

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3547H.011
 Bill No.: HB 2110
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; State Tax Commission; Utilities
 Type: Original
 Date: February 12, 2024

Bill Summary: This proposal modifies provisions relating to property tax assessments of certain stationary property.

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
Blind Pension Fund (0621)*	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

***Oversight** assumes the fiscal impact to the Blind Pension Fund could reach the \$250,000 threshold

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	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Sections 137.010 & 137.122 - Stationary Property Used for Transportation of Liquid & Gaseous Products

Officials from the **State Tax Commission** have reviewed HB 2110 and determined the act applies the provisions of law relating to depreciable tangible personal property to stationary property used for transportation or storage of liquid and gaseous products, including petroleum products, natural gas, water and sewage. This will have an unknown fiscal impact on counties, cities, school districts who rely on property taxes as revenue, as real property does not depreciate. The act places this property under a depreciation schedule provided in 137.122. This may result in an unknown lower assessments and revenue for those counties, school districts etc. with a tax situs for said property and equipment.

Officials from **Office of Administration - Budget and Planning (B&P)** note this proposal would require the use of the tangible personal property depreciation table when determining the value of real property that is stationary and used to transport liquids or gases. This proposal would not apply to property used to transport or store propane, LP gas, or petroleum. This proposal would impact all other property including those used to transport and store water, sewage, and natural gas.

B&P notes that this proposal does not change the classification of such property - therefore, this proposal will not impact the assessment percentage. However, this proposal could impact the estimated market value (to which the assessment percentage is then applied). B&P further notes that the Blind Pension Trust fund levies a statewide property tax of \$0.03 per \$100 value on all property located within Missouri. Therefore, B&P estimates that this proposal could impact revenues to the Blind Pension Trust Fund if this proposal changes the estimated market value of qualifying property. This proposal may also impact local property tax revenues.

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

Officials from the **Morgan County Pwsd #2** assume this proposed legislation has a fiscal impact of an indeterminate amount.

Oversight assumes this proposal applies a depreciation schedule to real property. Oversight assumes this proposal could lower assessed values and subsequently, tax revenues.

However, **Oversight** notes local property tax revenues are 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. However, 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 assumes this proposal could result in lower assessed values and subsequent tax revenues; therefore, Oversight will show an unknown negative impact to the Blind Pension Fund and local political subdivisions.

Oversight notes to reach a revenue impact of \$250,000 on the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. Based on information from the State Tax Commission's Annual [Report](#), Oversight notes the following assessed values by category:

Category	Commercial Real Property (2023 Assessed Value)
Electric Companies	\$3,248,159,360
Fluid Pipeline Companies	\$691,897,503
Natural Gas Pipeline Companies	\$ 189,046,007

Oversight is uncertain what proportion of assessed value would be reclassified under this proposal. In addition, these estimates do not include water or sewer companies. Oversight assumes the application of the depreciation schedule to real property could result in a loss to the Blind Pension Fund that could exceed \$250,000.

Additionally, **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. Therefore, Oversight assumes this proposal could impact property tax levies.

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.

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 **Department of Commerce and Insurance, Department of Revenue, Department of Social Services, Missouri Department of Conservation, Missouri Department of Transportation, Office of Administration, and the Office of the State Auditor** 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 **Newton County Health Department, South River Drainage District - 7D Levee, St. Charles County Pwsd #2 - 7A Water**, and the **Wayne County Pwsd #2** 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 localities.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
BLIND PENSION FUND			
Revenue (Loss) - §137.010 & §137.122 - Loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISION			
Revenue (Loss) - §137.010 & §137.122 - Loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown)	(Unknown)

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

Beginning January 1, 2025, the provisions of current law relating to depreciable tangible personal property will apply to all real property, placed in service at any time, that is stationary property used for transportation or storage of liquid and gaseous products, including water, sewage, and natural gas that is not propane or LP gas, but not including petroleum products.

The county assessor shall estimate the value of the stationary property by applying the depreciation table described in the bill to the original cost of the property. Taxpayers who own such stationary property shall provide the assessor with the original cost and the year placed in service.

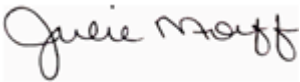
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

- State Tax Commission
- Office of Administration - Budget and Planning
- Department of Commerce and Insurance
- Department of Revenue
- Department of Social Services
- Missouri Department of Conservation

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South River Drainage District - 7D Levee
St. Charles County Pwsd #2 - 7A Water
Wayne County Pwsd #2
Joint Committee on Administrative Rules
Office of the Secretary of State (SOS)
City of Kansas City
Morgan County Pwsd #2



Julie Morff
Director
February 12, 2024



Ross Strope
Assistant Director
February 12, 2024