

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4715H.011  
 Bill No.: HJR 120  
 Subject: Taxation and Revenue - Property; Property, Real and Personal; Constitutional Amendments; State Tax Commission; Counties; Housing  
 Type: Original  
 Date: February 5, 2024

Bill Summary: This resolution proposes a constitutional amendment relating to residential 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	\$0 or Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$8,000,000)</b>	<b>\$0 or Unknown</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.

<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 assumes the unknown fiscal impact to the Blind Pension Fund could exceed (\$250,000) relative to what it would have received under current law

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 or (Unknown)</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, that 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 **Office of Administration - Budget and Planning (B&P)** note this proposal will not impact: - TSR - The calculation under Article X, Section 18(e) - B&P

Officials from the **State Tax Commission** 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 **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.

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

Officials from the **St. Louis Budget Division** note according to the City of St. Louis Assessor, there is technically no loss in collections. This legislation applies to residential property only, not commercial or agricultural property. The legislation limits the assessed value increase on residential property, due to reassessment to the CPI or 2%. The current level of reassessment growth is the CPI or 5%. The existing 5% limit applies to assessment growth in tax rate setting calculations. The legislation is different in that it changes the assessed value of properties, not the assessment growth factor for calculations.

Limiting the assessment increase to 2% in a reassessment year will cause non-uniformity in property valuations which may be in violation of Article X, section 3 of the Missouri Constitution. Properties will no longer be valued at their True Value in Money.

The way the legislation is worded, it may be meant to only apply to residences. However, Residential Real Property also includes multi-family properties, large apartment complexes, golf course land, manufactured home parks, bed and breakfasts, and retirement homes.

<b>Real Property Only</b>	<b>Tax Calculations from 2023 Assessments</b>	<b>2% reassessment growth (new legislation)</b>	<b>5% reassessment growth (existing legislation)</b>	<b>Difference in amount collected for reassessment (Loss from implementing new legislation)</b>
2023 Property Taxes Collected - RES ONLY (less New Const) (All tax jurisdictions)	\$215,058,538	\$219,359,709	\$225,811,465	\$6,451,756
2023 City Property Taxes from Reassessment-RES only (less new const)	\$43,291,284	\$44,157,109	\$45,455,848	\$1,298,739
2023 fee to Collector fund-RES only	\$3,225,878	\$3,290,396	\$3,387,172	\$96,776
2023 fee to Assessment fund-RES only	\$1,344,116	\$1,370,998	\$1,411,322	\$40,323

Officials from the **Department of Social Services** assume the proposal will have no fiscal impact on their organization.

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.

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

**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.

**Oversight** notes the growth factor currently used in the tax levy calculation is either actual growth in assessed valuation, inflation based on CPI (6.5% per the STC) or 5% whichever is lower.

**Oversight** notes this proposal would alter the total growth in assessed values used in the rating setting calculation and could result in lower authorized revenues. This would reduce the tax rate

applied to total assessed values relative to current law, thereby reducing revenues for all tax entities.

**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). Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund may experience a decrease in revenue relative to what it would have received under current law.

**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/inflation or actual growth is less than 2%) 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** 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
<b>GENERAL REVENUE</b>			
<u>Cost Avoidance</u> – reduction in property tax credit redemptions due to the reduction in assessed values if the joint resolution is approved and if it results in lower property taxes	\$0	\$0 or Unknown	\$0 or Unknown
<u>Transfer Out</u> - SOS - reimbursement of local election authority election costs <b>if</b> a special election is called by the Governor	\$0 or (More than \$8,000,000)	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (More than \$8,000,000)</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>BLIND PENSION FUND</b>			
<u>Revenue Loss</u> - loss of property tax on property that appreciates more than the change in CPI or 2% <b>if</b> approved by voters	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON THE 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>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 <b>if</b> called for by the Governor	\$0 or (More than \$8,000,000)	\$0	\$0
<u>Costs</u> - County Assessors - computer programing and administrative costs <b>if</b> approved by voters	\$0	\$0 or (Unknown)	\$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 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>

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

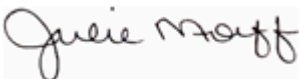
Upon voter approval, beginning January 1, 2025, the assessed value of all residential real property may be increased, but only to the extent that such an increase:

- (1) Incorporates the change in the consumer price index since the most recent previous assessment, or up to a 2% annual increase in the assessed valuation of the property, whichever is less; or
- (2) Reflects the value added to the property as a result of new construction or improvements made to the property. This resolution shall not affect the ability of any county assessor to decrease the assessed value of any residential real property.

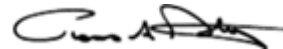
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue (DOR)  
Office of Administration - Budget and Planning (B&P)  
Office of the Secretary of State (SOS)  
City of Kansas City  
St. Louis Budget Division  
Department of Social Services  
Newton County Health Department  
Phelps County Sheriff  
Kansas City Police Dept  
St. Louis County Police Dept



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