

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1098S.01I
Bill No.: SJR 23
Subject: Constitutional Amendments; Taxation And Revenue - Property
Type: Original
Date: March 2, 2021

Bill Summary: This proposal authorizes a freeze on property tax rates for senior citizens.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|------------------------------------------------------|-----------------------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| General Revenue | \$0 or (\$7,000,000) | \$0 | \$0 |
| Total Estimated Net Effect on General Revenue | \$0 or (\$7,000,000) | \$0 | \$0 |

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

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| Total Estimated Net Effect on Other State Funds | \$0 | \$0 | \$0 |

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 | \$0* | \$0 or (Unknown) | \$0 or (Unknown) |

*Potential costs and state reimbursements net to zero in FY 2022 if a special election is called.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of the Secretary of State** assume, 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 2016 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 **Kansas City Board of Elections** state, currently in even numbered election years for the Primary and General elections, the State only pays their pro-rata share of election costs, only if appropriated. So far these costs have not been appropriated and other entities have been picking up their share of election costs. If this election is called any other time, then they would be responsible for their pro-rata share up to the cost of the election (\$625,000).

Officials from the **Platte County Board of Elections** and **St. Louis County Board of Elections** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes, if a taxing district holds an election to approve a property tax exemption, there could be costs to local election authorities depending on the when the election is held. Oversight will show a range of impact of \$0 (no elections held or no additional cost to hold election) to an unknown cost to hold the election.

Officials from the **State Tax Commission** have determined an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. The constitutional amendment, if approved by the voters, allows a taxing district to exempt taxpayers sixty-five years or older from increases in the rate of property tax. Such exemption shall either be approved by the governing body of the taxing district or approved by the voters in the local taxing district.

The agency would not have data to determine how many of the 1,061,775 Missourians over sixty five who meet the proposed criteria and eligibility or how many of the 2900 taxing jurisdictions may choose to grant the exemption from increases in the rate of property tax.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal requires voter approval and will therefore not impact TSR or the calculation under Article X, Section 18(e).

This proposal would apply to all tax years beginning with tax year 2022. However, this proposal would not be put to a vote until November 2022 and it would not become effective until at least mid-December 2022. It is likely that property tax bills would have already begun being paid by the time this proposal, if voter approved, were certified. In addition, this proposal only contains the enabling language allowing local taxing jurisdictions to offer the levy increase exemption. Therefore, if this proposal is voter approved, the first exemption vote in a local jurisdiction is not likely to occur until at least 2023. It is unclear whether local jurisdictions would have to refund any property taxes paid resulting from a levy increase between January 1, 2022 and the subsequent local approval of the measure.

This proposal would freeze the property tax rate on a taxpayer's real or personal property, once that taxpayer reaches the age of 65. B&P notes that this freeze would not affect any increases in assessed valuations, only in the rate of tax applied. B&P notes that freeze would apply to all taxable property including: houses (primary and secondary), vehicles, trailers, boats, land, commercial buildings, agricultural property, etc.

B&P notes that it is unclear which tax rate(s) would apply to a taxpayer that is at least age 65 once this proposal goes into effect: whether the qualifying taxpayer would be subject to the tax rate(s) on January 1, 2022, the tax rate(s) upon local approval of the exemption, or the prevailing tax rate(s) on the taxpayers 65th birthday.

B&P further notes that it is unclear what tax rate(s) would prevail if a taxpayer were to move between two local jurisdictions after reaching age 65: whether it would be the tax rate(s) the day they moved into a new jurisdiction, the tax rate(s) on January 1, 2022, the tax rate(s) the day of local approval of the exemption, or the prevailing tax rate(s) within the new jurisdiction on the day the taxpayer reached age 65.

B&P notes that because this proposal will only freeze the rate of taxation, and not any increases to the assessed valuation amounts, this proposal will not impact the Blind Pension Trust Fund.

Officials from the **Department of Revenue** assume this proposal would freeze any increases in the rates of any property taxes levied on any property owned by an individual who has attained an age of at least sixty-five years. This proposal does not completely eliminate what is currently owed, but would slow the rate of growth of property taxes collected in the future.

This proposal would need to be voted on by the citizens at the November 2022 general election to be adopted as a constitutional amendment. This proposal should it be adopted at the November 2022 election would not be certified until December 2022 and this proposal could not be implemented until January 1, 2023.

This proposal states it would begin if adopted on January 1, 2022. As noted above since the election cannot be held until November 2022 this proposal's effective date is not possible. Additionally, upon a vote of the people accepting the constitutional amendment this proposal would require each political subdivision wanting to freeze the property tax of these seniors to hold an election. It is assumed the first available election that local political subdivision could put this on the ballot would be the April 2023 municipal election. The Department will assume this would start October 1, 2023, the second quarter after passage of this proposal. This would change the property tax rate during the middle of a tax year.

The only property tax collected by the State is for the Blind Pension Fund. The Missouri Blind Pension Fund is a fund for payment of pensions for the blind. The tax, or collection for the fund, consists of 3 cents on each \$100 valuation of taxable property in the State of Missouri.

The Department is unable to determine how much of the total valuation of real property in tax year 2019 is attributed to properties owned by individuals who would qualify for this future real property tax freeze.

Officials from the **Department of Social Services** and the **Office of the State Auditor** 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 **City of Kansas City** assume this legislation could result in a negative fiscal impact of an indeterminate amount on the City.

Officials from the **City of Springfield** anticipate a possible negative fiscal impact from this bill if such an exemption was approved by its city council or by a referendum. The City does not have data regarding residential property owners who are at least 65 years of age so cannot determine an amount of possible fiscal impact.

Officials from the **City of St. Louis** assume this legislation proposes a constitutional amendment that would freeze property tax for certain seniors. Passage of this legislation would have a negative effect on the City of St. Louis's revenue. Based on 2019 property tax collections, the revenue losses would be:

\$121,168 for all taxing jurisdictions
\$23,517 in City taxes
\$1,818 in the Collector of Revenue Fund
\$778 in the Assessment Fund

Similar losses would occur each year as more property owners turn 65.

The Assessor states that tracking different tax rates every year for different owners based on age will likely be a massive programming challenge for both the Assessor and the Collector. The Assessor estimates that programming changes will cost at least \$100,000.

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

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

Officials from the **Nodaway County Ambulance District** state, while this bill will not impact them directly, they believe that it will impact those taxing districts that dependent on property taxes.

Officials from the **City of Hale**, Fredericktown Fire Department each assume the proposal could 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 **Crawford County 911 Board, High Point R-III School District** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes this proposal would exempt qualifying individuals from increases in property tax rates. Oversight notes this proposal does not appear to exempt these individuals from having to pay increases in taxes as a result of an increase in a property's assessed value. Therefore, Oversight assumes this proposal would not impact the Blind Pension Fund.

Based on Demographic Characteristics for Occupied Housing Units from the United States Census Bureau, **Oversight** notes there are 517,775 owner occupied housing units where the age of the householder is 65 years of age or older. Oversight is uncertain how many taxing districts would approve the exemption of these properties (and exemption of commercial, agricultural and personal properties). Therefore, Oversight is uncertain how many would be exempt from property tax rate increases.

In addition, **Oversight** assumes there could be costs to local taxing entities which approve the exemption to implement and monitor individual property tax rate freezes. Oversight will show an unknown cost to local political subdivisions for implementation.

Although the effective date of this proposal, if passed, would be FY 2022, the next rate setting cycle would not occur until calendar year 2022 with impacted revenues occurring in FY 2023 (December 2022).

Oversight notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters) to a loss in revenue to local political subdivisions beginning in FY 2024 (December 2023 tax collections).

Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

| <u>FISCAL IMPACT – State Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|----------------------------------------------------------------------------------------------------------|---------------------------------|------------|------------|
| GENERAL REVENUE | | | |
| Transfer Out - Local Election Authorities the cost of the special election if called for by the Governor | \$0 or (\$7,000,000) | \$0 | \$0 |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | \$0 or (\$7,000,000) | \$0 | \$0 |

| <u>FISCAL IMPACT – Local Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------|-----------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| Costs – vote on implementing tax rate freezes | \$0 | \$0 or (Unknown) | \$0 or (Unknown) |
| Costs – implementation and monitoring of tax rate freezes on certain properties | \$0 | \$0 or (Unknown) | \$0 or (Unknown) |
| Revenue Loss – from tax rate increase exemption | \$0 | \$0 or (Unknown) | \$0 or (Unknown) |
| Transfer In - Local Election Authorities - reimbursement of election costs by the State for a special election | \$0 or More than \$7,000,000 | \$0 | \$0 |
| Costs - Local Election Authorities - cost of a special election if called by Governor | \$0 or (More than \$7,000,000) | \$0 | \$0 |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | \$0 | \$0 or (Unknown) | \$0 or (Unknown) |

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment would allow taxing districts to exempt taxpayers sixty-five years or older from increases in the rates of property taxes. The exemptions will either be approved by the governing body of the taxing district or approved by the voters upon submission of a petition of at least five percent of registered voters in the district.

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

Office of the Secretary of State

State Tax Commission

Office of Administration - Budget and Planning

Department of Revenue

Office of the State Auditor

Department of Social Services

City of Ballwin

City of Corder

City of Hale

City of Kansas City

City of Springfield

City of St. Louis Assessor's Office

Howell County Assessor's Office

Ste. Genevieve County Collector's Office

Jackson County

Newton County Health Department

St. Louis County Health Department

Boone County Sheriff

Crestwood Police Department

Ellisville Police Department

Kansas City Police Department

Kimberling City Police Department

St. Joseph Police Department

St. Louis County Police Department

Newark Rural Fire Protection District

Plato Rural Fire Protection District

Raytown Fire Protection District

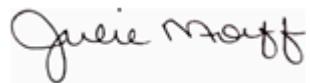
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St. Clair Fire Protection District
Wentzville Fire Protection District
West County EMS and Fire Protection District
Crawford County 911 Board
Nodaway County Ambulance District
Pettis County Ambulance District



Julie Morff
Director
March 2, 2021



Ross Strope
Assistant Director
March 2, 2021