

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5211H.011
Bill No.: HB 2445
Subject: Taxation and Revenue - Property; Property, Real and Personal; Counties; State
Tax Commission
Type: Original
Date: February 20, 2024

Bill Summary: This proposal modifies provisions relating to property taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0	Unknown	Unknown
Total Estimated Net Effect on General Revenue	\$0	Unknown	Unknown

*Oversight assumes the fiscal impact could exceed the \$250,000 threshold.

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 could exceed 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

Officials from the **State Tax Commission** assume this has a possible negative fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. Under the criteria of HB 2445, all properties with an assessment percentage above the counties ratio study percentage could appeal their assessment to the Board of Equalization who would be required to lower the value to equal the ratio study percentage. Approximately half of the properties could qualify for the reduction so this could lead to a significant reduction of revenue for the local taxing jurisdictions.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 137.132 would allow a property owner to appeal their property tax assessment for real property in subclasses (1) and (3) if the ratio of assessed value to true value is greater than the average ratio determined during an assessment ration study.

This provision would apply to all real property excluding agriculture and horticulture, which are in subclass (2). B&P notes that based on data published by STC, residential real property accounted for 50.73% and commercial real property accounted for 19.62% of all property taxes paid in 2022.

B&P further notes that an average ratio is determined by averaging all the assessments to market value across an area. Therefore, half of all property owners would qualify for an assessment reduction under this proposal.

The Blind Pension Trust Fund levies a statewide property tax of \$0.03 per \$100 valuation. B&P estimates that this proposal could significantly reduce revenues to the Blind Pension Trust Fund as well as local property tax funds.

Oversight assumes this proposal would potentially limit the assessed value of individual properties to the overall level of assessment.

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 $((\text{Total Assessed Value}/100)*.03)$. 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.

Per the STC's [website](#), total assessed value for residential property was \$70,953,063,714 in 2022. If this proposal reduced the total assessed value by 1.5% (for example), the loss to the blind pension fund is estimated at (\$319,289).

Total Assessed Value (Current)	\$70,953,063,714
Total Assessed Value if reduced by 1.5% (example)	\$69,888,767,758
Difference	(\$1,064,295,956)
Divided by 100	(\$10,642,960)
Multiplied by 0.03 (Estimated Changed)	(\$319,289)

Oversight notes the revenue growth in property tax is determined by the following method:

Last year’s revenues plus an allowance for growth equal to either:

- Inflation;
- Growth in total assessed value, or;
- 5%, whichever is lower.

Oversight assumes if the growth in total assessed value is the lower of the three options, then any reduction in the assessed value would reduce the maximum allowed revenue growth (relative to current law) which could potentially impact all taxing entities.

Alternatively, **if** inflation or 5% is the lower option for determining the maximum allowed revenue, the calculation of revenue growth may not be limited by the reduction in assessed personal property. However, 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.

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 rather it would result in a loss of revenue.

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 will show a negative unknown reduction in revenue to the Blind Pension Fund and local political subdivisions beginning in FY 2026.

Oversight notes according to the Department of Revenue, in FY 2022, there were 56,457 senior homeowners that claimed \$33,428,661 in PTC credits. Should some of these 56,457 qualify for the proposal 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.

Oversight will show an unknown savings to General Revenue beginning in FY 2026. Oversight notes total property tax credit amounts claimed would need to decrease by approximately 0.75% to reach a \$250,000 impact.

Oversight assumes there could be an unknown negative fiscal impact on St. Louis County for increased reimbursements to taxpayers for property tax appeals. Oversight will show a range of impact of \$0 (no additional cost) to an unknown cost beginning in FY 2026.

In response to a similar proposal, SB 1001 (2024), officials from the **Department of Revenue** assumed the proposal would have no fiscal impact on their organization.

Officials from the **Department of Social Services** 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.

Oversight received a limited number of responses from taxing entities 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 approval to publish a new fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Cost Avoidance</u> - §137.132 - Reduction in property tax credit redemptions if taxpayers pay less in property taxes	\$0	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
BLIND PENSION FUND			
<u>Revenue Loss</u> - §137.132 - from a change in assessed value	\$0	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> - §137.132 - from a change in assessed value	\$0	(Unknown)	(Unknown)
<u>Costs</u> - County Assessors - computer programing, administrative costs, and implementation of proposal	\$0	(Unknown)	(Unknown)
<u>Costs</u> - St. Louis County - §138.434 - increase in reimbursement limits	\$0	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown)	(Unknown)

FISCAL IMPACT – Small Business

There could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

FISCAL DESCRIPTION

This bill provides that the level of assessments of all real property in Subclass (1) and Subclass (3) shall be uniform and equal.

If the common level assessment, as defined in the bill, in either Subclass (1) or (3) is lower than the individual level assessment, as defined in the bill, of any property in the same Subclass, the individual level assessment of such property shall be reduced to the common level assessment. Such a reduction shall be made upon an appeal by the property owner to the local Board of Equalization, State Tax Commission, or circuit court.

To determine the individual level assessment of real property, the true value in money of such property shall be presumed to be the lesser of either:

- (1) The assessor's appraised value; or
- (2) The appraised value set by the local Board of Equalization.

Currently, if the assessor is required to perform a physical inspection of real property, but does not provide sufficient evidence to establish that a physical inspection was in fact performed, then the property owner shall prevail on an appeal as a matter of law. This bill further provides that if an assessor does not establish sufficient evidence of a physical inspection, any increased assessed valuation shall be voided, and the previous assessed valuation shall be applied to the property in its place.

Currently, a first class charter county or a city not within a county may require, by ordinance or charter, the reimbursement of certain costs and fees expended by a taxpayer resulting from a successful appeal that ends up reducing the appraised value of property by a certain percentage. This bill makes such reimbursements mandatory. Additionally, this bill increases the maximum amount of fees to be reimbursed from \$1,000 to \$5,000 for residential property appeals, and from \$4,000 to \$5,000 for utility, industrial railroads, or other Subclass (3) property appeals.

Currently, taxpayers are required to file a written protest of property taxes with the collector when the taxpayer makes full payment of such taxes. This bill repeals such a requirement.

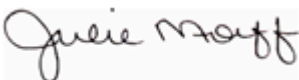
This bill also provides that the interest due to a taxpayer whose protested taxes were distributed to a taxing authority shall be calculated from the date that the protested taxes were distributed through the date of the refund.

This bill also provides that if a circuit court or the State Tax Commission determines that a taxpayer is entitled to a refund of property taxes the taxpayer shall receive such refund from the collector within 30 days of the final determination of the refund amount by the circuit court or State Tax Commission. If such refund is not issued within 30 days, the taxpayer shall be entitled to interest on the refund as calculated under current law.

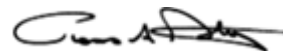
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
State Tax Commission
Office of the State Auditor
Department of Social Services



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February 20, 2024



Ross Strobe
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February 20, 2024