

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5279H.011
Bill No.: HB 2482
Subject: Tax Credits; Property, Real and Personal; Taxation and Revenue - Property; State
Tax Commission; Counties
Type: Original
Date: January 30, 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 **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 **Office of Administration - Budget and Planning (B&P)** note this proposal makes significant changes 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.

This proposal clarifies that taxpayers may not qualify until after August 28, 2023, and they have reached the age of 62. This clarification would prevent the credit from being retroactive.

This provision requires all counties to grant the property tax exemption to all qualifying individuals. Counties may not set income, property, or any other stricter limits than the ones included in this proposal. B&P notes that some counties have already passed ordinances with more strict qualifications.

This credit would change the base year to “...the tax year and each year thereafter, immediately following...” the year a taxpayer qualifies (or August 28, 2023, for those already over the age of 62). This language effectively places the base year equal to the tax year in which the exemption is being calculated. For example: Taxpayer A is 62 years old and qualifies as of August 28, 2023. For tax year 2024, the base year would be the “year immediately following the year the taxpayer

became eligible”, in this case that would also be 2024. For 2025, the base year would be “the tax year and each year thereafter, immediately following the year the taxpayer became eligible”. The year after the tax year Taxpayer A become eligible would also be 2025. Under this language, it appears as if the tax year being calculated and the base year will be the same years, leading to an exemption amount of \$0. Therefore, this provision may increase revenues in locations that have already passed ordinances under the original SB 190 (2023) language.

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

Officials from the **Newton County Health Department** note this would create a negative fiscal impact on the Newton County Health Department in the amount of decreased property taxes collected based on the number of residents eligible for the tax credits offered by this bill.

Officials from the **Branson Police Department** note there is a potential to decrease the amount of revenues available to first responder agencies.

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

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.

Officials from the **State Tax Commission, County Employees Retirement Fund (CERF),** and the **Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Officials from the **Phelps County Sheriff, Kansas City Police Dept.,** 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 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.

<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:

- (1) Eligible for Social Security retirement benefits;
- (2) The owner of record or having a legal or equitable interest in a homestead; and
- (3) 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 a Missouri resident who, after August 28, 2023, and by the first of January in the applicable tax year, must be:

- (1) At least 62 years old;
- (2) An owner of record of a homestead as evidenced by a publicly recorded or verified written instrument, including, but not limited to, a trust document in which at one primary beneficiary is at least 62 years old;
- (3) Is liable for the payment of real property taxes on such homestead; and
- (4) Is not delinquent on such taxes.

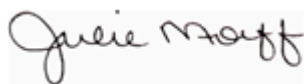
Currently, a county may grant a property tax credit to eligible seniors. This bill requires that a county grant such a credit to all eligible seniors for certain increases to their property tax liability in an amount equal to the qualifying senior's eligible credit amount.

This bill requires that the amount of credit awarded to a senior shall be noted in actual monetary value on their statement of tax. A county governing body may adopt reasonable procedures in order to carry out the tax credit program, provided that the county shall not adopt any procedure that limits the statutory definition or scope of "eligible credit amount" or "eligible taxpayer." An eligible senior shall not be prevented from appealing an assessment of their 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
Office of Administration - Budget and Planning\
City of Kansas City
Newton County Health Department
Police Department
Callaway County SB 40 Board
State Tax Commission
County Employees Retirement Fund (CERF)
Department of Social Services
Phelps County Sheriff
Kansas City Police Dept.
St. Louis County Police Department



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January 30, 2024



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