

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5252H.011
Bill No.: HB 2543
Subject: Tax Credits; Property, Real and Personal; Taxation and Revenue - Property; State
Tax Commission; Counties
Type: Original
Date: February 6, 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	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 137.1050 - Senior Property Tax Credit

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal makes various clarifications to the property tax exemption passed in SB 190 (2023).

This proposal clarifies that the tax exemption applies to “all taxing entities levying a property tax”. B&P notes that the Blind Pension Trust Fund has a \$0.03 per \$100 value property tax levy on all property in Missouri. B&P further notes that it is unclear whether the phrase “all taxing entities levying a property tax” would include the statewide levy as it is a Constitutional levy. Therefore, this provision may reduce revenues to the Blind Pension Trust Fund.

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 live 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.

Officials from the **City of Kansas City** assume 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.

Officials from the **Newton County Health Department** assume this would create a negative fiscal impact on the Newton County Health Department in the amount of decreased property tax collections depending on the number of individuals eligible for the credits provided in this bill.

Officials from the **Lincoln County Assessor** note this proposal would create an unfunded mandate for County Collectors to update their software to implement tax credits - also lost

revenue to taxing entities with the exemptions being implemented - possible tax burden shift to those who don't receive the credit.

Officials from the **Branson Police Dept** note this has the potential to reduce revenues for first responder agencies.

Officials from the **Richland R-I School District** note the fiscal impact is unknown, however, any change in personal property tax collected will reduce the local school district's amount of revenue. As a district already paying certified teachers below all other districts in the county, this would negatively impact the district's instructional program.

Officials from the **Callaway County SB 40 Board** assume the proposed legislation has a fiscal impact of an indeterminate amount.

Officials from the **Department of Social Services, State Tax Commission, County Employees Retirement Fund (CERF), 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 **Kansas City Police Department** and the **St. Louis County Police Department** 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.

Oversight notes 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 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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Currently, a county may grant a real property tax credit to qualifying seniors. A qualifying senior must be: eligible for Social Security retirement benefits; the owner of record or having a legal or equitable interest in a homestead; and liable for the payment of real property taxes on such homestead.

This bill modifies the criteria for a qualifying senior by requiring that the senior be at least 62-years-old and not delinquent on his or her real property taxes.

Currently, the amount of the real property tax credit is determined by using a qualifying senior's real property tax liability on the senior's homestead for a given year, and subtracting the real property tax liability on such homestead in the year that the qualifying senior became eligible for the tax credit.

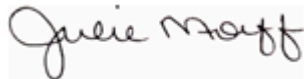
This bill modifies the formula for determining the amount of the real property tax credit. The amount of the real property tax credit shall be determined by using a qualifying senior's real property tax liability on the senior's homestead for a given tax year from all taxing entities that levy a property tax, and subtracting the real property tax liability on such homestead in the "base" year. The base year shall be the latter of the following:

- (1) The tax year immediately following the tax year that a county adopts the tax credit by way of an ordinance;
- (2) The tax year immediately following the tax year that a majority of voters in a county approve the tax credit; or
- (3) The tax year immediately following the tax year in which the qualifying senior became eligible.


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
Department of Social Services
Office of Administration - Budget and Planning
State Tax Commission
County Employees Retirement Fund (CERF)
Office of the State Auditor
City of Kansas City
Callaway County SB 40 Board
Newton County Health Department
Lincoln County Assessor
Branson Police Dept
Richland R-I School District
Callaway County SB 40 Board
Kansas City Police Dept.
St. Louis County Police Dept



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February 6, 2024



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