

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5159H.02P
 Bill No.: Perfected HCS for HB Nos. 2432, 2482 & 2543
 Subject: Tax Credits; Taxation And Revenue - Property; Property, Real And Personal;
 State Tax Commission; Counties
 Type: Original
 Date: March 26, 2024

Bill Summary: This proposal modifies provisions relating to local homestead property tax credits.

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
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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) to Unknown	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 137.1050 Senior Property Tax Reduction at the County Level

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal makes various changes to the local property tax credit granted under SB 190 (2023). This proposal:

- Clarifies that the tax credit is for all taxing jurisdictions, not just a county. Subsection 6 exempts the Blind Pension Trust Fund levy of \$0.03 per \$100 value from this tax credit.
- Clarifies that a taxpayer must be age 62 or older to qualify.
- Does not allow a tax credit for taxpayers with delinquent local taxes.
- Sets the initial base year as the latter of: the year a taxpayer turns 62 or the year an ordinance/petition is passed. B&P notes that this will prevent the credit from being retroactive.
- Provide that any tax year with a lower liability than the base tax year will become the new base tax year. This provision could lead to additional reduced local revenues.
- Provides that a petition approved after an ordinance is passes shall supersede such ordinance.
- Requires all counties to grant the property tax exemption to all qualifying individuals.
- Prohibits counties from setting income, property, or any other stricter qualification limits than those included in this proposal. B&P notes that some counties have already passed ordinances with more strict qualifications.
- Clarifies that any political subdivision impacted by the property tax credit, not just a county, cannot increase their tax levy to compensate for lost revenue due to the property tax credit. This provision could lead to additional reduced local (sub-county) revenues.
- **HA 1:** Clarifies that the underlying tax liability (i.e. base year amount) will be increased to reflect the value of new construction and improvements.
- **HA 1:** Clarifies that if a home is annexed into a taxing jurisdiction the underlying tax liability (i.e. base year amount) will be increased to account for the new taxing jurisdiction(s) property tax levy.

B&P notes that that the Blind Pension Trust Fund levies a tax of \$0.03 per \$100 on all property in Missouri. However, this proposal would remove the Blind Pension Trust Fund from this property tax credit. Therefore, local property tax revenues will decline by the full amount of the property tax credit, even though part of the credit could be attributable to growth in the Blind Pension Trust Fund revenues through increased assessment values. B&P notes that this this interaction between state and local levies could result in additional loss to local revenues over time.

In addition, by requiring all counties to provide the property tax credit, this proposal will reduce local property tax revenues in counties that would not have otherwise opted into the program.

Officials from the **Department of Revenue (DOR)** note SB 190 adopted during the 2023 legislative session granted counties the ability to create a program for seniors to lower the amount of property tax they owe. Counties trying to implement SB 190, found problems with some of the definitions in the bill. This proposal would clarify the definitions to allow easier implementation of the program. This program is voluntary for counties. DOR does not handle property tax so is unaware of how many counties are participating or plan to participate in this program.

DOR is not directly impacted by this proposal. However, should seniors that currently receive the Senior Property Tax Credit (PTC) pay less in property tax, that could lessen 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. Should some of these 56,457 leave in a county that participates, and their property tax is reduced, they may not be eligible for as much PTC credit as they were before. Should that happen, this could result in less PTC claims which would mean a savings to general revenue. The impact is unknown.

The amendment will not have any impact on DOR.

In response to the previous version, officials from the **City of Kansas City** assumed 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.

In response to the previous version, officials from the **Rolling Hills Consolidated Library** noted Rolling Hills Consolidated Library cannot calculate the fiscal impact of this bill because libraries do not have access to the data on the ages of the owners of real property in the district boundaries nor if that property is their primary residence. It is impossible to know how many residents who meet the requirements for this tax credit "rebate" would take the time to file and execute it. The library is concerned however that the amount of the credits issued will still be considered as "revenue" even though it will not be received by the taxing entities. It is unclear whether Hancock would still apply and roll back a set levy amount if "stated" income exceeds the limits set by this constitutional amendment. This bill does not go far enough to clarify this property tax credit, and could cause significant harm to taxing entities.

Oversight assumes this proposal adds clarifying language for eligibility requirements and implementation measures for the property tax credit established in SB 190 (2023).

Oversight notes this credit is optional and a county must submit the proposal to voters or pass a county ordinance in order to participate.

Oversight notes Greene County and St. Charles County have both implemented the provisions of SB 190.

Oversight notes this proposal disallows counties from setting qualification limits other than those included in this proposal. Oversight notes that any counties that have already passed ordinances with stricter qualifications may be impacted by this proposal. Oversight notes this amendment may allow additional taxpayers to participate in the credit. Therefore, Oversight will show an unknown, negative fiscal impact to local political subdivisions that have implemented the property tax credit established in SB 190 (2023).

Oversight notes this proposal states that any tax year with a lower liability than the base tax year will become the new base tax year. Oversight notes this may allow the base year to decrease in the future, potentially increasing the amount of credit from the credit allowed under the current base year. Therefore, Oversight will show an unknown, negative fiscal impact to local political subdivisions that have implemented the property tax credit established in SB 190 (2023).

In response to the previous version, officials from the **Department of Social Services, Newton County Health Department, Phelps County Sheriff, Kansas City Police Dept., St. Louis County Police Dept, Office of the State Auditor,** and the **State Tax Commission** each assumed the proposal would 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.

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.

Perfected as amended

Oversight notes HA1 provides clarifying language for adjustments to a taxpayer’s base year if new construction or improvements are made or if the home is annexed into a new taxing jurisdiction.

Oversight notes this amendment may reduce the credit amount received for taxpayers who make new construction and improvements to their homestead. Therefore, Oversight will show an unknown, positive fiscal impact to local political subdivisions that have implemented these provisions.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> – (HA1) §137.1050 - Credit base year adjusted for improvements and new construction and annexation	\$0	Unknown	Unknown
<u>Revenue Reduction</u> - §137.1050 - Disallowance of qualification limits for credit	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §137.1050 - Base year adjustment for decreased tax liability	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>

FISCAL IMPACT – Small Business

Certain small businesses that qualify for the proposed credit could be impacted by this proposal.

FISCAL DESCRIPTION

The proposed legislation modifies provisions relating to local homestead property tax credits

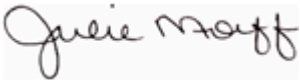
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

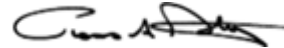
Department of Revenue
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Department of Social Services
Newton County Health Department
Phelps County Sheriff
Kansas City Police Dept.
St. Louis County Police Dept
Office of the State Auditor
State Tax Commission



Julie Morff
Director
March 26, 2024



Ross Strobe
Assistant Director
March 26, 2024