP is \$39,909,780 ($\$41,900,031.19 * 0.9525 = \$39,909,779.70$, rounded up).

The number of individuals age sixty-five and over with income under \$45,000 per year that own property is unknown. To estimate how the BP fund will be impacted by this legislation, FSD made the assumption that the population of individuals who could potentially be eligible for the property tax exemption outlined in this legislation would be any individual age sixty-five or older with income below \$45,000 per year.

According to the [United States Census Bureau](#), Missouri's total population was approximately 6,177,975 in 2022. Of those, approximately 650,005 or 10.5% ($650,005 / 6,177,975 = 10.5\%$) are age sixty-five or older with income under \$45,000 per year. 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 \$4,190,527 ($\$39,909,780 * 10.5\% = \$4,190,526.90$, rounded up).

Therefore, the fiscal impact to FSD is up to \$4,190,527 annually beginning in SFY 25.

Officials from the **State Tax Commission** have determined 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 constitutional amendment, if approved by the voters, exempts taxpayers sixty-five years or older from any real or personal property tax. The agency would not have data to determine how many Missourians are over sixty-five and who meet the proposed income criteria and eligibility.

Officials from the **City of Kansas City** assume this proposal would have a negative fiscal impact of an indeterminate amount.

Officials from the **City of Springfield** anticipate a negative fiscal impact from this bill but does not have data from which to calculate the amount.

Officials from the **Howell County Assessor** assume the total loss of revenue to political subdivisions may range from \$30,000 to \$200,000 or more annually.

Officials from the **Eureka Fire Protection District (EURE) - St. Louis** assume this proposal would have an unknown fiscal impact.

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 **Office of the State Auditor, Joint Committee on Administrative Rules**, 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 **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.

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 ($(\text{Total Assessed Value}/100) \times .03$). Because this proposal limits 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 will show a range of impact of \$0 (not voter approved) or could exceed (\$2,801,624) for the Blind Pension Fund based on information provided by the Office of Administration - Budget and Planning.

Ultimately, **Oversight** is uncertain how many individuals over the age of 65 have taxable incomes below \$45,000 but assumes it could exceed the number above. In addition, Oversight notes this proposal could exempt property taxes for agricultural and commercial property owned by qualifying individuals.

Therefore, **Oversight** will show a range of impact of \$0 (not voter approved) to could exceed (\$443,849,128) for local political subdivisions based on information provided by the Office of Administration - Budget and Planning.

Oversight assumes this could reduce claims for the Property Tax Credit for individuals qualifying for the exemption. Oversight will show the savings to General Revenue as could exceed \$24,374,962 based on information provided by Department of Revenue.

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 who are under the age of 65.

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.

Oversight assumes there could be an unknown cost for implementation and tracking of eligible taxpayers. Oversight will show an unknown cost to local assessment authorities or collection authorities for implementation and tracking beginning in FY 2025.

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
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 \$8,000,000)	\$0	\$0
<u>Savings</u> - DOR - seniors no longer claiming the Senior Property Tax Credit	\$0	\$0 or could exceed \$24,374,962	\$0 or could exceed \$24,374,962
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (More than \$8,000,000)	\$0 or could exceed \$24,374,962	\$0 or could exceed \$24,374,962

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
BLIND PENSION FUND			
<u>Revenue Loss</u> - from exempted property tax	\$0	\$0 or could exceed (\$2,801,624)	\$0 or could exceed (\$2,801,624)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	\$0	\$0 or could exceed (\$2,801,624)	\$0 or could exceed (\$2,801,624)

<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
<u>Costs</u> - County Assessors/Collectors - implementation and tracking	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> - from exempted property tax	\$0	\$0 or could exceed (\$443,849,128)	\$0 or could exceed (\$443,849,128)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0 or could exceed (\$443,849,128)	\$0 or could exceed (\$443,849,128)

FISCAL IMPACT – Small Business

There could be an impact to small businesses owned by individuals 65 years of age and older with taxable incomes below \$45,000. Conversely, taxing jurisdictions may be able to increase the levy to all other property owners to make up for the lost revenue.

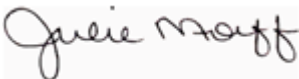
FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment provides that any individual 65 years or older that has a Missouri taxable income of less than \$45,000 will not be subject to or liable for any property tax.

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
Office of Administration - Budget and Planning
Department of Social Services
State Tax Commission
Office of the Secretary of State
Office of the State Auditor
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
City of Kansas City
City of Springfield
Howell County Assessor
Eureka Fire Protection District (EURE) - St. Louis
Newton County Health Department
Phelps County Sheriff
Kansas City Police Dept.
St. Louis County Police Dept



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