COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4106S.09P
Bill No.: Perfected SS#2 for SCS for SB 649
Subject: Taxation and Revenue - Property; Counties
Type: Original
Date: March 16, 2022

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2076)
General Revenue	Could exceed ($27,359,097 to $57,054,271)	Could exceed ($31,601,109 to $66,861,012)	Could exceed ($31,601,109 to $66,861,012)	Could exceed ($31,601,109 to $66,861,012)
Total Estimated Net Effect on General Revenue	**Could exceed ($27,359,097 to $57,054,271)**	**Could exceed ($31,601,109 to $66,861,012)**	**Could exceed ($31,601,109 to $66,861,012)**	**Could exceed ($31,601,109 to $66,861,012)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2076)
Blind Pension Fund (0621)	$0	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund (0609)	Could exceed ($1,1135,796 to $2,373,095)	Could exceed ($1,316,713 to $2,785,876)	Could exceed ($1,316,713 to $2,785,876)	Could exceed ($1,316,713 to $2,785,876)
Parks and Soils Funds (0613 & 0614)	Could exceed ($908,637 to $1,898,812)	Could exceed ($1,053,370 to $2,228,701)	Could exceed ($1,053,370 to $2,228,701)	Could exceed ($1,053,370 to $2,228,701)
School District Trust Fund (0688)*	Could exceed ($9,086,366 to $17,616,195)	Could exceed ($10,533,703 to $22,287,004)	Could exceed ($10,533,703 to $22,287,004)	Could exceed ($10,533,703 to $22,287,004)
Total Estimated Net Effect on Other State Funds	**Could exceed ($11,130,799 to $21,888,102)**	**Could exceed ($12,903,786 to $27,301,581)**	**Could exceed ($12,903,786 to $27,301,581)**	**Could exceed ($12,903,786 to $27,301,581)**

*Oversight notes the School District Trust Fund revenues are distributed directly to school districts. School District Trust Fund revenues are generated from Proposition C, which collects a one percent sales tax for elementary and secondary education. Proposition C also requires school districts to reduce local property taxes by ½ of the sales tax revenue received. Any reduction in sales tax revenue to the School District Trust Fund will result in a ½ proportional gain in property tax revenues (assuming the district is not operating at their statutory or voter approved maximum tax rate).

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2076)
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2076)
Total Estimated Net Effect on FTE	**0**	**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 2023	FY 2024	FY 2025	Fully Implemented (FY 2076)
Local Government	**Could exceed ($36,618,053 to $76,508,571)**	**Could exceed ($42,450,822 to $89,816,627)**	**Could exceed ($42,450,822 to $89,816,627)**	**Could exceed ($42,450,822 to $89,816,627)**

FISCAL ANALYSIS

ASSUMPTION

Section 32.087 - Local Political Subdivision Tax Rate Limits

Officials from **Office of Administration - Budget and Planning (B&P)** state this section would allow taxing jurisdictions to levy additional sales taxes, upon voter approval. This section also limits the "total combined rate" of local taxing jurisdictions. The limits are:

- Cities (excluding St. Louis City), towns, and villages – 4.5%
- Counties (excluding St. Louis City) – 4.5%
- St. Louis City – 9%
- All other local jurisdictions 3%

B&P notes that under this proposal the maximum sales tax rate for any specific location within Missouri would be 12% (4.5% county + 4.5% city + 3% other) or (9% St. Louis City + 3% other). B&P notes that there are no existing combined jurisdictions with rates at or above 12%; the closest combined local rate is 11.99%.

B&P further notes that no local jurisdiction with a combined sales tax rate in excess of the limits created under this provision would be required to repeal or reduce such rate.

Therefore, B&P estimates that this provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **Department of Revenue (DOR)** state, in addition to any local sales tax imposed or authorized to be imposed as of January 1, 2023, this act authorizes any taxing jurisdiction to impose one or more sales taxes for purposes to be designated by the taxing jurisdiction, provided that the total combined rate of local sales taxes imposed and retained by a taxing entity that is an incorporated city, town, or village shall not exceed 4.5%; the total combined rate of local sales taxes imposed and retained by a county shall not exceed 4.5%; the total combined rate of local sales taxes imposed and retained by the City of St. Louis shall not exceed 9.0%; and for all other taxing jurisdictions, the total combined rate of sales taxes in any given taxing jurisdiction shall not exceed 3.0%.

No taxing jurisdiction with a combined rate of sales tax in excess of the rates provided in the act as of August 28, 2022, shall be required to reduce or repeal any such sales tax rate.

If a political subdivision chooses to not adopt additional sales taxes, then this proposal will not have a fiscal impact. Should a political subdivision choose to adopt a new sales tax, then the political subdivision will receive increased revenue. It should be noted that should they adopt a sales tax and DOR is required to collect and distribute the sales tax to the political subdivision DOR will retain 1% of the sales tax for reimbursement of their expenses. The Department is not able to predict if any political subdivisions will adopt a new sales tax. The impact of this proposal is $0 to Unknown.

Oversight assumes this proposal will not negatively impact local political subdivisions.

Oversight will reflect a potential positive impact from section 32.087.3(2) if this allows local political subdivisions to submit before its voters an additional sales tax in future elections. Oversight will show this as a $0 (no such tax increase is submitted to voters or voters do not approve the measure) to an unknown amount of sales tax revenue for the local political subdivision (and DOR retaining a 1% collection fee).

<u>Section 137.103 - Property Tax Credit</u>

In response to a similar proposal, SB 715 (2022), officials from the **State Tax Commission** 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 legislation 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 2,900 taxing jurisdictions may choose to grant the exemption from increases in the rate of property tax.

Officials from **B&P** state this provision would grant a property tax credit on the homestead of individual age 65 and older who owns their home.

A taxing jurisdiction must receive voter approval before granting the property tax credit. The property tax credit would be equal to the difference between the property tax liability in the current tax year versus the property tax liability the year in which the qualifying individual turned 65. The property tax credit amount must be included on the individual's property tax bill.

B&P notes that this provision would become effective on August 28, 2022. Further, it would require public votes in all jurisdictions with a property tax levy. B&P assumes that the first potential public votes would not occur until April 2023. Therefore, B&P assumes that any potential property tax credits would not be granted until tax year 2023 (FY24) at the earliest.

B&P further notes that a county assessor handles property taxes assessments and billings. However, within that county may be multiple different property tax levy districts with multiple different boundaries. Some districts within a county may approve the property tax credit, while other districts do not. In addition, the county assessor would be responsible for calculating two assessments per qualifying property each year: one assessment for the current tax year and one assessment for the tax year that the qualifying individual turned 65.

B&P also notes that this could be problematic when qualifying individuals move between taxing jurisdictions. In these instances, the county assessor would have to determine the market and assessed value of the real property when that individual turned age 65 as well as the prevailing property tax levy rates at the time in order to determine the property tax liability that all future credits would be based on.

Therefore, this provision could create a significant administrative burden on county assessors.

B&P notes that individuals receiving a property tax credit under Sections 135.010 to 135.035 could receive a lower PTC credit if they also subsequently qualify for the property tax credit under this provision. Therefore, this provision could increase GR by a $0 to Unknown amount beginning as early as FY24.

Officials from the **DOR** state this proposal would allow a local jurisdiction to adopt, by a vote of the people, a property tax waiver for those over the age of 65. The earliest this could go to the vote of the people would be April 2023 and therefore would not impact taxpayer's until December 2023 (FY 2024) when they pay their property tax.

Currently, a person over 65 who pays property tax and meets certain qualifying income limits is eligible to apply for the Senior Property tax credit. The Senior Property tax credit is a credit based on the amount of residential property tax paid. If a person is eligible for the Senior Property tax credit and their political subdivision chooses to lower the amount a person pays in residential property tax then it could potentially reduce the amount of the Senior Property tax credit they were eligible for.

The Department is unable to determine if this would have an impact and assumes it would be $0 to Unknown.

Oversight assumes this proposal would grant qualifying individuals tax credits for the increases in property taxes.

Oversight notes, per Article III Section 38(b) of the Missouri Constitution, 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). Oversight notes this proposal does not appear to alter a property's assessed value. Therefore, Oversight assumes this proposal would not impact the Blind Pension Fund.

However, **Oversight** notes the Blind Pension Fund receives increased property taxes from increases in assessed value. For example:

Assessed Value Year 1 = $100,000
Blind Pension Tax Liability = ($100,000 /100) * .03 = $30

Assessed Value Year 2 = $110,000
Blind Pension tax liability = ($110,000 /100) * .03 = $33

For purposes of this fiscal note, **Oversight** assumes qualifying tax payers would still pay the increases due to the Blind Pension Fund. If this assumption is incorrect, this could potentially change the fiscal impact as presented in this fiscal note.

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 of these homeowners would have qualifying income or how many taxing districts would approve the tax credits. Therefore, Oversight will show a range of impact of $0 (not voter approved) to an unknown loss in revenue to local political subdivisions.

In addition, **Oversight** assumes there could be costs to implement and monitor individual credits for local taxing entities which approve a property tax credit. Oversight will show a range of impact of $0 (no subdivision ordinance or voter approval) to an unknown cost to local political subdivisions for implementation.

The proposal states property tax credits be submitted for a vote in each jurisdiction. Oversight assumes the first available election could be April 2023. Oversight assumes there could be election costs for local taxing entities occurring in FY 2023.

Alternatively, a jurisdiction could adopt an ordinance authorizing the credits. **Oversight** assumes the earliest tax credits could be granted is calendar year 2022 with impacted revenues occurring in FY 2023 (December 2022).

Oversight will show a range of impact of $0 (not ordinance or voter approved) to an unknown savings to General Revenue from a reduction in Senior Property Tax Credit due the issuance of local property tax credits. Oversight does not anticipate the savings to exceed $250,000.

<u>Section 137.115.1 - Reduction of Personal Property Assessed Value</u>

In response to the previous version, officials from the **State Tax Commission** assumed this provision had an unknown fiscal impact. Assessment reductions will impact negatively the revenue for school districts, counties, cities and other taxing jurisdiction who are supported by property taxes in county designated by the restriction. This bill reduces the amount of personal property tax revenues equal to the increase in real property tax revenues so this would eliminate an increase in local revenues until the percentage for personal property assessment reaches zero.

Officials from **B&P** state this provision would reduce the assessment percentage for personal property each year in St. Charles County, starting with tax year 2023 and ending tax year 2075. SA1 adds Cass County, Barton County, Bates County, Henry County, and Vernon County to this provision.

B&P notes that the assessment percentage for personal property is currently 33.3%. The reduction in the assessment percentage will be by an amount that would offset increases in assessed valuation of real property each tax year. In other words, the revenues generated under the personal property tax would be reduced by an amount to offset any revenue gains from increased real property values.

B&P notes that the reduction in the assessment percentage must only offset the increase in the real property assessed value, up to the consumer price index (inflation) between the two years. Therefore, if housing prices increased by 7%, but CPI only increased by 2%, the reduction in personal property would offset the 2% inflation limit.

B&P further notes that Section 137.115.1(4) states that the state assessment under Article III, Section 38(b) of the Missouri Constitution shall remain at 33.3%. Article III, Section 38(b) of the Missouri Constitution applies to the Blind Pension Trust Fund and the state property tax levy of $0.03 per $100 valuation. Therefore, this proposal will not impact TSR or the Blind Pension Trust Fund.

B&P notes that under this proposal the assessors in St. Charles County, Cass County, Barton County, Bates County, Henry County, and Vernon County would have to maintain two sets of calculations for personal property. One for the reductions on local assessments as required under this proposal and another for the Blind Pension Trust Fund state assessment.

Officials from **DOR** state, current law requires that personal property be assessed at 33.3% of its true value in money. This act requires the county assessor of St. Charles, Cass, Henry, Bates, Vernon, and Barton counties to annually reduce such percentage such that the amount by which the revenue generated by taxes levied on such personal property is reduced is substantially equal to one hundred percent of the growth in revenue generated by real property assessment growth, as defined in the act. Annual reductions shall be made until December 31, 2075. Property tax assessments are handled by county assessors and the State Tax Commission. This provision does not impact the Department and DOR defers to the State Tax Commission for the fiscal impact.

Oversight assumes this proposal will impact taxing entities in St. Charles, Cass, Henry, Bates, Vernon and Barton Counties. Oversight assumes his proposal reduces the percentage at which personal property is assessed effectively reducing the assessed value of personal property over time. Oversight notes the revenue growth in property tax is determined by the following method:

Last year's revenues plus an allowance for growth equal to either:

- Inflation;
- Growth in total assessed value, or;
- 5%, whichever is lower.

Oversight assumes **if** the growth in total assessed value is the lower of the three options, then any reduction in the percentage at which personal property is assessed would reduce the maximum allowed revenue growth (relative to current law). For example:

	Assessed Value Real	Assessed Value PP	Total Assessed Value	Revenue Growth Factor	Maximum Allowed Revenue
Base Year (Assumed)	$4,250,000,000	$750,000,000	$5,000,000,000	-	$6,240,000
Current Law (Next Year)	$4,377,500,000	$772,500,000	$5,150,000,000	3.0%	$6,427,200
Next Proposed (Next Year)	$4,377,500,000	$702,272,727*	$5,079,772,727	-1.4%	$6,240,000

Oversight applied a 3% growth in real and personal property. To calculate the proposed assessed value, Oversight reduced the 33% currently applied to personal property values by the growth in real property (33% - 3% = 30%).

*Using the $750,000,000 assessed value for personal property, Oversight calculated the full value of personal property:

Full Value of Personal Property *.33 = $750,000,000
Full Value of Personal Property = $750,000,000/.33
Full Value of Personal Property = $2,272,727,273

Using the full value of personal property, Oversight applied a growth rate of 3% and calculated the different assessed values below.

$2,272,727,273 x 1.03	$2,340,909,091	Total PP Value w/Growth
$2,340,909,091 x .33	$772,500,000	Assessed Value PP (Current Law)
Or		
$2,340,909,091 x (.33-.03)	$702,272,727	Assessed Value PP (Proposed Law)

Oversight notes, in the example above, the proposal functionally eliminates the allowable increase in revenues attributable to growth. Revenues become fixed in time. However, Oversight notes the maximum allowed revenue would be lower than what could have been achieved under current law.

Alternatively, **if** inflation or 5% is the lower option for determining the maximum allowed revenue, the calculation of revenue growth may not be limited by the reduction in assessed personal property. However, **Oversight** notes property tax revenues are designed to be revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to real property owners (as personal property assessed values decrease).

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Oversight will show a range of impact of $0 (the tax burden is shifted to real property owners or no growth in real property) to an unknown loss in property tax revenue for taxing entities in St. Charles, Cass, Henry, Bates, Vernon and Barton Counties.

The next assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (due in December 2023). **Oversight** will show the impact to taxing entities in St. Charles, Cass, Henry, Bates, Vernon and Barton Counties beginning in FY 2024.

Oversight notes section 137.115.1(4) requires assessors to continue to assess personal property at 33.3% for purposes of Article III, Section 38(b) of the Missouri Constitution. Therefore, Oversight assumes this proposal will not impact the Blind Pension Fund.

Ultimately, **Oversight** is uncertain how language of the proposal would be applied, but assumes the county could incur some additional costs administering these adjustments (i.e. computer programming changes). In addition, Oversight received a limited number of responses from taxing entities 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 approval to publish a new fiscal note.

<u>Section 137.115.2 - Cap on Assessed Value</u>

In response to a similar proposal, SB 680 (2022), officials from the **State Tax Commission** reviewed and determined that this legislation proposes that no residential property (Class 1) shall be assessed by more than the percentage increase of the consumer price index (1.4% - 2020) or five percent whichever is greater. The act has an unknown fiscal impact, however the limitation on assessment growth may negatively impact revenues for school districts, counties, cities, fire districts and other local taxing jurisdictions supported by property tax revenues.

Oversight assumes this proposal limits increases in the assessed values of individual residential property to the increase in the percentage change in CPI (estimated at 1.4% for 2020) or 10% whichever is greater. Under the proposed legislation, Oversight assumed the assessed value would be 19% of the market value **or** the prior year assessed value plus ten percent growth whichever is lower. For fiscal note purposes, Oversight used a two property example to demonstrate the potential changes as a result of this proposal.

Table I: Assessed Values

	Prior Year Market Value	Prior Year Assessed Value (19%)	Current Year Market Value (Assumed)*	Assessed Value Current (19%)	**Assessed Value Proposed****
Property 1	$100,000	$19,000	$115,000	$21,850	**$20,900**
Property 2	$100,000	$19,000	$100,000	$19,000	**$19,000**
Total	$200,000	$38,000	$215,000	$40,850	**$39,900**

*For purposes of this example, Oversight assumed a 15% increase in the market value of property 1 and no change in the market value of property 2.
**Oversight assumed the assessed value would be either the market value times 19% or the prior year assessed value plus a 10% increase whichever is lower.

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. Below is the basic formula for the tax rate-setting calculation:

<u>Growth Factor Calculation</u>

Current Year Adjusted Total Current Assessed Value	$40,850
Less Previous Year Adjusted Total Assessed Value	- $38,000
	$2,850
Divided by Previous Year Adjusted Total Assessed Value	/ $38,000
	0.75
Times 100	x 100
Actual Percentage Growth in Assessed Value	**7.5%**

*The growth factor used in the tax levy calculation is either actual growth in assessed valuation as calculated above (7.5%), inflation based on CPI (1.4%) or 5% whichever is <u>lower</u>. In this example actual growth exceeds inflation, therefore the revenue growth factor used in the tax levy calculation is capped at inflation (1.4%).

Tax Rate Calculation	
Revenues Authorized Previous Year	$1,900
Times the Growth Factor*	x 1.4%
Authorized Revenue Growth	$27
Previous Year Authorized Revenues	$1,900
Plus Authorized Revenue Growth	+ $27
Current Year Authorized Revenues	$1,927
Total Current Assessed Value	$40,850
Less New Construction (assumed for simplicity)	- $0
Adjusted Total Current Assessed Value	$40,850
Current Year Authorized Revenues	$1,927
Divided by Adjusted Total Current Assessed Value	/ $40,850
	0.04717
	x 100
Maximum Authorized Levy	**$4.717**

Using the basic tax rate formula above and the Property Tax Rate Calculator (Single Rate Method) provided on the Missouri State Auditor's website, **Oversight** estimated the potential changes in the tax rate from this proposal in the table below using the two-property example.

Table II: Tax Rates

	Total Assessed Values	Growth Factor	Maximum Allowed Revenue (Prior Year Revenue plus Growth Factor)	Tax Rate (Maximum Revenue/ Assessed Value)*100
Prior Year (Assumed)	$38,000	N/A	$1,900.00	5.0000
Current Year Current Law	$40,850	1.4%	$1,927.00	4.7173
Current Year Proposed Law	**$39,900**	**1.4%**	**$1,927.00**	**4.8295**

Currently, growth in assessed values allows the tax rate to fall over time. In this example under the proposed legislation, the tax rate would fall at a slower rate than under the current law.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease (or reduced increase) in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in a loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, 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.)

Additionally, in the example above, the growth in total assessed value was greater than inflation (as provided by STC). However, Oversight notes **if** the growth in total assessed values is less than inflation this proposal would result in a reduction of the maximum allowed revenue which would impact all taxing entities. Inflation as of December of 2021 was 6.8% (all items per BLS).

Because the tax levy would fall at a slower rate in this example as noted in Table II, the distribution of tax on individual property owners would change as noted below in Table III.

Table III: Distribution of Individual Property Tax

	Prior Year Tax Burden	Assessed Value Current (Table I)	Tax Burden Current (4.7173)	Assessed Value Proposed (Table I)	**Tax Burden Proposed (4.8295)**
Property 1	$950.00	$21,850	$1,030.72	$20,900	**$1,009.38**
Property 2	$950.00	$19,000	$896.28	$19,000	**$917.62**
Total	$1,900.00	$40,850	$1,927.00	$39,900	**$1,927.00**

Based on information from the Federal Housing Finance Agency website, **Oversight** notes there were 428 census tracts in Missouri with a change in the House Price Index (HPI) that exceeded 10% for the 2018 to 2020 period (based on a two year reassessment cycle). Because this proposal limits the assessed value of individual residential properties to a 10% increase from the previous assessment, this will result in a decrease to total assessed values (relative to current law) as a result of any property that appreciates more than 10% over the two year reassessment cycle.

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). Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law. Below is an example of how this proposal would impact the Blind Pension Fund using the two property example:

Table IV: Blind Pension Trust Fund

	Total Assessed Value	Blind Pension Trust Fund (Assessed Value/100)*0.03
Prior Year	$38,000	$11.40
Current Year Current Law	$40,850	$12.26
Current Year Proposed Law	**$38,950**	**$11.69**

Per the STC's website, total assessed value for residential property was $64,061,602,665 in 2020. If this proposal reduced the total assessed value by 1.5%, the loss to the blind pension fund is estimated at $288,277.

Total Assessed Value (Current)	$64,061,602,665
Total Assessed Value if reduced by 1.5% (Assumed)	$63,100,678,625
Difference	-$960,924,040
Divided by 100	-$9,609,240
Multiplied by 0.03 (Estimated Changed)	-$288,277

In response to similar legislation from 2020, **Oversight** notes OA-B&P indicated they did not anticipate a reduction in funding relative to what is currently collected because the proposal still allows for some growth in assessed values. However, Oversight will show an unknown negative fiscal impact that could exceed $250,000 to the Blind Pension Fund relative to what it would have received under current law.

Although the effective date of this proposal, if passed, would be FY 2023 (August 2022), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

Oversight assumes there could be costs for implementation and computer programming. Oversight will show an unknown cost to county assessors to implement this proposal beginning in FY 2023.

<u>Section 143.121 – Income Tax Deduction for Medical Marijuana Industry</u>

Officials from **B&P** state this proposal would allow medical marijuana related business to deduct business expenses from their Missouri adjusted gross income. B&P notes that this proposal would begin August 28, 2022, which is during tax year 2022. Therefore, B&P assumes that this deduction would become available for taxpayers for tax year 2022. B&P notes that tax year 2022 returns would not be filed until April 2023. Therefore, B&P estimates that this proposal could reduce GR beginning in FY23.

B&P notes that typically businesses are allowed to deduct certain expenses from their federal adjusted gross income (FAGI). Those deductions would then flow through to the business's

Missouri adjusted gross income (MAGI) allowing for an implicit deduction from Missouri's income tax. However, because marijuana is a controlled substance at the federal level, marijuana related businesses are not allowed to deduct their business expenses on their federal taxes. This would allow such businesses to receive the business expense deduction at the state level.

B&P was unable to obtain enough revenue, cost, or profit margin data for medical marijuana related businesses to estimate the GR impact from this proposal. Therefore, B&P estimates that this proposal will reduce TSR and GR by an unknown, but significant, amount beginning with FY23.

Officials from the **DOR** state this proposal would allow medical marijuana businesses a subtraction from the federal adjusted gross income the amount that would have been allowed from the computation of the taxpayer's federal taxable income if the income were not disallowed solely from them being a medical marijuana business. Under federal law, marijuana is a controlled substance and businesses selling it are not allowed some deductions that other businesses are entitled to. Since marijuana is allowed to be sold in Missouri, this would allow them to adjust their federal adjusted gross income before calculating their Missouri adjusted gross income.

This would require the Department to make an independent interpretation of federal law on what would or would not be an allowable federal deduction. The Department is unable to calculate the amount of income and deductions that these businesses could possibly be allowed to deduct under this proposal. The Department assume this could result in an Unknown that could be significant negative fiscal impact to general revenue and total state revenue.

This bill would become effective August 28, 2022, and with no specific start date, it would allow people to start filing for this immediately. Therefore, DOR will show the impact starting in FY 2023.

This would require a change to the Forms MO-A and MO-1120. The Form MO-A has a selection of check boxes for a set of "other" subtractions, so a new line would not necessarily be required. The Form MO-1120 does not currently have this checkbox option, so it would either require a new line or a reformatting of the subtractions in Part 2.

Additionally, this would require DOR to update the individual income tax computer system. These changes are estimated to cost $11,579.

DOR notes it may need the following FTE if the volume of returns justify the FTE.
• 1 FTE Revenue Processing Technician for every 14,700 errors created
• 1 FTE Revenue Processing Technician for every 5,700 pieces of correspondence generated
• 1 temporary employee for new line item

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs for computer upgrades related to this proposal. Given the small number of potential qualifiers for this deduction, Oversight assumes DOR can absorb the administrative impact of this proposal.

In response to a similar proposal, SB 807 (2022), officials from the **Department of Health and Senior Services** stated as of January 7, 2022, the number of medical marijuana facilities approved to operate in Missouri were as follows:

Testing Labs – 8
Cultivation – 41
Manufacturing – 58
Dispensary – 181
Transportation – 20

Oversight notes the monthly medical marijuana dispensary cumulative sales in Missouri were $268.33 million from October 2020 to February 2022 per the DHSS website. This is approximately $16.7 million per month or $200 million per year.

Oversight notes most dispensaries appear to be listed as LLCs with pass through income to individuals. Using the individual income tax rate of 5.4%, if individuals are allowed to reduce their Missouri adjusted gross income by the expenses disallowed under federal law, Oversight estimates the following reductions in income tax revenue based on differing scenarios:

Assumed Percentage	Assumed Dollar Amount of Business Expenses	Estimated Revenue Reduction (using 5.4% tax rate)
20 percent	$53,666,000	($2,897,964)
30 percent	$80,499,000	($4,346,946)
50 percent	$134,165,000	($7,244,910)

Based on recent research, **Oversight** estimates that annual operating expenses for dispensaries are typically greater than 50% of sales. In addition, Oversight notes the above estimate only includes dispensaries. It does not include cultivation, testing, transportation or manufacturing facilities.

Oversight notes that the bill becomes effective August 28, 2022. Therefore, **Oversight** will show an unknown reduction (potentially significant) to TSR and GR beginning with FY23.

<u>Section 144.030.2 (22) - Utility Vehicles for Agricultural Use Exemption</u>

Officials from **B&P** state section 144.030.2(22)(a) would add utility vehicles (UTVs) to the farm equipment sales tax exemption. In addition, this section would expand the farm equipment exemption to all vehicles used for any farm activities. B&P notes that the current exemption is for farm equipment used exclusively for farm activities.

Based on information provided by DOR they believe the sales tax exemption is already being used for UTV purchases and for other motor vehicles that are not actually being used exclusively for farm activities. Therefore, this provision may have an unknown, likely minimal, negative impact on MV sales tax funds.

This provision will not impact TSR, as vehicle sales taxes are explicitly excluded from the TSR calculation. This provision may impact the calculation under Article X, Section 18(e).

Officials from **DOR** state this provision modifies the sales tax exemption on farm equipment. Currently farm equipment purchased for use on a farm is exempt from sales tax. A purchaser provides his sales tax exemption certificate to the seller and no sales tax is charged on the purchase if the purchaser says he will use the equipment on his farm. The Department notes this exemption certificate process is not changed by this provision.

This provision adds the definition of utility vehicle to the list of farm equipment that is exempt to clarify what counts as "farm equipment". Questions have arisen as to what counts as farm equipment and this proposal adds language clarifying that utility vehicles are farm equipment. The Department assumes no fiscal impact from the clarifying language.

This provision would no longer require the machinery in question to be used "exclusively" for agricultural purposes. Now, the qualifying machinery would only need to be used for "any" agricultural purpose. These changes could expand the current exemption to include more "dual purpose" items, such as a vehicle which is used on a farm, but also driven on public roads. The Department believes that this is already happening with equipment that qualifies for the sales tax exemption. Should there be some equipment that was not eligible for the exemption that will now be, this could have a minimal negative impact on the state.

Oversight assumes this provision would have a minimal unknown negative impact to sales tax revenue.

<u>Section 144.030.2 (46) - Photovoltaic Energy Exemption</u>

Oversight notes B&P and DOR's responses are substantially similar for this provision. For simplicity, Oversight will show the estimated impact to GR and TSR as provided by B&P below.

Officials from **B&P** state this provision would grant a sales tax exemption for the purchase of the supplies and equipment for solar energy production. B&P notes that this provision would apply to residential solar systems, community solar systems and utility scale solar systems. Qualifying utility scale projects must generate more than 20 megawatts (MW).

Based on data published by the Solar Energy Industries Association (SEIA), Missouri has 361.6MW of current solar capacity and they project another 937MW coming online in the next five years. Based on data published by the U.S. Energy Information Administration (EIA), current utility scale solar energy generation in Missouri is 120MW. Based on the above information, B&P estimates that 33.2% (120MW / 361.6MW) of all solar energy generation in Missouri comes from a utility scale solar generation system.

For the purpose of this fiscal note, B&P will assume that the projected 5-year capacity increase will be equal each year, for a total yearly increase in solar generation capacity of 187.4MW. B&P will further assumes that the 33.2% utility project proportion will remain constant over the next five years. Under these assumptions, B&P estimates that each year utility scale projects will add 62.2MW and residential systems will add 125.2MW in solar production capacity.

Based on additional data published by SEIA, the average cost for a utility scale solar project was $0.82 to $1.36 per watt, with a one MW solar farm costing between $820,000 and $1,360,000. Therefore, B&P estimates that this provision could exempt $51,004,000 (62.2MW average yearly capacity increase x $820,000 per 1MW cost) to $84,592,000 (62.2MW average yearly capacity increase x $1,360,000 per 1MW cost) in taxable sales.

Based on data published by the Solar Review the average cost for a residential solar system is $2.33 to $2.84 per watt. However, B&P notes that that cost includes items (such as profit and marketing) that would not be exempt under this provision. Using additional data provided by Solar Review, B&P determined that approximately 45.9% of the per watt cost is directly related to equipment used in a residential solar system. Therefore, B&P estimates that the qualifying per watt cost for a residential system is $1.07 to $1.30. Therefore, B&P estimates that this provision could exempt $133,964,000 (125,200,000 watts average yearly capacity increase x $1.07 per watt cost) to $162,760,000 (125,200,000 watts average yearly capacity increase x $1.30 per watt cost) in taxable sales.

B&P notes that solar energy systems (including utility scale) can be completed in less than a year. Therefore, B&P will reflect a full year's impact starting with FY23. Based on the numbers above, B&P estimates that this provision could reduce GR by $5,549,040 to $7,420,560 and TSR by $7,814,898 to $10,450,622 annually. Using the population weighted local sales tax rate for 2021 of 4.03%, B&P further estimates that this provision could reduce local sales tax revenues by $7,454,210 to $9,968,286 annually.

Table 1: Estimated Revenue Impact per Qualifying Solar Project

State Funds	Low	High
General Revenue	($5,549,040)	($7,420,560)
Education (SDTF)	($1,849,680)	($2,473,520)
Conservation	($231,210)	($309,190)
DNR	($184,968)	($247,352)
Total State Revenue Loss	($7,814,898)	($10,450,622)
Local Funds		
Local Sales Tax	($7,454,210)	($9,968,286)

Oversight will reflect BAP's estimated fiscal impact for this provision.

Oversight notes that the Conservation and Park, Soil, and Water Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) and Article IV Section 47 (a) of the Missouri Constitution thus MDC=s and DNR's sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P's estimates of impact on the fiscal note.

Section 144.030.2 (47) - Energy Exemption

Oversight notes B&P and DOR's responses are substantially similar for this provision. For simplicity, Oversight will show the estimated impact to GR and TSR as provided by B&P below.

Officials from **B&P** state this provision exempts from state and local sales and use tax various inputs to the utilities industry. These exemptions include the utilities, chemicals, machinery, equipment, supplies, parts and materials used by that industry.

B&P assume that the broad terms "parts and materials" exempt most inputs to production for the utilities. B&P will estimate a low and high potential impact to reflect the broad exemption terms under this provision.

DOR reports taxable sales in 2020 from various electrical utility related industries as shown below.

Table 2: Method 1 - Lower Bound Estimates

Tax Type	SIC	NAICS	Description	CY 2020	Percent
Use	491, 493	221111	HYDROELECTRIC POWER GENERATION	$57,608,059	100%
Use	491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	$0	100%
Use	491, 493	221113	Nuclear Electric Power Generation	$0	100%
Use	491, 493	221114	Solar Electric Power Generation	$0	100%
Use	491, 493	221115	Wind Electric Power Generation	$0	100%
Use	491, 493	221116	Geothermal Electric Power Generation	$0	100%
Use	491, 493	221117	Biomass Electric Power Generation	$0	100%
Use	491, 493	221118	Other Electric Power Generation	$0	100%
Use	491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	$16,067,763	100%
Use	491, 493	221122	ELECTRIC POWER DISTRIBUTION	$46,609,078	100%
Use	493	221210	NATURAL GAS DISTRIBUTION	$15,999,382	100%
Sales	364	332216	Saw Blade and Handtool Manufacturing	$306,609	100%
Sales	369	333318	Other Commercial and Service Industry Machinery Manufacturing	$0	60%
Sales	369	333992	Welding and Soldering Equipment Manufacturing	$0	60%
Sales	364	335110	Electric Lamp Bulb and Part Manufacturing	$0	100%
Sales	364	335121	Residential Electric Lighting Fixture Manufacturing	$1,491,396	100%
Sales	364	335122	Commercial, Industrial, and Institutional Electric Lighting Fixture Manufacturing	$0	100%
Sales	364, 369	335129	Other Lighting Equipment Manufacturing	$0	60%
Sales	361	335311	Power, Distribution, and Specialty Transformer Manufacturing	$12,838,117	100%
Sales	362	335312	Motor and Generator Manufacturing	$296,586	100%
Sales	361	335313	Switchgear and Switchboard Apparatus Manufacturing	$0	100%
Sales	362	335314	RELAY AND INDUSTRIAL CONTROL MANUFACTURING	$97,639	100%
Sales	364	335931	Current-Carrying Wiring Device Manufacturing	$5,518,212	100%
Sales	364	335932	Noncurrent-Carrying Wiring Device Manufacturing	$0	100%
Sales	362	335991	Carbon and Graphite Product Manufacturing	$0	100%
Sales	362, 369	335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing	$34,498,345	100%
Total Exempt Sales				$191,331,185	

Based on this information, B&P estimates that this proposal could reduce TSR by $8,083,743 ($191,331,185 x 4.225%) and GR by $5,739,936 ($191,331,185 x 3.0%) annually. B&P notes, however, that this method of estimation likely does not capture all the taxable sales that would become exempt under this proposal, and that this impact reflects the bottom of the range for the decrease in revenue.

In order to determine an upper-bound estimate for the reduction to state revenues, B&P utilized the US BEA Input-Output Use Tables. According to the Input-Output Use Tables, inputs from commodities that might qualify under these exemptions are roughly 20.5% of the total output of the "utilities" industry. In addition, DOR reports that taxable sales of electric related utilities in 2020 were about $4,141,485,656. This suggests that this proposal might exempt $848,670,898 in taxable sales from taxation.

Table 3: Method 2 - Upper Bound Estimate

SIC	NAICS	Description	CY 2020
491, 493	221111	HYDROELECTRIC POWER GENERATION	$1,723,865,204
491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	$0
491, 493	221113	Nuclear Electric Power Generation	$0
491, 493	221114	Solar Electric Power Generation	$0
491, 493	221115	Wind Electric Power Generation	$0
491, 493	221116	Geothermal Electric Power Generation	$0
491, 493	221117	Biomass Electric Power Generation	$0
491, 493	221118	Other Electric Power Generation	$0
491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	$9,955,739
491, 493	221122	ELECTRIC POWER DISTRIBUTION	$1,928,971,425
492, 493	221210	NATURAL GAS DISTRIBUTION	$478,693,288
492	486210	PIPELINE TRANSPORTATION OF NATURAL GAS	$0
Total Sales			$4,141,485,656
BEA Input/Output Adjustment			20.5%
Total Exempt Sales			$848,670,898

B&P estimate that this could reduce TSR by $35,856,346 ($848,670,898 x 4.225%) and GR by $25,460,127 ($848,670,898 x 3.0%) annually. B&P notes, however, that this method may overestimate the true reduction to state revenues by including items that would not become tax exempt under this proposal.

Therefore, using both the taxable sales reports provided by DOR and the US BEA Input-Output Use Tables, B&P estimates that this provision could reduce TSR by $8,083,743 to $35,856,346 annually and GR by $5,739,936 to $25,460,127 once fully implemented in FY24. In addition, this provision may reduce local revenues (using the population weighted average local sales tax rate of 4.03%) by $7,710,647 to $34,201,437 annually.

Table 4: State Impacts by Fund

Fund	FY 2023		FY 2024	
	Low	High	Low	High
State Funds				
General Revenue	($4,783,280)	($21,216,773)	($5,739,936)	($25,460,127)
Education (SDTF)	($1,594,427)	($7,072,258)	($1,913,312)	($8,486,709)
Conservation	($199,303)	($884,033)	($239,164)	($1,060,839)
DNR	($159,443)	($707,226)	($191,331)	($848,671)
TSR Impact	**($6,736,453)**	**($29,880,290)**	**($8,083,743)**	**($35,856,346)**
Local Funds				
Local Sales Tax	($6,425,539)	($28,501,198)	($7,710,647)	($34,201,437)

Officials from **DOR** state this proposal would require the Department to modify its Exemption Certificate (Form 149), website and computer system. These changes are estimated to cost $3,596.

Additionally, DOR would need FTE if the number of refund claims generated from this exemption exceed 1,500 refund requests. It would take 1 Associate Customer Service Representative for every 1,500 refund requests.

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.

Based on the Quarterly Census of Employment and Wages, **Oversight** notes the following:

NAICS	NAICS Description	Establishments in Missouri
221111	Hydroelectric Power Generation	(Not Available or suppressed)
221112	Fossil Fuel Electric Power Generation	29
221113	Nuclear Electric Power Generation	(Not Available or suppressed)
221114	Solar Electric Power Generation	(Not Available or suppressed)
221115	Wind Electric Power Generation	8
221116	Geothermal Electric Power Generation	(Not Available or suppressed)
221117	Biomass Electric Power Generation	(Not Available or suppressed)
221118	Other Electric Power Generation	17
221121	Electric Bulk Power Transmission and Control	16
221122	Electric Power Distribution	159
221210	Natural Gas Distribution	(Not Available or suppressed)
486210	Pipeline Transportation of Natural Gas	(Not Available or suppressed)

Oversight notes there were 29 establishments in Missouri in the Fossil Fuel Electric Power Generation (221112), 8 in Wind Electric Power Generation (221115) and 17 in Other Electric Power Generation (221118); however, there were no reported taxable sales in Table 2 or Table 3 as provided by DOR for those NAICS codes.

Per **DOR**, companies are not required to provide their NAICS code.

Oversight assumes the estimate provided **above may underestimate the impact**, if companies did not report a NAICS code to DOR or reported an alternative NAICS code (such as parent company or holding company- which wouldn't be included in the totals on the previous pages).

Also, **Oversight** is also uncertain if there would be overlap between the exemption offered in this proposal and the exemption provided in sections 144.030 or 144.054. Oversight will show the range of estimate as provided by BAP and DOR.

Section 144.059 - Diaper Sales Tax Exemption

Officials from the **DOR** note this section removes the state and local sales tax on diapers, including both diapers worn by children as well as adults. The current state sales tax rate of is 4.225%. DOR used a 4.03% weighted average local tax rate. The current state tax rate is distributed as:

General Revenue is	3.000%	
School District Trust Fund is	1.000%	(Section 144.701)
Conservation Commission Fund is	0.125%	(Article IV, Section 43(a))
Parks, Soil & Water Funds	0.100%	(Article IV, Section 47(a))

Kids Diapers
The DOR notes that the average child wears diapers for three years before becoming fully toilet trained. DOR found the price of diapers vary from $0.20 per diaper for generics to $0.42 for

name brand. Prices of diapers also depend on the size of the diaper. Estimates by various children's organizations indicate that an infant in the first year of life goes through 2,500 diapers. The next two years as toddlers, they go through 1,500 diapers annually.

Wearing Diaper	How Many	Low Price per Diaper	High Price per Diaper
First Year (Size 1)	2,500	0.20	0.27
Second Year (Size 3)	1,500	0.30	0.41
Third Year (Size 5)	1,500	0.32	0.42

Based on the Department of Health and Senior Services, the average number of resident births from 2017-2019 was 72,800. Given that 3 years' worth of children are wearing diapers in any one year, (1 set of infants and 2 sets of toddlers) DOR estimates the following:

Births Annually	72,800
# of kids in Diapers Annually	218,400
# of Diapers Annually	
Infant	182,000,000
toddler (2yrs)	218,400,000
total (kids * diapers)	400,400,000

DOR notes this proposal would result in a loss to the state and locals of the following.

Diapers Taxable Sales		$104,104,000	$139,776,000
	Tax Rate	Full Year - Low	Full Year - High
TSR	0.04225	$4,398,394	$5,905,536
GR	0.03	$3,123,120	$4,193,280
Education	0.01	$1,041,040	$1,397,760
DNR	0.001	$104,104	$139,776
Conservation	0.00125	$130,130	$174,720
		$0	$0
Locals	0.0403	$4,195,391	$5,632,973

DOR assumes this proposal would become effective August 28, 2022. Therefore, there will be two months of tax collected in FY 2023 before the products become exempt. DOR will show 10 months of impact in FY 2023.

	FY 2023 (10 months) Low	FY 2023 High	FY 2024 Low	FY 2024 High
General Revenue	($2,602,600)	($3,494,400)	($3,123,120)	($4,193,280)
Education	($867,533)	($1,164,800)	($1,041,040)	($1,397,760)
Park, Soil & Water	($86,753)	($116,480)	($104,104)	($139,776)
Conservation	($108,442)	($145,600)	($130,130)	($174,720)
Locals	($3,496,159)	($4,694,144)	($4,195,391)	($5,632,973)

Adult Diapers
Approximately one third of adults age 65 and older have moderate to severe urinary incontinence and 6 percent had moderate to severe bowl incontinence. According the United State Census Bureau 2019 population report, 1,057,943 individuals residing in Missouri were 65 or over. The Department notes that it is estimated that people with minor to moderate incontinence wear approximately 4 diapers per day while those with those with full urinary or fecal incontinence wear 6 diapers per day. The Department estimates that approximately 285,645 individuals aged 65 and over would utilize the four adult urinary incontinence diapers while 63,477 would wear 6 adult diapers daily.

The average cost for urinary incontinence diapers is $1.31 per diaper.

Number of people	# of Diapers	Days per year	Total Diapers per person	Price per diaper	Total Sales
271,816	4	365	1460	1.31	519,874,803
60,404	6	365	2190	1.31	173,291,601
					693,166,405

This is expected to result in a loss to General Revenue and locals.

Diapers Taxable Sales	693,166,405	
	Tax Rate	Full Year
TSR	0.04225	$29,286,281
GR	0.03	$20,794,992
Education	0.01	$6,931,664
DNR	0.001	$693,166
Conservation	0.00125	$866,458
		$0
Locals	0.0403	$27,934,606

DOR assumes this proposal would become effective August 28, 2022. Therefore, there will be two months of tax collected in FY 2023 before the products become exempt. DOR will show 10 months of impact in FY 2023.

	FY 2023 (10 months)	FY 2024
General Revenue	($17,329,160)	($20,794,992)
Education	($5,776,387)	($6,931,664)
Park, Soil & Water	($577,639)	($693,166)
Conservation	($722,048)	($866,458)
	$0	$0
Locals	($23,278,838)	($27,934,606)

DOR does not expect this proposal to have an administrative impact on the Department.

Officials from the **B&P** state this provision would exempt all sales of diapers from state sales tax beginning August 28, 2022. B&P notes that this would not exempt diaper sales from local sales tax.

<u>Diaper (Child) Sales Tax Reduction</u>
Based on research, B&P found that the average amount spent on diapers was $550 to $840 per year. Based on information from the University of Michigan Hospital, the average age until children are toilet trained is 2.5 years. Based on information provided by the United State Census 2019 population estimates (the most recent complete year available), there were approximately 217,232 children living in Missouri ages 0-2 years old.

Therefore, B&P estimates total sales of $119,477,600 (217,232 children x $550) up to $182,474,880 (217,232 children x $840) may be become exempt from sales tax by this proposal. B&P estimates that this provision could reduce TSR by $5,047,929 to $7,709,564 annually.

Diaper (Adult) Sales Tax Reduction
According to research completed by the CDC, approximately 25% of adults age 65 and up had moderate to severe urinary incontinence and 8% had moderate to severe bowel incontinence. B&P notes that according the United State Census 2019 population (the most recent complete year available) estimates there were approximately 1,062,037 individuals residing in Missouri age 65 and over.

Based on these numbers, B&P estimates that approximately 265,509 individual age 65 and over would utilize adult urinary incontinence diapers. B&P further estimates that approximately 84,963 individuals residing in Missouri age 65 and over would utilize adult bowel incontinence diapers.

Based on information from a budgeting website, the average cost for urinary incontinence diapers is $160 to $240 per month, for a yearly cost of $1,920 to $2,880. Further information from the budgeting website lists the average monthly bowel incontinence diapers is $60 to $180 per month, for a yearly cost of $720 to $2,160.

B&P estimates that total annual sales for urinary incontinence adult diapers would be approximately $509,777,760 (265,509 people x $1,920 annual cost) up to $764,666,640 (265,509 people x $2,880 annual cost).

B&P further estimates that the total annual sales for bowel incontinence adult diapers would be $61,173,331 (84,963 people x $720 annual cost) up to $183,519,994 (84,963 people x $2,160 annual cost).

Therefore, B&P estimates total sales of $570,951,091 ($509,777,760 + $61,173,331) up to $948,186,634 ($764,666,640 + $183,519,994) may be become exempt from sales tax by this proposal. B&P estimates that this provision could reduce TSR by $24,122,684 to $40,060,885 annually.

B&P estimates that this proposal may reduce TSR by $24,308,844 to $39,808,707 during FY23. Once fully implemented in FY24, this proposal may reduce TSR by $29,170,612 to $47,770,449 annually. Table 1 shows the estimated impact by provision and fund.

Table 5: Estimated Impact for Diaper Sales Tax Exemption

State Fund	FY23		FY24	
General Revenue				
Diapers - Child	(2,986,940)	(4,561,872)	(3,584,328)	(5,474,246)
Diapers - Adult	(14,273,777)	(23,704,666)	(17,128,533)	(28,445,599)
Total GR Loss	**(17,260,717)**	**(28,266,538)**	**(20,712,861)**	**(33,919,845)**
Education				
Diapers - Child	(995,647)	(1,520,624)	(1,194,776)	(1,824,749)
Diapers - Adult	(4,757,926)	(7,901,555)	(5,709,511)	(9,481,866)
Total Education Loss	(5,753,572)	(9,422,179)	(6,904,287)	(11,306,615)
Conservation				
Diapers - Child	(124,456)	(190,078)	(149,347)	(228,094)
Diapers - Adult	(594,741)	(987,694)	(713,689)	(1,185,233)
Total Conservation Loss	(719,197)	(1,177,772)	(863,036)	(1,413,327)
DNR				
Diapers - Child	(99,565)	(152,062)	(119,478)	(182,475)
Diapers - Adult	(475,793)	(790,156)	(570,951)	(948,187)
Total DNR Loss	(575,357)	(942,218)	(690,429)	(1,130,662)
Total TSR Loss	**(24,308,844)**	**(39,808,707)**	**(29,170,612)**	**(47,770,449)**

Oversight notes that both DOR and B&P both assume this proposal will have a negative fiscal impact on state and local funds. Therefore, Oversight will show B&P's and DOR's lowest and highest projected fiscal estimates to show the maximum range of impact from this proposal.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

<u>Section 144.190.11 Sales Tax Refund</u>

Officials from the **DOR** state the provision in Section 144.190.11.1 attempts to abrogate three recent court decisions in which the Department was found to have assessed taxes correctly.

The provision in Section 144.190.11.2, requires the Department to refund the original assessment amount paid by the people who lost the court decisions outlined in Section 144.190.11.1. The language in this section is unclear. This would require the Department to refund their assessment and interest by July 1, 2026. The amount of the refunds claimed, per this proposal, shall not exceed $100,000.

The refund amounts are to be issued on a first-come, first serve basis. If additional funding is needed to pay the assessments plus interest the Department is required to request additional funding through the appropriations process.

This is expected to be a loss of $100,000 to general revenue in FY 2023.

Officials from **B&P** state this provision would abrogate three court cases that were decided in DOR's favor. Specifically this provision attempts to revoke the MO Supreme Court ruling that fitness centers fall under the definition of "places of amusement" (Michael Jaudes Fitness Edge, Inc. v. Dir. of Revenue and Wilson's Total Fitness Center, Inc. v. Director of Revenue) as well as the AHC ruling that the rental of banquet halls is subject to sales tax (Joseph and Brenda Crews v. Dir. of Revenue).

B&P notes that SB 1025 (2016) exempted fitness center dues and fees from sales tax beginning August 28, 2016.

B&P notes that the language in Section 144.190.11(2) appears to limit the refunds to only the taxpayers directly related to the three cases listed.

Impacted taxpayers must claim a refund for taxes paid plus interest by July 1, 2026. B&P notes that Section 144.190.11(3) excludes qualifying refund from the 10-year request limit. However, total refunds are limited to $100,000 on a first-come, first-served basis. If additional funding is required, DOR must request appropriation authority in future fiscal years.

Therefore, B&P estimates that this provision will decrease TSR and GR by $100,000 in FY23. This provision may have an unknown impact on TSR and GR in future fiscal years.

Oversight will show a loss of $100,000 in FY 2023 and an unknown impact in future years.

<u>Section 144.813 - Sales Tax Exemption for Certain Medical Devices</u>

Oversight notes B&P and DOR's responses are substantially similar. For simplicity, Oversight will show the estimated impact to GR and TSR as provided by B&P below.

Officials from **B&P** state this provision would exempt class III medical devices that use electric fields in the treatment of cancer from state and local sales and use taxes. This would also exempt the components, repair, and disposable patient supplies used with such devices. This exemption would begin August 28, 2022.

B&P notes that there are currently two such FDA devices approved. The first device is used to treat glioblastoma and the second device is used to treat mesothelioma. Based on data published by the manufacturer, B&P estimates that approximately 6.3% of glioblastoma patients use the qualifying device. B&P was unable to estimate the usage rate for mesothelioma. For the purpose of this fiscal note, B&P will assume that the usage rate is the same 6.3% found for glioblastoma patients.

Based on information published by the CDC, there were 458 individuals with brain and other nervous system cancers in Missouri during 2018, the most recent year available. Based on further research, B&P determined that glioblastoma cancer accounts for 17% of all brain and nervous system cancers. Therefore, B&P estimates that approximately 78 individuals in Missouri (458 brain and nervous system cancers x 17%) may have glioblastoma. Based on further information published by the CDC, there were 55 cases of mesothelioma in Missouri during 2018.

Assuming that Missouri cancer patients use the qualifying class III medical devices at the same rate as patients outside of Missouri, B&P estimates that approximately 5 individuals with glioblastoma (78 Missouri glioblastoma patients x 6.3% device usage) and 3 individuals with mesothelioma (55 Missouri mesothelioma patients x 6.3% device usage) per year may qualify for this sales tax exemption.

Based on additional research, B&P determined that the average cost of using the qualifying class III medical device is approximately $21,000 per month, or $252,000 per year ($21,000 per month x 12). Therefore, B&P estimates that this provision may exempt $2,016,000 [(5 glioblastoma patients x $252,000 per year costs) + (3 mesothelioma patients x $252,000 per year costs)] in sales from state and local sales taxes.

Based on the above information, B&P estimates that this provision may reduce TSR by $85,176 and GR by $60,480 per year. Using the population weighted local sales tax rate for 2020, B&P further estimates this proposal may reduce local sales tax collections by $81,245 per year.

Table 6: Medical Device Sales Tax Exemption

State Funds	FY 2023	FY 2024
General Revenue	($50,400)	($60,480)
Education (SDTF)	($16,800)	($20,160)
Conservation	($2,100)	($2,520)
DNR	($1,680)	($2,016)
Total State Revenue Loss	($70,980)	($85,176)
Local Funds		
Local Sales Tax	($67,704)	($81,245)

Officials from **DOR** state this would require a change to the sales and use tax forms as well as the computer system. The estimated costs of the changes is $8,386.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the computer programming 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.

Oversight notes officials from B&P and DOR both assume the proposal will have direct fiscal impact on total state revenues. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect B&P's estimated impact in the fiscal note.

Oversight notes that the Conservation Sales Tax Fund is derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution thus MDC=s sales taxes are constitutional mandates. The Park, Soil, and Water Sales Tax fund are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P's estimates on the fiscal note.

In response to a similar proposal, SB 943 (2022), officials from the **Missouri Department of Transportation**, **Department of Elementary and Secondary Education**, and the **Department of Economic Development** each assumed the proposal would have no fiscal impact on their respective organizations.

Section 190.800: Separation of GEMT funds from the Ambulance Provider Tax fund

Officials from the **Department of Social Services** assume the provision will have no fiscal impact on their organization.

Officials from **DOR** state this provision changes the definition of "gross receipts" for the purpose of calculating the reimbursement allowance tax. The Department defers to the Department of Social Services for the fiscal impact of this provision.

Oversight learned through discussions with DSS officials, the proposed changes in §190.800 will carve out the Ground Emergency Medical Transportation (GEMT) funds from the Ambulance Provider Tax fund. Because the GEMT (fund 0422) is already separate from, and not included in, the Ambulance Provider Tax funds, there is no impact to either the GEMT fund or the Ambulance Provider Tax (fund 0958). Therefore, Oversight will reflect a zero impact in the fiscal note for this provision of the proposal.

<u>Responses regarding the proposed legislation as a whole</u>

In summary, officials from **B&P** estimate that this proposal may reduce GR by greater than $27,743,437 to $57,054,271 and TSR by greater than $39,031,175 to $80,310,599 in FY23. Once fully implemented this proposal may reduce GR by greater than $32,062,317 to $66,861,012 and TSR by $45,154,429 to $94,162,593.

This proposal may also reduce local revenues by greater than $43,070,378 to $89,816,626 once fully implemented. Table 7 shows the summary impacts by provision and fund.

Table 7: Summary

	FY 2023		FY 2024	
State Funds	Low	High	Low	High
General Revenue				
Senior Property Tax Credit	$0	Unknown	0	Unknown
Medical Marijuana Business Deduction	(Sig. Unk)	(Sig. Unk)	(Sig. Unk)	(Sig. Unk)
Solar Exemption	($5,549,040)	($7,420,560)	($5,549,040)	($7,420,560)
Electricity Exemption	($4,783,280)	($21,216,773)	($5,739,936)	($25,460,127)
Diapers - Child Sales Tax Exemption	($2,986,940)	($4,561,872)	($3,584,328)	($5,474,246)
Diapers - Adult Sales Tax Exemption	($14,273,777)	($23,704,666)	($17,128,533)	($28,445,599)
Refund Claims	($100,000)	($100,000)	(Unk)	(Unk)
Medical Device Sales Tax Exemption	($50,400)	($50,400)	($60,480)	($60,480)
Total General Revenue	($27,743,437)	($57,054,271)	($32,062,317)	($66,861,012)
Education (SDTF)				
Solar Exemption	($1,849,680)	($2,473,520)	($1,849,680)	($2,473,520)
Electricity Exemption	($1,594,427)	($7,072,258)	($1,913,312)	($8,486,709)
Diapers - Child	($995,647)	($1,520,624)	($1,194,776)	($1,824,749)
Diapers - Adult	($4,757,926)	($7,901,555)	($5,709,511)	($9,481,866)
Medical Device Sales Tax Exemption	($16,800)	($16,800)	($20,160)	($20,160)
Total Education (SDTF)	($9,214,479)	($18,984,757)	($10,687,439)	($22,287,004)
Conservation				
Solar Exemption	($231,210)	($309,190)	($231,210)	($309,190)
Electricity Exemption	($199,303)	($884,033)	($239,164)	($1,060,839)
Diapers - Child	($124,456)	($190,078)	($149,347)	($228,094)
Diapers - Adult	($594,741)	($987,694)	($713,689)	($1,185,233)
Medical Device Sales Tax Exemption	($2,100)	($2,100)	($2,520)	($2,520)
Total Conservation	($1,151,810)	($2,373,095)	($1,335,930)	($2,785,876)
DNR				
Solar Exemption	($184,968)	($247,352)	($184,968)	($247,352)
Electricity Exemption	($159,443)	($707,226)	($191,331)	($848,671)
Diapers - Child	($99,565)	($152,062)	($119,478)	($182,475)
Diapers - Adult	($475,793)	($790,156)	($570,951)	($948,187)
Medical Device Sales Tax Exemption	($1,680)	($1,680)	($2,016)	($2,016)
Total DNR	($921,448)	($1,898,476)	($1,068,744)	($2,228,701)
Total State Revenue Loss	($39,031,175)	($80,310,599)	($45,154,429)	($94,162,593)

Local Funds				
Local Sales Tax				
Solar Exemption	($7,454,210)	($9,968,286)	($7,454,210)	($9,968,286)
Electricity Exemption	($6,425,539)	($28,501,198)	($7,710,647)	($34,201,437)
Diapers – Child	($4,012,456)	($6,128,115)	($4,814,947)	($7,353,738)
Diapers – Adult	($19,174,441)	($31,843,268)	($23,009,329)	($38,211,921)
Medical Device Sales Tax Exemption	($67,704)	($67,704)	($81,245)	($81,245)
Total Local Sales Tax	($37,134,350)	($76,508,570)	($43,070,378)	($89,816,626)

Officials from the **State Tax Commission** assume the proposed this proposal has an unknown fiscal impact. Assessment reductions will impact negatively the revenue for school districts, county, cities and other taxing jurisdiction who are supported by property taxes in the 6 counties designated by the restriction. This bill reduces the amount of personal property tax revenues equal to the increase in real property tax revenues so this would eliminate an increase in local revenues until the percentage for personal property assessment reaches 0. The credit for individuals 65 and over has an unknown fiscal impact as the number of individuals qualifying and the value that the property will be frozen at cannot be determined. The cap of 10% or CPI will not cause a decrease in revenue but for counties that are below the true market value in assessments it will make it more difficult to increase the values to the acceptable range. The change in classification for UTVs will also have an unknown fiscal impact as it is unknown how many vehicles will qualify.

Officials from the **Office of the State Auditor**, **Department of Commerce and Insurance**, **Department of Health and Senior Services**, **Missouri Department of Transportation** and the **Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from **Department of Natural Resources** defer to the Department of Revenue for an estimate of fiscal impact.

Officials from **Missouri Department of Conservation** assume there is an unknown negative fiscal impact this is greater than $250,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any change in sales and use tax collected would affect revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

In response to a similar proposals, officials from the **Department of Elementary and Secondary Education** assumed this proposed legislation would not impact the Department of Elementary and Secondary Education but will decrease Proposition C revenue sent to the state and distributed to Local Education Agencies in the state of Missouri, as well as, lower the St.

Louis City school district sales tax revenue. DESE defers to the Department of Revenue for an estimated impact.

Officials from the **Kansas City BEC** state the cost to conduct an election in the Kansas City portion of Jackson County is $625,000. The State will pay their prorated share of the cost based on who else participates. This amount would range between $0 and $625,000.

Officials from the **City of Kansas City** (Cass, Clay, Jackson and Platte) state this legislation is projected to have a negative fiscal impact of an indeterminable amount. Additional exemptions and/or limits on revenue growth will hamper the City of Kansas City's ability to ensure that basic services such as public safety, road repair, and emergency response can continue to be provided to serve the needs of the City's growing population.

Officials from the **City of O'Fallon** (St. Charles County) state, basically, the city's taxes in total will not have any growth as the real property tax increases by an equal decrease to their personal property taxes. As inflation hits the City's expenditures, their revenues will not grow with the same pace. The revenue loss would basically be reduced by the cost of living increase. For 2021, the revenue growth based on cost of living was equal to $83,078 and then the following year would be $168,482 and then $341,682. The City currently collects about $2M in personal property taxes each year.

This bill also restricts the amount of sales tax that can be levied by cities (4.5%), counties (4.5%) and shared sales taxes (3%). Officials suspect a CID and TDD is considered its' own political subdivision and they would not impact the city's rate. Although there is no impact to the City now, it is not known how this proposal could impact the City in the future.

There is also a provision in this bill where a residential property shall be assessed at a value that exceeds the previous assessed value for such property, exclusive of new construction and improvements, by more than the percentage increase in the consumer price index or ten percent, whichever is greater. Properties should be assessed at their current value and not limited. The gross calculation is intended to provide an appropriate proportional share of tax growth to properties that are more valuable. City officials believe this provision will move some of that liability to properties that are less valuable.

There is a change in property taxes where an individual who is at least 65 years of age can receive a credit of their property tax liability which is the difference between an eligible taxpayer's real property tax liability on such taxpayer's homestead for a given tax year, minus the real property tax liability on such homestead in the year that the eligible taxpayer turned sixty-five years of age. These credits would further erode the City's taxes. At a minimum, there should be an income limitation on these credits so it is not granted to anyone with any income. City officials are unsure what this might cost the city.

In response to a similar proposal, SB 1124 (2022), officials from the **City of O'Fallon** estimated it would cost the city around $45,018 per year due to an exemption of local sales tax rate of $0.02.

Officials from **St. Charles County** state they estimate the fiscal impact of the above-referenced bill for fiscal years 2023, 2024 and 2025 to be as follows:

- Fiscal Year 2023: $2,050,000
- Fiscal Year 2024: $125,000
- Fiscal Year 2025: $137,500

The calculations that will required to extrapolate the transfer from personal property tax transfer to real property tax rates will require detailed, intricate application of audited tax rates each year. Based on the Assessor's experience in software development, the cost of the software necessary to complete that work on tens of thousands of assessment files and dozens of tax rates of the various jurisdictions, will be at least $2,000,000. Additionally, it will take ½ of a FTE to maintain the software in conjunction with the software provider.

Annually thereafter there will be software maintenance fees and the staff to maintain the software. Costs are estimated at $125,000 the first year and an additional 10% increase in that cost each succeeding year.

Officials from the **Macon County Assessor's Office** state, calculating that Macon CO has 8% of its residents that are 65+ and a Real Estate assessed value of 145,007,090 (2021): 145,007,090 x 8% (seniors 65+) x 2% annual increase, x 5.8% (average CO tax levies) = $13,457 in lost tax dollars the first year, increasing 2% every year thereafter. Cost of software to track increase from when they turned 65 is estimated at $15,000 to $65,000. Missouri already has income tax credit for homestead + up to 5 acres of land, Form 948.

Officials from the **City of Sikeston** (Scott County) indicated there would be an impact but did not provide any further information.

Officials from the **City of Springfield** (Greene County) anticipate a negative fiscal impact of an undetermined amount from the provisions of the bill exempting various items from local sales tax.

In response to a similar proposal, SB 680 (2022), officials from the **City of St. Louis** stated the average increase in real estate property values during the 2017, 2019, and 2021 reassessments was 7% - 8% for the City of St. Louis and the CPI was 2.1%, 1.9% and 1.4% in those same reassessments. This change would have negated 6% (the vast majority) of the value being reported to the taxing jurisdictions. Since taxing jurisdictions collect taxes based on the amount of assessed value and are already limited to a total tax increase of 5% or the CPI, whichever is less, this change could result in more cuts in taxes to the taxing jurisdictions.

It should be noted that this change would cause those properties with the largest increases in value to be valued as a lesser proportion than those properties that have lesser value increases.

This change likely violates Article X, Section 3 of the Missouri Constitution as it would cause for non-uniform assessments in the same subclass of property.

Officials from the **Cape Girardeau County Assessor's Office** state the fiscal impact is unknowable at this time, but the negative fiscal impact could be hundreds of thousands of dollars to Cape Girardeau County alone. The provision of this bill attempting to cap reassessment to 10%, or the rate of inflation (CPI), whichever is greater (new construction value notwithstanding) allows for no jurisdictional differences in market value fluctuations. It will also create artificial abated values that are not consistent. Some taxpayers will be paying the maximum taxes based upon the value of their property, but others whose values have significantly increased may be paying only a fraction they should.

Officials from the **Lincoln County Assessor's Office** state capping residential growth goes against their statutory obligation to assess at true cash value. The fiscal impact for Homestead would be shifting burden from all taxpayers to only people under 65 years of age - the tax levies could possibly rise to offset loss of revenues from the exemptions.

Officials from the **Howell County Assessor's Office** state section 137.103 will create a very difficult calculation for county offices involved in property taxation as all properties are located under the taxation of multiple taxing jurisdictions whose tax credits may be different or non-existent. Cost of programming for 3 separate offices could exceed $100,000,000 statewide; cost of elections for the taxing jurisdictions could exceed $100,000,000 statewide. Loss of revenue to local jurisdictions may exceed $1 billion statewide.

In addition, section 137.115 of this legislation will reduce funding to local government in excess of $1.6 billion dollars annually, cost of management and manipulation of the assessment rates will require extensive programming in all counties and cost may well exceed $50,000,000 over the first 3 years alone. Cost of legal fees, as this has the potential to create discriminatory situations, may exceed $100,000,000 in the first 5 years. The Assessor does not reassess real property annually, reassessment is allowed on real property in the odd numbered year only as prescribed under current law. This provision may violate Article X Section 3 of the Missouri Constitution concerning uniformity and Article X Section 21 as it does not replace lost revenue that will be created by this. This appears to create a discriminatory assessment rate as it does not apply to valuations for the State Blind Pension Trust but all other political subdivisions must comply. There are significant issues that are unfunded to local jurisdictions that need to be addressed.

Officials from the **Miller County Assessor's Office** state the programming cost to the office to implement this would be $2,000 annually. They figured this by talking to their current provider, and it would take 10 hours of programming time at the current rate of $200 per hour. If you multiply that to each county in the state the cost for that change alone is roughly $226,000 annually.

This bill would effectively eliminate personal property in the county, and that would cost the local entities $5,712,000 annually in lost tax revenue with no way to make it up due to personal property not being part of the Hancock amendment to levy calculation. This was figured by taking the current personal property value ($112,000,000) by the average county levy for 2021 ($5.10 per 100 assessed value) and dividing it by 100.

This bill would also eliminate $97,104 from my staff budget from collection loss. That would eliminate 2 to 3 positions in the office. If the state did not supplement this money lost, it would be nearly impossible to get the work done for personal property. This bill does not eliminate the work from the office. The office would still need to mail the forms, and work them even though there is no revenue attached to this task any longer with the personal property tax being 0.

Officials from the **Shelby County Assessor's Office** assume section 137.103 would freeze someone's property tax liability to what it was when they turned 65. According to the latest United States Census Bureau information, Shelby County has a population of 6103. The information also shows that 21.8% are over the age of 65. They are not exactly sure what the impact of giving a tax credit to this age bracket would have over the scheme of the county real estate tax liability as it's impossible to know.

In response to section 137.115.2, the Real Estate Assessment process is built upon determining a fair market value, then the assessment ratios come into play, and lastly the tax levies come into play. This subsection proposes to change the foundation of the assessment process and possibly be starting with a foundation that is less than fair market value.

Section 144.030.2 (22) state this would have impact. If these items are defined as farm machinery, they should be assessed as farm machinery also. In Shelby County there are approximately 281 Utility Vehicles. The average value is estimated at 10,000. They estimate that the assessed value of UTVs in their county at the current assessment ratio of 33 1/3% is 935,730. This proposed change would change the assessed value to 337,200 at an assessment ratio of 12%. Using an average tax levy for my county (6%), this would be an estimated decrease of $35,000 in tax revenue for Shelby County alone.

Officials from **Raymore-Peculiar School District** (Cass County) state, no matter the length of time of the proposed phase-in, the loss of Personal Property tax as a whole would represent 16% of local revenue. They cannot afford to lose or reduce an important revenue stream. Doing so would negatively impact service to students.

In addition, this provision authorizes a taxing jurisdiction to grant a property tax credit to eligible taxpayers residing in such taxing district, provided such taxing jurisdiction has adopted an ordinance authorizing such credit or a petition in support of such credit is submitted to and approved by the voters, as described in the act. Eligible taxpayers are defined as residents who 1) are at least 65 years of age; 2) are the owner of record of or have a legal or equitable interest in a homestead; and 3) are liable for the payment of real property taxes on such homestead. US Census Bureau data indicates that approximately 666,387 housing units are occupied by someone 65 and older in Missouri, this is approximately 27% of total housing units. The number of residences that are owner-occupied is unknown. Calculating the impact is challenging without knowing specific parcels and values, but again from the analysis above, the district cannot afford to lose or reduce any important revenue streams. Doing so would impact service to students.

Officials from **Lamar School District** (Barton County) state if this proposal were to pass, the fiscal impact on the Lamar School District could end up being approximately $1,000,000. Their concern is that in order to address this at the local level, other areas or percentages of assessment would need to be increased.

Officials from the **Dallas County R-I School District** state this proposal, if passed in its current form it would have a negative fiscal impact on the Dallas County R-I School District. While this bill limits taxation on personal property it also seems to grant authority to impose retail sales taxes by school districts (at least does not specifically excluding districts). While this is not necessarily negative, the limits on combined sales taxation by entities would have a negative impact because it caps the total amount of sales taxation. This puts schools in the same sales taxation pot with cities and counties due to these limits. Thereby putting them in taxation competition.

Officials from the **Harrisonville R-IX School District** (Cass County) state the loss of Personal Property tax as a whole would represent 20% of local revenue, or $2.83 Million dollars for 2021-22. The growth in assessed valuation (AV) is already capped by the consumer price index (CPI) each year due to the Hancock Amendment. Last year the district would have received an 11% increase in AV without the Hancock, with it they were capped at 1.4% growth in operations. Inflation rates are higher than they have been in 40 years. Their district continues to see a decline in state funding due to decreased enrollment for the past decade plus. Consequently, their local revenues have become a bigger portion of their revenues. Their local revenues represent 58% of their funding. The per pupil expenditures are $1,000 below the state average, so they are being fiscally responsible. However, they cannot continue to see limitations places on local sources. Those decisions should be made at the local ballot box when levy and bond issues are proposed.

Officials from the **Hazelwood School District** (St. Louis County) state the Hancock Amendment already limits the growth that district may see and incorporates CPI. One part of this legislation would now also limit assessment of individual properties while another would cancel out personal property growth by reducing the overall growth (reportedly only in one county for now, but the concern is that this would become widespread). This year, the residential growth in the district saw an approximate $800,000 increase in revenue. This represents about a 1.6% increase in revenue despite assessed values increasing by over 12% due to the current statute. If there is a corresponding reduction in personal property revenue, that is a loss of $800,000 in year one and has a compounding impact in the future. It is difficult to conduct an assessment of the potential impact of the over 65 provision without a full analysis of the properties within the district.

Officials from **Summerville R-2 School District** (Texas/Shannon County) state, if you start taking away personal property tax revenue from school districts with no funds to replace them, there will be cuts in the future. Some smaller districts depend on levy funds to stay afloat.

Officials from **Gasconade County R-1 School District** state any bill that reduces the property taxes would have disastrous consequences on levy based entities. The Hancock Amendment already protects taxpayers from large increases by capping increases at CPI and forcing districts to roll back accordingly. Taxing districts including Schools, Ambulance, Fire Protection, and any other entity that's funding is a levy based off of assessed valuation could see negative impacts. The district is strongly opposed to any bill impacting any county in this way.

Officials from **Junction Hill C-12 School District** (Howell County) state any change that reduces revenue to the school district is not good. They already have numerous requirements that cost schools money with no revenue stream or insufficient revenue stream. To continue to reduce revenue resources, areas of expense must be reduced, unfortunately in order to reduce expenses induces cutting personnel.

Officials from the **Kirbyville R-VI School District** (Taney County) state, if they were to lose Personal Property from their local taxes, currently it would be a loss of $354,594.95 in their local revenue. Local revenue accounts for almost half of their total revenue ($4 million dollar school budget and almost $2 million is from local taxes). For the current school year, their total assessed valuation was $46,549,669 of which $8,759,324 was personal property. It would be financially devastating to the district to lose the personal property tax and would likely lead to a reduction in staff/personnel.

Officials from the **City of St. Charles School District** (St. Charles County) state, while some school districts may have the ability to adjust their tax rate up to cover the losses in the short term, they will at some point hit their tax rate ceiling and not be able to grow further. This shifts the burden of taxation to their residents. It also does not account for any increases in operations over time (i.e. salary/benefits increases, inflation, additional salary needed to pay individuals to address the changes in this proposal or other unfunded mandates, etc.). The long term impact of this will be detrimental to their ability to effectively educate students at the high level that the community expects.

Officials from the **Lutie R-VI School District** (Ozark County) state, if this means seniors get a break on property taxes or a waiver, then this will eliminate this school district. Most in this area are retired.

Officials from the **Hume R-VIII School District** (Bates County) state this proposal, if passed will guarantee that their school taxes will never increase. With personal property taxes decreasing by the same amount that real property taxes are increasing it will assure that their school taxes will only decrease or remain flat. With inflation, that is not going to work well for school districts. Personal property taxes are almost 50% of their district's taxes.

Officials from the **Sedalia 200 School District** (Pettis County) state any plan to diminish property taxes or limit the growth of said property taxes will have an adverse effect on school funding. This district generates $4.0207 for every $100 in Assessed Valuation. Their current AV is $396,000,000 so significant reduction or reduction in growth can quickly lead to significant revenue losses. A mere $1,000,000 adjustment to AV results in a $40,207 loss in revenue which essentially equals the cost of one support staff position.

Officials from the **Adrian R-III School District** (Bates County) state the following:

- The percentage reduction to the statutory personal property assessment rate of 33.33 percent ranges from .045 percent to 33.33 percent, creating disparity among taxpayers throughout the State of Missouri.

- Implementation of this bill will become problematic and create additional burdens for local assessors, school boards, and other elected officials when trying to set tax rates. In order to determine the increases in revenue a taxing entity must determine the tax rate to levy for the year, and when valuation changes it has a direct impact on the tax rate calculation. This bill may create an endless cycle of recalculations, because each time valuation is changed the tax rate changes etc.

- Districts rely on increases in assessed valuation, already capped by the growth in the Consumer Price Index, to fund increases for teacher pay, and other inflationary increases routinely experienced.

- The impact will vary significantly in terms of 1) overall percentage lost, 2) immediate impact, and 3) the duration of time district by district before all property tax is phased out. Many districts, and especially rural districts, could be stagnant for many years and continue to experience no growth in revenue for many years.

- Rural districts supported primarily by agricultural property where changes in assessed valuation are relatively stagnant rely upon increases in equipment and other personal property values to provide growth.

- Increases in personal property include new improvements or new equipment in the community, and is not limited to percentage increases for existing equipment. Meaning, they are also giving a property tax break to employers, over and above those already granted through income tax reductions and abatements like Tax Increment Financing.

- Increases in real property revenue may be associated with new construction supporting increased student enrollment. Without fully receiving revenues, supporting student needs will be difficult.

- Reducing the Assessed Valuation for fast growing districts will inhibit growth in bonding capacity and the ability to meet the additional student needs for fast growing districts.

- The bill lacks clarity for how situations would be handled when the real property revenue change is negative, or the real property revenue change is not large enough to handle the personal property revenue deduction.

- Inhibits ability to repay debt based on amortization schedules that were established utilizing historical trends of revenue growth.

The district estimates that over 5 years it will roughly lose $1,000,000.00 in revenue. It will have to cut teaching positions to valuable courses provided to students. The district will have less staff and larger class sizes which in turn will take away from their students' learning. This will be a cumulative effect over time causing assessed evaluation to stay the same and revenue to drop. Not only will schools be affected by this but so will townships, counties, libraries, and many more agencies in the community.

Officials from **Fredericktown R-II School District** (Madison County) estimates it would cost 1.2 million dollars in local money based off last year's assessed valuation if personal property taxes were eliminated.

Officials from the **City of St. Joseph** (Buchanan County) state, per section 32.087, the current tax rate is 3.375% which is under the maximum limit to be set. Section 137.103 has an unknown impact.

Officials from the **Republic School District** (Green/Christian County) state this Bill has the potential to greatly impact school funding. It would be very difficult to know exactly how it would impact schools, but in thinking of the Republic school District, there could be a considerable number of land owners who are over the age of 65. Thus, meaning less tax dollars and potentially less assessed valuation which would limit the ability to handle growth in the district.

Officials from the **Webster Grove School District** (St. Louis County) state the personal property tax decrease and elimination is potentially disastrous for their students and for their communities. All governmental entities that depend on property taxes will be negatively impacted by this legislation. The district realizes that specific counties are outlined in the bill, but this has the potential to impact all counties potentially in the future.

It is hard to predict the gradual reduction but they can report that the district expects to receive over $6 million this year in personal property taxes. This represents 14% of the total levied property tax revenues. This would be a burden that would drastically change the education the district is able to provide or there will be a heavier burden on residential and commercial taxpayers. 80% of the district's operating budget is dedicated to salaries and benefits. If the district would lose this revenue stream it would be forced to reduce salary and benefit expenses.

Officials from the **Bronaugh R-VII School District** (Vernon County) state they can expect to see a revenue loss that will eventually total around $182,000. This is purely an estimate that is derived from looking at the prior four fiscal years and averaging personal property tax revenue that the district received from the county. As the value of real property increases, instead of benefiting from the increased revenue, the district will see the amount of personal property money slowly decrease to balance it out until personal property reaches zero. Each fiscal year the district receives an average of $7,100 in real property growth dollars. If this is the case for the next three fiscal years, the district will lose $21,300 over the next three fiscal years.

In response to a similar proposal, SB 680 (2022), officials from the **Florissant Valley Fire Protection District** stated this could have a negative impact on the agency related to costs and associated revenues in providing emergency services. Growth has been realized from increased call volume, not developmental or geographic which creates increased costs that outpace revenues.

Officials from the **Lake Saint Louis Fire Protection District** (St. Charles County) estimate the lost tax revenue for their district at $342,723 or 15.78% of their tax revenue.

Officials from the **Wentzville Fire Protection District** (St. Charles County) state they will lose a projected 9.9 million between now and 2026 if this proposal passes. This is an accumulation of losses from:

- (2022) 768,158
- (2023) 1,347,657
- (2024) 1,950,028
- (2025) 2,575,956
- (2026) 3,322,591

In response to a similar proposal, SB 715 (2022), officials from the **St. Louis County Department of Public Health** stated their budget receives its funding from property taxes. Any reduction in property taxes would result in the department having to reduce or eliminate critical health services, such as primary health care, that their residents need and rely upon. The amount of revenue loss for years 2023, 2024 and 2025 is unknown.

Officials from the **Developmental Disabilities Resource Board of St. Charles County** state, by virtually eliminating personal property taxes in St. Charles County, it is estimated that this bill will reduce revenue to the Developmental Disabilities Resource Board by $2,050,000. This represents 16% of the Board's property tax revenue (the % of personal property tax). The loss will be taken over the next several years but, once the personal property tax is eliminated, this will be a permanent annual loss of $2,050,000. The loss per year cannot be calculated without additional support.

Officials from the **City of Hughesville**, **Platte County Election Board**, **Newton County Health Department** and the **Jackson County Election Board** each assume the proposal will have no fiscal impact on their respective organizations.

FISCAL IMPACT – State Government	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2076)
GENERAL REVENUE				
Revenue Gain – DOR 1% collection fee for new sales tax authorized in 32.087.3(2) p. 5	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
Savings - reduction in Senior Property Tax Credits due the issuance of local property tax credits - §137.103 p. 7	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0 or Unknown
Revenue Loss – Income Tax Deduction For Medical Marijuana Businesses - §143.121 p. 16	(Unknown, potentially significant)	(Unknown, potentially significant)	(Unknown, potentially significant)	(Unknown, potentially significant)
Revenue Loss – exemption for utility vehicles used for agriculture uses - §144.030.2 (22) p. 17	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)
Revenue Loss – exemption for solar systems projects - §144.030.2 (46) p. 18	Could exceed ($5,549,040 to $7,420,560)	Could exceed ($5,549,040 to $7,420,560)	Could exceed ($5,549,040 to $7,420,560)	Could exceed ($5,549,040 to $7,420,560)
Revenue Loss – exemption for materials used for energy transmission - §144.030.2 (47) p. 21	Could exceed ($4,783,280 to $21,216,773)	Could exceed ($5,739,936 to $25,460,127)	Could exceed ($5,739,936 to $25,460,127)	Could exceed ($5,739,936 to $25,460,127)
Revenue Loss - Exemption of sales tax on child diapers - §144.059 p. 23 - 26	Could exceed ($2,602,600 to $4,561,872)	Could exceed ($3,123,120 to $5,474,246)	Could exceed ($3,123,120 to $5,474,246)	Could exceed ($3,123,120 to $5,474,246)
Revenue Loss - Exemption of sales tax on adult diapers - §144.059 p. 23 – 26	Could exceed ($14,273,777 to $23,704,666)	Could exceed ($17,128,533 to $28,445,599)	Could exceed ($17,128,533 to $28,445,599)	Could exceed ($17,128,533 to $28,445,599)
Costs - sales tax refunds over ten-year period - §144.190.11 p. 27	($100,000)	$0 or (Unknown)	$0	$0

FISCAL IMPACT – State Government - continued	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2076)
Revenue Loss - Medical Device sales tax exemption - §144.813 p.28 -29	Could exceed ($50,400)	Could exceed ($60,480)	Could exceed ($60,480)	Could exceed ($60,480)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Could exceed ($27,359,097 to $57,054,271)**	**Could exceed ($31,601,109 to $66,861,012)**	**Could exceed ($31,601,109 to $66,861,012)**	**Could exceed ($31,601,109 to $66,861,012)**
BLIND PENSION FUND				
Revenue Loss - loss of property tax on property that appreciates more than 10% - §137.115.2 p. 14	$0	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**(Unknown)**	**(Unknown)**	**(Unknown)**

CONSERVATION COMMISSION FUND (0609)				
Revenue Loss – exemption for utility vehicles used for agriculture uses - §144.030.2 (22) p. 17	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)
Revenue Loss – exemption for solar systems projects - §144.030.2 (46) p. 18	Could exceed ($231,210 to $309,190)	Could exceed ($231,210 to $309,190)	Could exceed ($231,210 to $309,190)	Could exceed ($231,210 to $309,190)
Revenue Loss – exemption for materials used for energy transmission - §144.030.2 (47) p. 21	Could exceed ($199,303 to $884,033)	Could exceed ($239,164 to $1,060,839)	Could exceed ($239,164 to $1,060,839)	Could exceed ($239,164 to $1,060,839)
Revenue Reduction - Exemption of sales tax on child diapers - §144.059 p. 23 -26	Could exceed ($108,442 to $190,078)	Could exceed ($130,130 to $228,094)	Could exceed ($130,130 to $228,094)	Could exceed ($130,130 to $228,094)
Revenue Reduction - Exemption of sales tax on adult diapers - §144.059 p. 23 -26 p. 23 -26	Could exceed ($594,741 to $987,694)	Could exceed ($713,689 to $1,185,233)	Could exceed ($713,689 to $1,185,233)	Could exceed ($713,689 to $1,185,233)
Revenue Loss - Medical Device sales tax exemption - §144.813 p. 28 -29	Could exceed ($2,100)	Could exceed ($2,520)	Could exceed ($2,520)	Could exceed ($2,520)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**Could exceed ($1,135,796 to $2,373,095)**	**Could exceed ($1,316,713 to $2,785,876)**	**Could exceed ($1,316,713 to $2,785,876)**	**Could exceed ($1,316,713 to $2,785,876)**

PARKS AND SOILS STATE SALES TAX FUND(S) (0613 & 0614)				
Revenue Loss – exemption for utility vehicles used for agriculture uses - §144.030.2 (22) p. 17	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)
Revenue Loss – exemption for solar systems projects - §144.030.2 (46) p. 18	Could exceed ($184,968 to $247,352)	Could exceed ($184,968 to $247,352)	Could exceed ($184,968 to $247,352)	Could exceed ($184,968 to $247,352)
Revenue Loss – exemption for materials used for energy transmission - §144.030.2 (47) p. 21	Could exceed ($159,443 to $707,226)	Could exceed ($191,331, to $848,671)	Could exceed ($191,331, to $848,671)	Could exceed ($191,331, to $848,671)
Revenue Reduction - Exemption of sales tax on child diapers - §144.059 p. 23 -26	Could exceed ($86,753 to $152,062)	Could exceed ($104,104 to $182,475)	Could exceed ($104,104 to $182,475)	Could exceed ($104,104 to $182,475)
Revenue Reduction - Exemption of sales tax on adult diapers - §144.059 p. 23 -26	($475,793 to $790,156)	($570,951 to $948,187)	($570,951 to $948,187)	Could exceed ($570,951 to $948,187)
Revenue Loss - Medical Device sales tax exemption - §144.813 p. 28-29	Could exceed ($1,680)	Could exceed ($2,016)	Could exceed ($2,016)	Could exceed ($2,016)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUND(S)	**Could exceed ($908,637 to $1,898,812)**	**Could exceed ($1,053,370 to $2,228,701)**	**Could exceed ($1,053,370 to $2,228,701)**	**Could exceed ($1,053,370 to $2,228,701)**

SCHOOL DISTRICT TRUST FUND (0688)				
Revenue Loss – exemption for utility vehicles used for agriculture uses - §144.030.2 (22) p. 17	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)
Revenue Loss – exemption for solar systems projects - §144.030.2 (46) p. 18	Could exceed ($1,849,680 to $2,473,520)	Could exceed ($1,849,680 to $2,473,520)	Could exceed ($1,849,680 to $2,473,520)	Could exceed ($1,849,680 to $2,473,520)
Revenue Loss – exemption for materials used for energy transmission - §144.030.2 (47) p. 21	Could exceed ($1,594,427 to $7,072,258)	Could exceed ($1,913,312 to $8,486,709)	Could exceed ($1,913,312 to $8,486,709)	Could exceed ($1,913,312 to $8,486,709)
Revenue Loss - Exemption of sales tax on child diapers - §144.059 p. 23-26	Could exceed ($867,533 to $1,520,624)	Could exceed ($1,041,040 to $1,824,749)	Could exceed ($1,041,040 to $1,824,749)	Could exceed ($1,041,040 to $1,824,749)
Revenue Loss - Exemption of sales tax on adult diapers - §144.059 p. 23 -26	Could exceed ($4,757,926 to $7,901,555)	Could exceed ($5,709,511 to $9,481,866)	Could exceed ($5,709,511 to $9,481,866)	Could exceed ($5,709,511 to $9,481,866)
Revenue Loss - Medical Device sales tax exemption - §144.813 p. 28-29	Could exceed ($16,800)	Could exceed ($20,160)	Could exceed ($20,160)	Could exceed ($20,160)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**Could exceed ($9,086,366 to $17,616,195)**	**Could exceed ($10,533,703 to $22,287,004)**	**Could exceed ($10,533,703 to $22,287,004)**	**Could exceed ($10,533,703 to $22,287,004)**

*Oversight notes the School District Trust Fund revenues are distributed directly to school districts. School District Trust Fund revenues are generated from Proposition C, which collects a one percent sales tax for elementary and secondary education. Proposition C also requires school districts to reduce local property taxes by ½ of the sales tax revenue received. Any reduction in sales tax revenue to the School District Trust Fund will result in a ½ proportional gain in property tax revenues (assuming the district is not operating at their statutory or voter approved maximum tax rate).

FISCAL IMPACT – Local Government	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2076)
LOCAL POLITICAL SUBDIVISIONS				
Potential Revenue – new sales taxes authorized in §32.087.3(2) p. 5	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
Costs – vote on implementing property tax credits, verify signatures and publish petitions - §137.103 p. 7	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Costs – implementation and monitoring of property credits - §137.103 p. 7	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Loss – from property tax credit - §137.103 p. 7	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Costs – St. Charles, Cass, Henry, Bates, Vernon and Barton Counties – to administer the changes in assessment from this proposal - §137.115.1 p. 10	$0	(Unknown)	(Unknown)	(Unknown)
Revenue Loss - Taxing Entities in St. Charles, Cass, Henry, Bates, Vernon and Barton Counties - loss of property tax from reduction in personal property assessed value - §137.115.1 p. 10	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Costs - for assessors for implementation and computer programming - §137.115.2 p. 14	$0	(Unknown)	(Unknown)	(Unknown)
Loss - loss of property tax on property that appreciates more than 10% - §137.115.2 p. 14	$0	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT – Local Government - continued	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2076)
Revenue Loss – exemption for utility vehicles used for agriculture uses - §144.030.2 (22) p. 17	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)	$0 or (Unknown, minimal)
Revenue Loss – exemption for solar systems projects - §144.030.2 (46) p. 18	Could exceed ($7,454,210 to $9,968,286)	Could exceed ($7,454,210 to $9,968,286)	Could exceed ($7,454,210 to $9,968,286)	Could exceed ($7,454,210 to $9,968,286)
Revenue Loss – exemption for materials used for energy transmission - §144.030.2 (47) p. 21	Could exceed ($6,425,539 to $28,501,198)	Could exceed ($7,710,647 to $34,201,437)	Could exceed ($7,710,647 to $34,201,437)	Could exceed ($7,710,647 to $34,201,437)
Revenue Reduction - Exemption of sales tax on child diapers - §144.059 P. 23-26	Could exceed ($3,496,159 to $6,128,115)	Could exceed ($4,195,391 to $7,353,738)	Could exceed ($4,195,391 to $7,353,738)	Could exceed ($4,195,391 to $7,353,738)
Revenue Reduction - Exemption of sales tax on adult diapers - §144.059 p. 23-26	Could exceed ($19,174,441 to $31,843,268)	Could exceed ($23,009,329 to $38,211,921)	Could exceed ($23,009,329 to $38,211,921)	Could exceed ($23,009,329 to $38,211,921)
Revenue Loss - Medical Device sales tax exemption - §144.813 p. 28-29	Could exceed ($67,704)	Could exceed ($81,245)	Could exceed ($81,245)	Could exceed ($81,245)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Could exceed ($36,618,053 to $76,508,571)**	**Could exceed ($42,450,822 to $89,816,627)**	**Could exceed ($42,450,822 to $89,816,627)**	**Could exceed ($42,450,822 to $89,816,627)**

FISCAL IMPACT – Small Business

Section 32.087 - This proposal may have a direct fiscal impact on the small business that pay and/or collect sales tax.

Section 137.115 - There could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

Section 143.121 - This proposed legislation could positively impact any small business conducting business under Article XIV of the Missouri Constitution (Medical Marijuana) as these small businesses could claim a tax deduction reducing or eliminating their tax liability.

Section 144.030.2 (22) - Businesses that purchase or sell utility vehicles used for agricultural purposes may be impacted by the proposal.

Section 144.030.2 (46) - Businesses that purchase or sell solar photovoltaic energy distributed generation systems and related supplies may be impacted by the proposal.

Section 144.030.2 (47) - Businesses that purchase or sell materials used for energy transmission may be impacted by the proposal.

Section 144.059 - Small businesses that sell diapers will be impacted by this proposal.

Section 144.190 - Small businesses receiving a refund will be impacted by this proposal.

Section 144.813 - Businesses that purchase qualified medical devices could be positively impacted by this proposal.

<u>FISCAL DESCRIPTION</u>

LOCAL SALES TAX RATES

In addition to any local sales tax imposed or authorized to be imposed as of January 1, 2023, this act authorizes any taxing jurisdiction to impose one or more sales taxes for purposes to be designated by the taxing jurisdiction, provided that the total combined rate of local sales taxes imposed and retained by a taxing entity that is an incorporated city, town, or village shall not exceed 4.5%; the total combined rate of local sales taxes imposed and retained by a county shall not exceed 4.5%; the total combined rate of local sales taxes imposed and retained by the City of St. Louis shall not exceed 9.0%; and for all other taxing jurisdictions, the total combined rate of sales taxes in any given taxing jurisdiction shall not exceed 3.0%.

In any election in which more than one sales tax levy is approved by the voters, and the passage of such levies results in a combined rate of sales tax in excess of the limits provided under the act, only the sales tax levy receiving the most votes shall become effective.

No taxing jurisdiction with a combined rate of sales tax in excess of the rates provided in the act as of August 28, 2022, shall be required to reduce or repeal any such sales tax rate. (Section 32.087)

PROPERTY TAX CREDIT FOR SENIORS

This act authorizes a taxing jurisdiction to grant a property tax credit to eligible taxpayers residing in such taxing district, provided such taxing jurisdiction has adopted an ordinance authorizing such credit, or a petition in support of such credit is submitted to and approved by the voters, as described in the act.

Eligible taxpayers are defined as residents who 1) are at least 65 years of age; 2) are the owner of record of or have a legal or equitable interest in a homestead; and 3) are liable for the payment of real property taxes on such homestead.

The amount of the property tax credit shall be equal to the difference between the real property tax liability on the homestead in a given year minus the real property tax liability on such homestead in the year in which the eligible taxpayer turned 65.

A credit granted pursuant to this act shall be applied when calculating the eligible taxpayer's property tax liability for the tax year. The amount of the credit shall be noted on the statement of tax due sent to the eligible taxpayer by the county collector. (Section 137.103)

ASSESSMENT OF PROPERTY

Current law requires that personal property be assessed at 33.3% of its true value in money. This act requires the county assessor of St. Charles, Cass, Henry, Bates, Vernon, and Barton counties to annually reduce such percentage such that the amount by which the revenue generated by taxes levied on such personal property is reduced is substantially equal to one hundred percent of the growth in revenue generated by real property assessment growth, as defined in the act. Annual reductions shall be made until December 31, 2075. Thereafter, the percentage of true value in money at which personal property is assessed shall be equal to the percentage in effect on January 1, 2075.

This act also provides that the assessed valuation for residential real property shall not exceed the previous assessed valuation for such property, exclusive of new construction and improvements, by more than ten percent or the percent increase in inflation, whichever is greater. (Section 137.115)

MEDICAL MARIJUANA BUSINESS INCOME TAX DEDUCTION

This act allows taxpayers authorized under the Missouri Constitution to operate a business related to medical marijuana to claim an income tax deduction in an amount equal to any expenditures otherwise allowable as a federal income tax deduction, but that are disallowed for federal purposes because cannabis is a controlled substance under federal law.

SALES TAX EXEMPTIONS

The act modifies a sales tax exemption for certain farm machinery and equipment by providing that the term "farm machinery and equipment" shall include utility vehicles, as defined in the act, that are used for any agricultural purposes.

This act authorizes a sales tax exemption for purchases of solar photovoltaic energy distributed generation systems and all purchases of supplies used directly to make improvements to such systems, provided that such systems allow for energy storage, include advanced or smart meter inverter capacity, or allow for utility scale projects greater than twenty megawatts.

This act also authorizes a sales tax exemption for utilities, equipment, and materials used to generate or transmit electricity. (Section 144.030)

This act also authorizes a state sales tax exemption for the purchase of diapers, as defined in the act. (Section 144.059)

This act provides a sales tax exemption for sales of class III medical devices that use electric fields for the purposes of treatment of cancer, including components and repair parts and disposable or single patient use supplies required for the use of such supplies. (Section 144.813)

SALES TAX REFUNDS

This act abrogates the Missouri Supreme Court's interpretation of the provisions of section 144.020 relating to sales taxes in Michael Jaudes Fitness Edge, Inc. v. Dir. of Revenue, 248 S.W.3d 606 (Mo. banc 2008) and Wilson's Total Fitness Center, Inc. v. Director of Revenue, 38 S.W.3d (Mo. banc 2001), and the Administrative Hearing Commission's decision in Joseph and Brenda Crews v. Dir. of Revenue, 17-0210. Any taxpayer that paid sales and use tax assessments as a result of an audit by the Department of Revenue and who failed to receive a refund of sales or use tax as a result of the abrogated decisions may apply to the Department by no later than July 1, 2026, to receive such refund. The Department shall not issue more than $100,000 in refunds without a further appropriation from the General Assembly.

Provisions of current law requiring the person legally obligated to remit the tax to file a claim for refund within ten years from date of overpayment shall not apply to refunds claimed under this act. (Section 144.190)

GROUND AMBULANCE REIMBURSEMENT ALLOWANCE TAX

This act modifies the Ground Ambulance Reimbursement Allowance to exclude revenues received from supplemental reimbursement for ground emergency medical transportation from the definition of "gross receipts" used to determine each ambulance service's reimbursement allowance.

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 Administration - Budget and Planning

JLH:LR:OD

Missouri Department of Transportation
Missouri Department of Conservation
Department of Natural Resources
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Revenue
State Tax Commission
Office of the State Auditor
City of Kansas City
City of Kansas City Board of Elections
City of O'Fallon
St. Charles County
Macon County Assessor's Office
City of Sikeston
City of Springfield
City of St. Louis
Cape Girardeau County Assessor's Office
Lincoln County Assessor's Office
Howell County Assessor's Office
Shelby County Assessor's Office
Raymore-Peculiar School District
Lamar School District
Dallas County R-I School District
Harrisonville R-IX School District
Hazelwood School District
Summerville R-2 School District
Gasconade County R-1 School District
Junction Hill C-12 School District
Kirbyville R-VI School District
City of St. Charles School District
Lutie R-VI School District
Hume R-VIII School District
Sedalia 200 School District
Adrian R-III School District
Fredericktown R-II School District
City of St. Joseph
Republic School District
Webster Grove School District
Florissant Valley Fire Protection District
Lake Saint Louis Fire Protection District
Wentzville Fire Protection District
St. Louis County Department of Public Health
Development Disabilities Resource Board of St. Charles County
City of Hughesville

Platte County Election Board
Newton County Health Department
Jackson County Election Board
Miller County Assessor's Office
Bronaugh R-VII School District

Julie Morff
Director
March 16, 2022

Ross Strope
Assistant Director
March 16, 2022

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