

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3551H.011  
 Bill No.: HB 2183  
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Department of Revenue; Children and Minors; Business and Commerce  
 Type: Original  
 Date: February 5, 2024

Bill Summary: This proposal authorizes a property tax exemption for certain property used for child care, contingent upon passage and approval by the voters of a constitutional amendment permitting a property tax exemption.

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund (0621)	\$0	\$0 or (Unknown)*	\$0 or (Unknown)*
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 or (Unknown)*</b>	<b>\$0 or (Unknown)*</b>

\*Oversight assumes the fiscal impact to the Blind Pension Fund would likely not reach the \$250,000 threshold based upon the number of licensed childcare providers provided by the Office of Childhood (DESE).

Numbers within parentheses: () indicate costs or losses.

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

\*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

#### **Section 137.099 Childcare Property Tax Exemption**

Officials from the **Department of Social Services (DSS)** note Section 137.099 RSMo is created to provide exemptions for real and personal property taxes for eligible child care facilities and child care homes if voters approve a constitutional amendment. Property used primarily for care of a child outside of their home by child care facilities that are licensed under section 210.221 or unlicensed and registered with the department of elementary and secondary education will be exempt from all taxation of all real and personal property. If a portion of the property of an individual or a for-profit or nonprofit corporation, organization, or association is used for such child care, an assessing authority shall exempt the portion used for child care from taxation.

Property used primarily for care of a child outside of their home by child care homes that are licensed under section 210.221 or unlicensed and registered with the department of elementary and secondary education will receive an annual exemption equal to fifty percent of the applicable state and local property taxes. If a portion of the property is used, the assessing authority shall extend the exemption for the portion used for child care. These exemptions will be in place for all tax years beginning on or after January 1<sup>st</sup> of the calendar year immediately following the adoption of a constitutional amendment.

Blind Pension is funded from 0.03% of each \$100 assessed valuation of taxable property. Property Tax income for the BP fund in SFY 2023 was \$41,900,031 or approximately \$41.9 million (rounded down). The amount collected from real and personal property of child care facilities and child care homes used primarily for child care provided to children outside of their home is unknown. To determine the impact of this legislation, FSD made the assumption that a reduction of up to 1% of property tax revenue could occur if a constitutional amendment is approved and the provisions of this legislation are enacted. 1% of the property tax revenue collected for the BP fund is \$419,000 ( $\$41,900,031 * .01 = \$419,000.31$ , rounded down). Therefore, the impact to the BP fund is up to \$419,000 beginning in SFY 26.

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 bill, if approved, exempts childcare facilities from 50% of the assessed value of real or personal property assessed. The agency would not have data to determine how many childcare facilities would meet the proposed criteria and eligibility.

This would cause minimal negative fiscal impact on the **Newton County Health Department** depending upon the number of exemptions causing a decreased amount of collected property tax.

Officials from **Lincoln County Assessor** state this could cause tax burden shift to property owners that do not receive the exemption - taxing entities would need to raise levies to offset any

revenue losses - would vary from county to county on fiscal impact due to higher numbers of facilities in larger counties.

Officials from the **Eureka Fire Protection District** note the district provides services to several for profit and several non-profit Child care facilities. It is estimated that they generate about \$2,500 in taxes to the FPD annually. In addition to any emergency response the District provides inspections, evacuation drills, and Public Education to these facilities.

Officials from the **City of Osceola** assume a fiscal impact to their city but did not provide any additional details.

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

**Oversight** will show the impact to local taxing entities as either \$0 (Constitutional Amendment is not approved by voters AND/OR the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from qualifying childcare facilities) or an unknown negative fiscal impact to all local taxing entities 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).

**Oversight** notes this proposal requires enabling language to be voter-approved prior to the enactment of this proposal. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters AND/OR the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from qualifying childcare facilities) or an unknown amount to the Blind Pension Fund beginning in FY 2026.

**Oversight** notes that for informational purposes the Office of Childhood (DESE), in response to a similar proposal HB 870 (2023), provided Oversight the licensed childcare facilities in Missouri as follows:

Year	Licensed Childcare Providers
2017	1,676
2018	1,594
2019	1,488
2020	1,191
2021	1,324
Reported as of 11/2022	1,176

**Oversight** notes if the average value of the 1,176 facilities above is \$200,000, the amount of reduction to the Blind Pension fund would be approximately \$6,703 (1,176 x \$200,000 x 0.5 x

19% x .03/100) for residential day-cares to \$11,290 (1,176 x \$200,000 x 0.5 x 32% x .03/100) for commercial/business daycares.

**Oversight** notes this would *not* take into account the personal property associated with the care of a child. Also, it would not take into account the day care centers that are not registered with the Department of Elementary and Secondary Education – however, Oversight assumes with the language “used primarily for the care of a child outside of his or her home”, these would not be eligible for the exemption. Therefore, Oversight assumes this proposal would not reach the \$250,000 threshold impact to the Blind Pension Fund.

**Oversight** notes property tax revenues are designed to be relatively 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.

**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** 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 **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

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

#### 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
<b>BLIND PENSION FUND</b>			
<u>Revenue Loss</u> - §137.099 -Childcare Facility property tax exemption <b>if</b> approved by voters	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs</u> - counties - administrative expense to exempt portions of property from taxation <b>if</b> approved by voters	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Loss</u> - §137.099- Childcare Facility property tax exemption* <b>if</b> approved by voters	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\***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 from this proposal.

FISCAL IMPACT – Small Business

Certain small childcare business owners may be impacted, pending voter approval and if enacting general laws are passed.

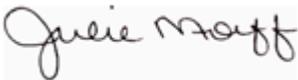
FISCAL DESCRIPTION

The proposed legislation authorizes a property tax exemption for certain property used for childcare, contingent upon passage and approval by the voters of a constitutional amendment permitting a property tax exemption.

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 the Secretary of State  
Joint Committee on Administrative Rules  
Office of the State Auditor  
Newton County Health Department  
Lincoln County Assessor  
Eureka Fire Protection District  
City of Osceola  
City of Kansas City  
Kansas City Police Dept.  
St. Louis County Police Dept



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