

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0418H.01I
Bill No.: HB 515
Subject: Political Subdivisions; Elections; Taxation and Revenue - Property
Type: Original
Date: February 9, 2025

Bill Summary: This proposal authorizes taxpayers to submit petitions to reduce local tax rate levies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 67.111 - "Taxation Oversight and Reduction Act"

Officials from the **Department of Revenue (DOR)** note this will not directly impact DOR as property tax is handled by the County Assessors and the State Tax Commission.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal:

- Has no direct impact on B&P.
- Has no direct impact on general or total state revenues.
- Will not impact the calculation pursuant to Art. X, Sec. 18(e).

Officials from the **City of Kansas City** assume this legislation will have a negative fiscal impact of an indeterminate amount.

Officials from the **City of Springfield** anticipate a loss of approximately \$300,000 in property tax revenues if a reduction was proposed and approved.

Officials from the **St Louis Budget Division** assume this proposal allows citizens to vote to decrease the property tax rate by 5% once every four years. This will likely have different effects in reassessment vs. non-reassessment years.

If the vote occurs in a reassessment year, the rate affected is the rate on the day the question is submitted to the voters. In a year of reassessment, it is not uncommon for taxing districts to have to roll back 2% to 4% due to rising assessments. So, if the voters request a 5% reduction in the same year, it will just cause a slightly greater rollback than would have been employed and instead of having a 5% effect, it will be somewhat less than that effect.

In non-reassessment years, this will have more of the desired effect of reducing the rate by the percentage approved by the voters, up to five percent.

Currently, taxing jurisdictions can only raise their rate, up to the voter approved ceiling, in a non-reassessment year (even year). If voters lower a rate in the same year the taxing jurisdiction is planning to raise their rate, it will eliminate the taxing jurisdictions ability to operate under existing statutes.

The St Louis Budget Division notes timing will have a lot to do with this. If the voters approve a 5% reduction in an odd year (reassessment year) and there is no required rollback, then all the taxing jurisdictions could lose **\$21.25M** they would have otherwise received (the City portion would be **\$4.25M**). The reduced rate by the voters does not set a new tax rate ceiling. The taxing jurisdictions can raise their rate in the next year (even year) and the loss would only affect one year.

If the action by the voters occurs in an even year, the reduction will affect the even year, the following odd year (reassessment year - cannot raise rates) and then the tax jurisdictions could raise rates in the next even year, and the loss would affect two years.

Based upon the scenario outlined above, all taxing jurisdictions could experience a loss of revenue in the amount of \$21.25M. The City of St. Louis's loss in revenue would be \$4.25M. Whether these losses in revenue would be on-going or one-time is unknown at this time.

Officials from the **St. Louis City Board of Elections** note April 2023 around 35,000 city voters voted, meaning approximately 2000 signatures would be needed to place this matter on the ballot. While the legislation sets the rate for verification of signatures at 50 cents per signature and not to exceed the required for certification, a petition of this size would require 5 employees working 3 days. If the rate of pay for these individuals is 15/hour, the cost would be around \$1800. Regarding the cost of an election, if a special election was called, the cost of a citywide election is roughly \$500,000.

Officials from the **Callaway County SB 40 Board** assume this legislation will have a fiscal impact of an indeterminate amount.

Officials from the **Lawrence County SB 40 Board** assume as stated in previous opinions, any cut in property taxes will be a major hit to the services the SB40 board can provide to the Intellectual and Developmental Disabled individuals in Lawrence County. The board gets its funds from the county taxes levy and when the taxes decrease, so do the opportunities to provide quality services and opportunities to this population.

Officials from the **Webster County SB 40 Board** assume a reduction in funding from personal and/or real property taxes would have significant consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as WC Partners assess local needs and nurture a strong network of high-quality services that are essential to over 259 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

Officials from the **Mid-Continent Public Library** note since three separate Counties combine the library's district, this bill does not address how that would be handled. As a result, there is insufficient data to determine this bill's fiscal impact on the district.

Officials from the **Department of Social Services, Office of the Secretary of State, Jackson County Election Board, St. Louis County Board of Elections, Newton County Health Department, Kansas City Police Dept., St. Louis County Police Dept, and the State Tax Commission** 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.

Oversight notes this proposal allows taxpayers to submit a petition to local election authorities to place a property tax levy reduction on the ballot. Oversight assumes local political subdivisions will have costs associated with this proposal. Therefore, Oversight will reflect a potential cost of \$0 (petition not submitted by voters) to an unknown negative amount to local political subdivisions.

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 if a local political subdivision submits the tax levy reduction to voters and it is adopted, this would reduce the tax rate applied to the total assessed values thereby reducing revenues for all tax entities. Therefore, Oversight will show a potential loss of revenue of \$0 (not approved by voters) to an unknown negative amount to local political subdivisions.

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). For purposes of this fiscal note, Oversight assumes the Blind Pension Fund will not be impacted by this proposal. Should this assumption be incorrect this would change the impact presented in this fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Potential Costs</u> – Counties - §67.111 - Costs for elections and signature verification if petition is submitted by voters	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Potential Costs</u> – Counties - §67.111 - to administer the changes from this proposal if petition is submitted by voters	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Potential Revenue Reduction</u> - §67.111 - Reduction in property tax levy, if approved by voters	\$0	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

There could be a fiscal impact to small businesses if tax rates are adjusted (pending voter approval).

FISCAL DESCRIPTION

This bill establishes the "Taxation Oversight and Reduction Act".

A taxpayer may submit a petition to the local election authority with jurisdiction over a political subdivision for the reduction of the political subdivision's property tax rate, excluding any tax rate set to pay for bonds or debt services.

The reduction must not exceed 5% of the tax rate in effect on the day the question is submitted to voters, unless the maximum authorized levy is more than 5% higher than the current tax rate ceiling, in which case the reduction may be equal to the percentage necessary to reduce the maximum authorized levy to equal the tax rate ceiling.

A reduction of the same political subdivision's property tax rate may be submitted to voters no more than once every four years.

Petitioners must notify the political subdivision's local election authority of their intent to submit a petition and provide the local election authority a copy of the petition.

Upon notification, the local election authority must notify the taxpayer of the minimum required number of signatures to approve the petition, the estimated cost for signature verification, and the date by which the petition will be due in order for the question to be placed on the ballot.

The minimum signature requirement to place a tax reduction on the ballot will be 5% percent of the number of registered voters who voted in the most recent election of the political subdivision's governing body. The local election authority must verify that signatures are from registered voters of the political subdivision in question. Election authorities may charge petitioners a fee for signature verification, provided that the fee does not exceed \$0.50 per signature.

If petitioners meet all requirements, the local election authority will place the tax reduction on the ballot of the next general municipal election. The form of the ballot question is specified in the bill.

If a majority of the registered voters of the political subdivision approve the reduction, the political subdivision must reduce the property tax rate by the percentage approved by the voters.

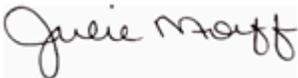
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue (DOR)
Office of Administration - Budget and Planning
Department of Social Services
Office of the Secretary of State
State Tax Commission
City of Kansas City
City of Springfield
St Louis Budget Division
St. Louis City Board of Elections
Callaway County SB 40 Board
Jackson County Election Board
St. Louis County Board of Elections
Newton County Health Department
Kansas City Police Dept.

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St. Louis County Police Dept
Lawrence County SB 40 Board
Webster County SB 40 Board
Mid-Continent Public Library



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Director
February 9, 2025



Jessica Harris
Assistant Director
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