

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0844H.011
 Bill No.: HJR 4
 Subject: Taxation and Revenue - General
 Type: Original
 Date: March 2, 2021

Bill Summary: This proposal reduces property tax assessments on senior citizens and disabled persons by fifty percent.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0 or More Than (\$7,000,000)	\$0	\$0 or Less than \$18,676,802
Total Estimated Net Effect on General Revenue	\$0 or More Than (\$7,000,000)	\$0	\$0 or Less than \$18,676,802

*The potential fiscal impact of “(More than \$7,000,000)” in FY 2022 would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

The “\$0” impact in FY 2024 represents the possibility of the joint resolution being defeated by voters; therefore, no property tax changes would be implemented.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Blind Pension Fund	\$0	\$0	\$0 or (Unknown, Could exceed \$4,580,149)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 or (Unknown, Could exceed \$4,580,149)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Local Government	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown, Could exceed <u>\$568,356,808</u>)

FISCAL ANALYSIS

ASSUMPTION

In response to similar proposal, officials from **Office of the Secretary of State** assumed, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the Governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$7 million based on the cost of the 2020 Presidential Preference Primary.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. The SOS estimates \$65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2022. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide

primary election is in August 2022 and the next scheduled general election is in November 2022 (both in FY 2023). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2022.

Officials from the **State Tax Commission** state they have reviewed and determined an unknown fiscal impact on taxing jurisdictions such as school districts, counties, cities, fire districts who receive revenue from the taxation of real residential property. Under the criteria of HJR 4, those individuals sixty five years of age, or an individual who receives disability benefits under federal law shall be assessed at fifty percent of the value of residential property.

The agency would not have data to determine how many of the 1,061,775 Missourians over sixty five or the 14.5 % of the state's population who are disabled who meet the proposed criteria and eligibility set forth.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal would go to public vote in November 2022. The assessed value reduction would begin January 1, 2023 if voter-approved. Since property taxes are not due until December, this proposal would begin impacting state and local funds in FY24.

This proposal would reduce the assessed value limit, by half, for all real and personal property owned by individuals aged 65 and older as well as individuals who are entitled to receive disability benefits under federal law. B&P assumes that this proposal would apply to disabled individuals receiving Social Security Disability Insurance payments or individuals who receive payments from the Blind Pension Trust Fund.

Using data provided by the United States Census Bureau, the average median real estate taxes paid \$1,526 in Missouri during 2019. In addition, approximately 504,078 homeowners in Missouri were age 65 or older. Data published by the Social Security Administration indicated that there were 129,176 individuals in Missouri receiving Social Security Disability payments during 2019. Based on property tax credit claims filed for tax years 2018 and 2019, B&P estimates that the percentage of disabled individuals owning their home is approximately 23.5%. Therefore, B&P estimates that approximately 30,356 disabled Missourians may qualify under this proposal. Based on the above information, B&P estimates that qualifying individuals currently pay approximately \$815.5 million (504,078 seniors + 30,356 disabled x \$1,526 median real estate tax) in real estate taxes.

B&P notes that the Blind Pension Trust Fund levies a property tax of \$0.03 per \$100 valuation. Based on data provided by the United States Census Bureau, the median value of a home in Missouri was \$157,700 in 2019. B&P notes, however, that based on Section 137.115, RSMo, the assessed value for real property is 19% of the market value. Therefore, based on a market value of \$157,700, B&P estimates that the assessed value would be \$29,868. Using the number of qualified homeowners, B&P estimates that the total assessed value of qualifying homes was

\$16.0 billion in 2019. Using the Blind Pension property tax levy and the median assessed value of homes, B&P estimates that qualifying taxpayers currently pay \$4.8 million to the Blind Pension Trust Fund and \$810.8 million in local property taxes. Therefore, B&P estimates that this proposal could reduce revenues to the Blind Pension Trust Fund by \$2,394,371 and revenues to local property tax jurisdictions by \$405,378,771 annually beginning in FY24.

<u>Total Real Estate Taxes</u>		
Number of Qualifying Seniors		504,078
Number of Qualifying Disabled	+	30,356
Total Number of Qualifying Individuals		534,434
Median Real Estate Taxes Paid in MO	X	\$1,526
Total Estimate Real Estate Taxes		\$815,546,284
<u>Blind Pension Trust Fund</u>		
Number of Qualifying Individuals		534,434
Median Assessed Value of Homes in MO	X	\$29,868
Estimated Assessed Value of Qualifying Property		15,962,474,712
Blind Pension Trust Fund - Rate	X	0.0003
Taxes owed to Blind Pension Trust Fund		\$4,788,742
Assessment limit halved	÷	2
Loss to Blind Pension Trust Fund		\$2,394,371
<u>Local Real Estate Taxes</u>		
Total Estimate Real Estate Taxes		\$810,353,603
Estimate Blind Pension Levy	—	\$4,788,742
Local Property Taxes Owed		810,757,542
Assessment limit halved	÷	2
Estimated Local Property Tax Loss		\$405,378,771

B&P notes that the number of disabled individuals only includes individuals receiving federal disability payments through Social Security. Therefore, the number of disabled people that could actually qualify under this proposal could be significantly higher. B&P further notes that these estimates do not include any commercial or agricultural real property or any personal property owned by qualifying individuals. Therefore, the actual loss to the Blind Pension Trust Fund could exceed \$2,394,371 and the actual loss to local jurisdictions could exceed \$405,378,771 annually beginning in FY24.

B&P notes that many of the qualifying individuals may currently receive the Missouri Property Tax Credit. Therefore, this proposal may reduce the paid property tax claims for qualifying

individuals. Based on information provided by DOR, there were approximately \$37,353,603 PTC claims paid for tax year 2019. Assuming all property tax claims were halved under this provision, B&P estimates that this proposal could increase GR by up to \$18,676,802 annually beginning in FY24. B&P notes that many individuals are currently at the maximum credit allowed; therefore, the total reduction in PTC claims under this proposal is likely to be less than \$18,676,802.

Officials from the **Department of Revenue** assume this proposal is a constitutional amendment that allows at the November 2022 general election the people to vote to allow seniors over 65 and the disabled to have their property assessed at half the value as other citizens. This would apply to both personal and real property taxes. This proposal if adopted would be effective starting January 1, 2023.

Based on information from the U.S. Census Bureau there are 504,078 seniors owning houses in Missouri. Using data from the Social Security Administration there are 30,356 seniors owning homes in Missouri that are on disability. The median home price is \$157,200 and the median real estate taxes paid is \$1,526.

Using this data we estimate that the current value of the qualifying real property is \$84,013,024,800 (534,434 people X \$157,200 home value). Applying the current assessed value rate of 19% brings the assessed value to \$15,962,474,712 ($\$84,013,024,800 \times 19\%$).

This means that the Blind Pension Fund receives \$4,788,742 and the locals receive \$810,757,542 in real property tax. Since this proposal would lower these amounts 50% it is expected there would be a loss to the Blind Pension Fund of \$2,394,371 and to the Locals for their real property tax of \$405,378,771.

The Department is unable to determine what the personal property tax loss would be. We will show these losses as could exceed the estimates above to account for the additional personal property tax loss.

The Department notes that it would also reduce the amount of credits that could be claimed under the Senior Property Tax Credit program. In FY 2019 there were 65,027 seniors that claimed \$37,353,603 in credits based on the real property tax they paid. This proposal would reduce that amount by the 50% which would result in \$18,676,802 less being claimed in property tax.

Fiscal Year	Loss to Blind Pension Fund
2022	\$0
2023	(Could Exceed \$2,394,371)
2024	(Could Exceed \$2,394,371)

Fiscal Year	Savings to GR from PTC Claims
2022	\$0

2023 Up to \$18,676,802

2024 Up to \$18,676,802

DOR does not anticipate an administrative impact.

Officials from the **Department of Social Services (DSS)** assume Section A. Article X of the Missouri Constitution is amended to reduce to fifty percent the assessment rate of property owned by individuals aged sixty-five years or older or entitled to disability benefits under federal or Missouri State law.

Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Reducing the assessment rate of property owned by those who are sixty-five years of age or older or entitled to disability benefits could impact the amount received for the Blind Pension fund. In SFY 2020, property tax collections received for the BP fund were \$36,641,194 or approximately \$36.6 million (rounded down).

The number of individuals who are age 65 or older or entitled to disability benefits under federal or Missouri State Law that own property is unknown. To estimate how the BP fund could potentially be impacted by this legislation, FSD made the assumption that the population of individuals who could potentially be eligible for the lower assessment rate outlined in this legislation would be any person age 65 or older or any person age 19-64 claiming a disability. According to United States Census Bureau, Missouri's total population was approximately 6,137,428 in 2019. Of those, approximately 1,062,037, or 17.3% ($1,062,037/6,137,428 = 17.3\%$) are age 65 or older and approximately 478,066, or 7.7% ($478,066/6,137,428 = 7.7\%$, rounded down) are age 19-64 claiming a disability. Therefore, approximately 25% ($17.3\%+7.7\%$) of property owners could receive a reduction to fifty percent of the assessment rate of their property. FSD estimates that the potential impact to the BP fund, as a result of the provisions outlined in this legislation, would be a decrease in the amount collected up to \$4,580,149 ($\$36,641,194 * 0.25 = \$9,160,298.5/2 = \$4,580,149.25$, rounded down).

Therefore, FSD estimates the fiscal impact to be a decrease of \$0 - \$4,580,149 in collections received for the Blind Pension fund.

Officials from the **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **City of Kansas City** assumes this legislation would result in a negative fiscal impact of an indeterminate amount for Kansas City.

Officials from the **City of Springfield** anticipate a negative fiscal impact from this bill, but has no assessment data on Springfield citizens sixty-five years of age or older or individuals who are entitled to receive disability benefits under federal and state law so cannot calculate the amount of fiscal impact.

Officials from the **City of St. Louis** assume this legislation would reduce property tax assessments on senior citizens and disabled people by fifty percent. Its passage would have a negative effect on revenue in the City of St. Louis as follows:

\$5,823,005	Loss to all taxing jurisdictions
\$1,130,245	Loss to City taxes
\$87,345	Loss to Collector of Revenue Fund
\$36,934	Loss to Assessment Fund

The losses to the Collector and Assessment Funds would be annual. Please see the attached Excel worksheet for the calculations.

Officials from the **City of Hale** and the **St. Clair Fire Protection District** each assume this proposal could result in a fiscal impact to their respective organizations.

Officials from the **City of Ballwin, City of Claycomo, Crawford County 911 Board, Nodaway County Ambulance District** and the **High Point R-III School District** 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 **Jackson County** assume there would be a negative fiscal impact to Jackson County as additional staff and technology investments would need to be made to not only track property, but residents of that property as well approximately 4600 residents of Jackson County would be eligible for this program. Significantly negative fiscal impact to other taxing jurisdictions as well.

Officials from the **Newton County Health Department** assume the impact would be negative due to decreased tax revenue to the local public health agency.

Officials from the **Howell County Assessor's Office** assume due to the gross ambiguity of this wording the estimated loss of revenue is between \$100,000 and \$1,000,000. The increased cost to the county is between \$50,000 and \$100,000 in legal defense and the increased cost to the county for programming is estimated at \$25,000.

Officials from the **Lincoln County Assessor's Office** assume there would be more of a workload to organize and gather data on the respective owners that could possibly merit a new employee - so \$20 to \$30k increase if a new employee needs to be added.

Officials from the **Rolla Rural Fire Protection District** assume any change to property tax will directly affect the income to the department and will effect emergency services for the residents within the district.

Officials from the **St. Charles Community College** assume this proposal would have a significant negative fiscal impact. The college lacks access to property owner data to quantify the amount.

Blind Pension Fund

Oversight notes this proposal reduces the assessed value of property by 50% for individuals 65 years of age or older and those entitled to receive disability benefits. Per the United States Census Bureau American Community Survey, [529,142](#) housing units were owned and occupied by someone age 65 and older in Missouri.

Per the US Census Bureau, the median value of owner occupied units was [\\$168,000](#) in 2019. Oversight estimates the median assessed value at \$31,920 (19% of \$168,000).

Oversight notes that Article III, Section 38(b) of the Missouri Constitution states there is an assessment of up to three cents on every one hundred dollars of valuation of taxable property that is collected for the Blind Pension Fund. Using the median assessed value estimated above, Oversight estimates a potential loss of revenue to the Blind Pension Fund of if the assessed value is reduced by 50% $\$2,533,532$ ($529,142 * ((\$31,920 * .50) / 100) * .03$). Oversight notes this estimate only includes individuals that are 65 years of age or older. Per the U.S. Census Bureau, there were [136,181](#) households in Missouri receiving supplemental security income (SSI) in the past 12 months. However, Oversight is uncertain how many of the individuals receiving SSI own property.

Also, Oversight notes this estimate only includes the impact from residential real property. Oversight assumes the impact could greatly exceed this estimate as this proposal appears to reduce the assessed value for personal property as well as agricultural and commercial property owned by qualifying individuals.

Oversight will show a range of impact to the Blind Pension Fund from \$0 (not approved by voters) to a loss in revenue of that could exceed the amount estimated by DSS.

Oversight assumes this could reduce claims for the Property Tax Credit by 50% for individuals the qualifying for reduction in assessed value. Oversight will show the savings to General Revenue as less than \$18,676,802 (50% of the three year average) based on information provided by Department of Revenue and Office of Administration - Budget and Planning.

Local Political Subdivisions

Oversight notes the median real estate taxes paid for owner-occupied units in Missouri was [\\$1,526](#) in 2019. Oversight assumes this amount would be reduced by half if the assessed value of is reduce by 50% for qualifying individuals. Using the number of Missourians 65 years and older who own a residential property, Oversight estimates the loss of revenue to local political subdivisions at approximately \$401,201,814 ($(529,142 * (\$1,526 * .50))$ less the estimated Blind Pension Fund tax (\$2,533,532).

Oversight notes the population of Missourians 18 years and older is estimated at [4,764,733](#) per the U.S. Census Bureau and the estimated personal property taxes for 2020 is \$1,506,575,432 per the State Tax Commissions website. Assuming most property is owned by those over the age of 18, Oversight estimates a per capita personal property tax burden of \$316 ($\$1,506,575,432 / 4,764,733$) for Missourians. Based on the population of Missouri 65 years and over (1,057,943), Oversight estimates a potential loss of revenue of \$167,154,994 ($(\$316 * .50) * 1,057,943$) if the assessed value and the subsequent the tax burden were reduced by 50% for qualifying individuals.

Oversight assumes the impact could exceed the combined residential property and personal property estimate of \$568,356,808 as this proposal appears to reduce the assessed value for agricultural and commercial property owned by qualifying individuals. In addition, this estimate does not include individuals entitled to receive disability benefit. Therefore, Oversight will show a range of impact of \$0 (not voter approved) to a revenue loss that could exceed \$568,356,808 for local political subdivisions.

However, **Oversight** notes local property tax revenues are 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. Since this proposal impacts the assessed value portion of this calculation, Oversight assumes some taxing entities will be able to adjust the tax rate levied to make-up for the lost revenue from the reduction in the assessed value. Therefore the revenue loss to the all taxing entities as a whole could be less than the amounts estimated above.

Based on information provided by the Office of the State Auditor, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

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.

In addition, **Oversight** assumes there could be an unknown cost for implementation and tracking of eligible taxpayers. Oversight will show an unknown cost to local assessment authorities for implementation and tracking.

Oversight assumes, if voter approval is achieved, this change would be implemented in the 2023 calendar year with impacted revenues occurring in FY 2024 (December 2023).

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Transfer Out</u> - Local Election Authorities the cost of the special election if called for by the Governor	\$0 or More Than (\$7,000,000)	\$0	\$0
<u>Savings</u> - DOR - seniors no longer claiming the Senior Property Tax Credit	<u>\$0</u>	<u>\$0</u>	\$0 or Less than <u>\$18,676,802</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or More Than <u>(\$7,000,000)</u>	<u>\$0</u>	\$0 or Less than <u>\$18,676,802</u>
BLIND PENSION FUND			
<u>Revenue Loss</u> - from exempted property tax	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown, Could exceed <u>\$4,580,149</u>)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown, Could exceed <u>\$4,580,149</u>)

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - to Local Election Authorities - the cost of a special election	\$0 or More Than \$7,000,000	\$0	\$0
<u>Cost</u> - Local Election Authorities - the cost of the special election if called for by the Governor	\$0 or More Than (\$7,000,000)	\$0	\$0
<u>Costs</u> - County Assessors - implementation and tracking	\$0	\$0	\$0 or (Unknown)
<u>Revenue Loss</u> - from a 50% reduction in assessed values for qualifying individuals	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown, Could exceed \$568,356,808)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown, Could exceed \$568,356,808)

FISCAL IMPACT – Small Business

Oversight assumes there could be an impact to small businesses owned by individuals 65 years of age and older as well as those entitled to receive disability benefits. Conversely, taxing jurisdictions may be able to increase the levy to all other property owners to make up for the lost revenue.

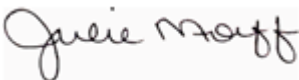
FISCAL DESCRIPTION

Upon voter approval, beginning January 1, 2023, this proposed Constitutional amendment would provide that property that is owned by an individual who is 65 years of age or older or an individual who is entitled to receive disability benefits under federal law or under the laws of this state would be assessed at 50% of the value at which such property would otherwise be assessed.

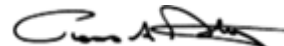
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission
Office of Administration - Budget and Planning
Department of Revenue
Department of Social Services
Office of the State Auditor
Office of the Secretary of State
City of Ballwin
City of Claycomo
City of Hale
City of Kansas City
City of Springfield
City of St. Louis
Jackson County
Newton County Health Department
Howell County Assessor
Lincoln County Assessor
Rolla Rural Fire Protection District
St. Clair Fire Protection District
Crawford County 911 Board
Nodaway County Ambulance District
High Point R-III School District
St. Charles Community College



Julie Morff
Director
March 2, 2021



Ross Strobe
Assistant Director
March 2, 2021