

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1429H.02C
 Bill No.: HCS for HB 999
 Subject: Taxation and Revenue - Property; Property, Real and Personal; State Tax Commission; Counties; Department of Revenue
 Type: Original
 Date: February 10, 2025

Bill Summary: This proposal modifies provisions relating to the state tax commission's equalization authority and enforcement authority, authorizing withholding of certain revenues as a result of noncompliance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*Transfer out to the Legal Expense Fund for interest on amounts wrongfully withheld, Oversight does not anticipate this will reach \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Legal Expense Fund (0692)*	\$0	\$0	\$0
County Assessment Noncompliance Trust Fund**	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

*Transfer in of funds from general revenue and transfer out of interest on amounts wrongfully withheld net to zero.

**Oversight assumes the State will keep the interest earned on the withheld funds released under this proposal if not found to be wrongfully withheld. Oversight does not anticipate this will reach \$250,000. Other withheld payments/interest earned and then returned net to zero.

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 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*Oversight assumes the Locals will lose the interest earned on the withheld funds released under this proposal if not found to be wrongfully withheld. Other withheld payments/interest earned and then returned net to zero.

FISCAL ANALYSIS

ASSUMPTION

Section 138.390- State Tax Commission's Equalization Authority

Oversight notes this section states the STC shall ensure that the overall median ratio of the assessment level of all property in a county and within each class and subclass of property in a county is between eighty percent and one hundred percent of the market value.

Oversight notes the following county assessment levels per STC’s 2021 - 2022 State Tax Commission Ratio [Study](#).

Values Reflect the Levels of Assessment as of January 1, 2021

County	Residential			Commercial		
	Assessed at 100% of market value		Variability of Ratios	Assessed at 100% of market value		Variability of Ratios
	Weighted Median	Weighted Mean	COD	Weighted Median	Weighted Mean	COD
Adair	86.48	87.1	15.60%			
Andrew	90.42	91.68	2.20%			
Atchison	78.78	72.86	53.60%			
Audrain	94.33	87.08	16.98%			
Barry	86.5	86.32	13.85%	73.21	73.55	52.36%
Barton	85.29	82.92	29.89%			
Bates	86.32	84.02	56.94%			
Benton	59.94	57.17	44.26%			
Bollinger	79.18	72.63	24.55%			
Boone	86.3	85.52	11.64%	91.31	93.68	14.95%
Buchanan	90.43	89.8	13.90%			
Butler	92.13	92.63	13.88%			
Caldwell	86.16	86.09	12.71%			
Callaway	88.26	88.54	10.80%			
Camden	91.12	86.47	12.59%			
Cape Girardeau	87.48	87.28	14.03%			
Carroll	96.61	96.08	16.45%			
Carter	80.97	88.39	89.95%			
Cass	73.34	73.8	15.03%	84.97	89.38	39.40%
Cedar	86.35	84.54	41.83%			
Chariton	101.98	65.99	69.26%	88.72	92.82	19.25%
Christian	86.46	88.39	17.57%			

Clark	93.84	91.62	37.74%			
Clay	89.88	89.57	9.22%	98.05	95.97	81.05%
Clinton	77.17	80.73	28.59%	85.71	79.16	18.76%
Cole	83.09	82.94	13.39%			
Cooper	70.87	69.67	26.34%	104.55	99.69	42.95%
Crawford	89.76	91.02	10.02%			
Dade	89.18	75.87	41.41%			
Dallas	86.76	82.59	43.43%			
Daviess	94.62	72.78	62.50%			
DeKalb	83.71	78.33	23.42%	70.56	74.43	33.62%
Dent	91.85	89.64	11.74%			
Douglas	82.84	85.39	33.79%			
Dunklin	86.24	87.1	20.62%	92.06	86.31	23.81%
Franklin	87.12	88.47	21.53%	86.41	83.58	17.72%
Gasconade	84.16	81.21	24.86%	92.68	76.01	20.71%
Gentry	92.51	85.35	16.80%	84.83	73.51	33.43%
Greene	85	84.33	14.16%			
Grundy	92.54	84.04	28.31%			
Harrison	91.47	93.07	20.41%			
Henry	96.97	95.65	23.57%			
Hickory	86.87	93.31	25.19%			
Holt	91.31	87.18	24.02%	74.62	81.28	32.59%
Howard	97.01	95.51	9.34%			
Howell	88.42	83.86	27.26%	89.95	79.66	52.99%
Iron	74.16	79.33	60.57%			
Jackson	90.18	88.44	14.33%			
Jasper	87.5	88.21	13.35%	74.55	39.07	39.57%
Jefferson	90.41	85.64	17.30%			
Johnson	84.95	87.14	22.81%	90.85	92.69	26.76%
Knox	84.04	87.77	34.16%			
Laclede	85.15	86.85	29.29%			
Lafayette	71.45	67.5	44.66%	79.48	79.98	17.93%
Lawrence	77.63	74.65	27.22%	84.22	104.17	38.59%
Lewis	96.69	83.57	34.75%			
Lincoln	86	86.64	8.23%			
Linn	85.43	84.81	19.54%			
Livingston	98.06	89.84	18.79%			
McDonald	86.07	81.31	23.52%			
Macon	89.16	86.75	20.77%			

Madison	84.06	80.74	28.60%			
Maries	88.07	83.32	34.68%			
Marion	90.11	90.63	11.33%			
Mercer	88.92	82.05	52.48%	69.14	72.48	32.35%
Miller	88.53	84.31	16.18%			
Mississippi	88.59	90.08	20.22%			
Moniteau	87.38	88.81	13.82%			
Monroe	80.92	73.9	35.29%			
Montgomery	90.59	93.92	14.07%			
Morgan	72.78	72.78	35.80%	99.93	89.39	38.71%
New Madrid	101.3	95.24	18.49%			
Newton	92.35	93.73	17.21%	93.03	88.08	42.99%
Nodaway	96.33	100.99	26.55%			
Oregon	100	95.44	14.26%			
Osage	59.45	61.64	50.79%			
Ozark	109.64	90.12	43.46%	62.26	68.53	39.57%
Pemiscot	96.54	89.31	41.33%	92.89	86.45	24.84%
Perry	87.09	87.04	13.17%			
Pettis	86.84	84.71	19.12%			
Phelps	89.79	91.05	19.63%			
Pike	68.81	70.74	27.95%	83.74	83.04	18.08%
Platte	91.08	91.06	8.09%			
Polk	86.07	84.08	18.02%	81.8	87.69	26.60%
Pulaski	93.47	93.16	9.61%			
Putnam	94.55	86.9	24.42%	105.45	116.25	24.54%
Ralls	80.03	81.04	22.74%	101.83	103.77	22.30%
Randolph	92.34	90.66	6.95%			
Ray	77.99	79.17	23.16%			
Reynolds	68.3	58.37	44.83%			
Ripley	90.48	86.1	26.16%	79.7	75.71	28.39%
St Charles	90.79	88.98	8.41%			
St. Clair	90.98	78.36	50.78%	96.67	106.54	27.61%
St .Francois	87.95	83.31	18.40%	79.34	81.85	37.95%
Ste Genevieve	92.17	88.2	37.03%			
St.Louis	92.08	90.53	9.15%			
Saline	93.26	90.78	15.66%			
Schuyler	94.34	90.22	40.29%			
Scotland	87.81	87.41	16.96%			
Scott	72.09	70.32	64.90%	77.33	77.08	22.15%

Shannon	63.11	60.24	80.06%			
Shelby	79.93	75.37	47.70%			
Stoddard	83.87	84.37	19.75%	85.78	90.23	18.96%
Stone	94.33	92.59	44.66%			
Sullivan	95.8	96.51	28.07%			
Taney	82.8	80.31	27.26%	66.7	64	83.16%
Texas	94.58	83.85	33.17%			
Vernon	86.1	79.11	23.41%	96.96	102.62	17.93%
Warren	65.68	59.21	28.10%			
Washington	102.65	79.78	22.19%	71.78	76.04	50.83%
Wayne	90.05	86.29	31.07%	106.49	98.8	55.02%
Webster	87.89	82.64	26.91%	95.69	95.65	24.51%
Worth	95.98	96.64	31.59%			
Wright	92.52	87.93	14.30%			
City of St Louis	83.09	82.59	20.93%	98.82	84.27	29.41%

Oversight notes the State Tax Commission Assessor [Manual](#) states the current appraisal study uses a median appraisal value of 90%-110%. Oversight notes this proposal may affect the compliance status of certain counties.

Section 138.425 - State Tax Commission's Enforcement Authority

Officials from the **Department of Revenue (DOR)** assume this proposal establishes a compliance program for counties. In Section 138.425.2 this proposal states that if a county fails to comply with the State Tax Commission directive, they will be considered to have violated the law. If a violation occurs the State Tax Commission is to notify the Department of Revenue (DOR). DOR is to withhold any and all local distributions of the county's sales and use tax up to 100% of their violation, until notified the county is in compliance again.

DOR notes this would be a manual process completed by the department's tax team. They would need to manually key records during the time distributions are stopped. It should be noted that once DOR is notified that a distribution can restart, the release of funds would not be until the following month during the distribution period. The Department assumes the department can absorb this requirement with existing staff. Should the number of holds on distribution become justified to need new FTE, then DOR will seek them through the appropriations process.

DOR notes that should the State Tax Commission error in the calculation of the withhold, this proposal indicates interest would be owed. DOR assumes the State Tax Commission will be responsible for applying to the state legal expense fund for payment of the interest as they are responsible for all calculations and notices.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined that it could have a negative impact on the legal expense fund if the judiciary ruled in the county's favor and required the commission to pay interest on any sales taxes withheld. The STC believes that any cost associated to promulgate rules can be absorbed under its current budget.

Oversight notes that Section 138.425. 6., denotes if the court upon determination, as to the amount of local sales tax proceeds withheld or failure to comply is in error, the court shall return the amount in error to the county and the judgment, when entered, shall include interest on the amounts wrongfully withheld. Oversight notes this would first be interest gained by the State and then returned if the amounts were wrongfully withheld.

Oversight notes this fiscal impact would only occur should the State Tax Commission error in the calculation of the proposed withholding of local sales/use tax.

Oversight notes this proposal allows the DOR to withhold local sales and use tax proceeds in an amount equal to one hundred percent of moneys the county would otherwise be entitled to from local sales/use tax and retain the interest earned (if not wrongfully withheld).

Oversight notes the fiscal impact would be entirely dependent on the number of violations and the amount of sales/use tax withheld and interest retained; therefore, the impact is ultimately unknown. For simplicity, Oversight assumes any funds withheld would be repaid within the same fiscal year. Oversight assumes the net impact to the State would be the interest earned and retained (if not wrongfully withheld) and the net impact to locals would be a loss of the interest retained by the State (if funds were not wrongfully withheld).

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.

Officials from the **Department of Social Services** and the **Office of Administration** 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 **Office of Administration - Budget and Planning (B&P)** note this proposal will not impact:

- TSR
- The calculation under Article X, Section 18(e).
- B&P.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Transfer Out – to Legal Expense Fund</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
LEGAL EXPENSE FUND (0692)			
<u>Transfer In – from General Revenue</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Costs - \$138.425 – repayment of interest on amounts wrongfully withheld</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
ESTIMATED NET EFFECT TO LEGAL EXPENSE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
COUNTY ASSESSMENT NONCOMPLIANCE TRUST FUND			
<u>Potential Revenue Gain</u> - §138.425 potential withholding of local sales/use tax, if noncompliant plus interest earned	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Potential Revenue Loss</u> - §138.425 repayment of withholding of local sales/use tax, if compliance is achieved	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO COUNTY ASSESSMENT NONCOMPLIANCE TRUST FUND*	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

*Oversight assumes the State will keep the interest earned on the withheld funds released under this proposal if not found to be erroneously withheld. Other withheld payments/interest earned and then returned net to zero.

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Potential Revenue Loss</u> - §138.425 potential withholding of local sales/use tax, if noncompliant plus interest lost	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Potential Revenue Gain</u> - §138.425 repayment of withholding of local sales/use tax, if compliance is achieved	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Potential Revenue Gain</u> - §138.425 – interest returned on amounts wrongfully withheld	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*Oversight assumes the Locals will lose the interest earned on the withheld funds released under this proposal if not found to be erroneously withheld. Other withheld payments/interest earned and then returned net to zero.

FISCAL IMPACT – Small Business

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

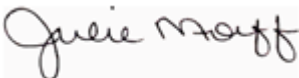
FISCAL DESCRIPTION

This proposal modifies provisions relating to the state tax commission's equalization authority and enforcement authority, authorizing withholding of certain revenues as a result of noncompliance.

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

State Tax Commission
 Office of the Secretary of State
 Joint Committee on Administrative Rules
 Department of Revenue
 Department of Social Services
 Office of Administration
 Office of Administration - Budget and Planning



Julie Morff
 Director
 February 10, 2025



Jessica Harris
 Assistant Director
 February 10, 2025