COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1923-01
Bill No.: SB 485
Subject: State Tax Commission, Taxation and Revenue - General; Taxation and Revenue - Property
Type: Original
Date: March 30, 2005

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## FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| | | | |
| **Total Estimated Net Effect on General Revenue Fund** | **$0** | **$0** | **$0** |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| Blind Pension | $0 | (Unknown) | (Unknown) |
| | | | |
| **Total Estimated Net Effect on Other State Funds** | **$0** | **(Unknown)** | **(Unknown)** |

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| | | | |
| **Total Estimated Net Effect on All Federal Funds** | **$0** | **$0** | **$0** |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| **Local Government** | **(Unknown)** | **(Unknown)** | **(Unknown)** |

## FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** assume this proposal would allow the deferral of increased property taxes for those meeting the established criteria. Consequently, school districts may have to wait for a number of years before receiving that property tax revenue. The amount of the deferral would factor into the affect on services to students. There is no way to estimate the cost to school districts of that deferral.

Officials from the **State Tax Commission** assume this proposal would allow qualified senior citizens in St. Louis County to defer any increases in taxes above the property taxes paid the previous year. The citizens would file their application with the County Assessor's Office who would forward it to the Director of Revenue. The director would notify the county assessor or collector if the property qualifies for a tax deferred status. There would be an entry on the tax roll that such property is tax-deferred.

It appears the local political subdivisions would incur the loss of revenue until the owner dies, the property is transferred, or if the property is a manufactured structure or floating home and it is moved out of state.

ASSUMPTIONS (continued)

Officials from the **Office of the Cole County Assessor,** the **Boone County Collector,** the **Department of Revenue,** and the **Office of Administration, Division of Budget and Planning**, assume this proposal would have no impact on their organizations.

**Oversight** assumes there would be unknown additional cost to the St. louis County Assessor and Collector, and unknown losses to the taxing authorities for the amount of any taxes deferred. The law would take effect as of January 1, 2006 and impact 2006 (FY2007) property taxes. There would also be an unknown reduction in revenue to the state Blind Pension Fund of approximately one-half of one percent of the local government revenue losses.

| FISCAL IMPACT - State Government | FY 2006 (10 Mo.) | FY 2007 | FY 2008 |
|---|---|---|---|
| **BLIND PENSION FUND** | | | |
| Revenue reduction - deferred taxes | $0 | (Unknown) | (Unknown) |
| **ESTIMATED NET EFFECT ON BLIND PENSION FUND** | **$0** | **(Unknown)** | **(Unknown)** |

| FISCAL IMPACT - Local Government | FY 2006 (10 Mo.) | FY 2007 | FY 2008 |
|---|---|---|---|
| **LOCAL GOVERNMENTS** | | | |
| Cost - St. Louis County Assessor and Collector | (Unknown) | (Unknown) | (Unknown) |
| Revenue reduction - deferred taxes | $0 | (Unknown) | (Unknown) |
| **ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS** | **(Unknown)** | **(Unknown)** | **(Unknown)** |

FISCAL IMPACT - Small Business

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

## DESCRIPTION

This proposal would authorize a deferral program for taxes on property owned by senior citizens in certain counties.

- A homestead would be defined as a taxpayer-owned and occupied principal dwelling with up to five acres of land owned in fee simple by the taxpayer for a continuous period of not less than five years. If the homestead is located in a multi-unit building, the homestead would be the portion of the building actually used as the principle dwelling and its percentage of the common elements and of the property upon which it is built.

- Any taxpayer sixty-five years of age or older with a household income of seventy thousand dollars or less, or any individual with a disability receiving Social Security income, could elect to defer any increases in taxes on homestead property beyond the total property taxes paid in the previous year by requesting a deferral between January first and October fifteenth of the first year in which a deferral is claimed.

- Only a homestead located in a county with a charter form of government and with more than one million inhabitants would qualify for deferment.

- The property could not be subject to any prohibition to the deferral of property taxes contained in federal law, rule, or regulation applicable to a mortgage, trust deed, or land sale contract for which the homestead is security, and the equity interest in the homestead must equal or exceed ten percent of the true value in money of the homestead, and the taxpayer must maintain insurance on the homestead.

- The taxpayer's claim for deferral under this section would be filed with the county assessor on a form supplied by the Department of Revenue, and have attached any documentary proof required by the Director of Revenue. A federal income tax return would be proof of eligibility under the income guideline.

- The county assessor would forward each claim filed under this section to the director of revenue, who would determine if the property is eligible for deferral. If eligibility is established, the Director of Revenue would inform the assessor or collector who would clearly designate such property as tax-deferred property.

DESCRIPTION (continued)

- The portion of taxes which exceed the total base amount paid in 2005 would be deferred, and the county assessor or collector would maintain accounts for each deferred property and accrue interest only on the amount of taxes deferred. The interest rate would be two and one-half percent annually. The Director of Revenue would have a lien on the homestead property in the amount of the deferred taxes and interest due.

- The lien created under this section would have the same priority as other real property tax liens except that mortgages, trust deeds, or security interests recorded or noted prior to the lien for deferred taxes would be prior to the liens for deferred taxes.

- Deferred ad valorem taxes and accrued interest would become due and payable when the taxpayer or surviving claimant dies, the property is sold or otherwise transferred, the property is no longer the homestead of the taxpayer unless the taxpayer is required to be absent by reason of health, or the property is a manufactured structure or floating home which is moved out of the state.

- All payments of deferred taxes would be made to the county collector and distributed in accordance with the then-current distribution plan.

- Th provisions of this section would automatically sunset five years after their effective date unless reauthorized by an act of the general assembly.

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 Elementary and Secondary Education
State Tax Commission

NOT RESPONDING

**Cole County Assessor**
**Boone County Collector**
**Department of Revenue**
**Office of Administration**
**Division of Budget and Planning**

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Director
March 30, 2005