

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5342S.01I
Bill No.: SB 1108
Subject: Taxation and Revenue - Property; Counties
Type: Original
Date: March 9, 2022

Bill Summary: This proposal modifies provisions relating to property taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Blind Pension Fund	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission** state this proposal has a possible negative fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. Under the criteria of SB 1108, all properties with an assessment percentage above the counties ratio study percentage could appeal their assessment to the Board of Equalization who would be required to lower the value to equal the ratio study percentage. Approximately half of the properties could qualify for the reduction so this could lead to a significant reduction on revenue for the local taxing jurisdictions.

Officials from the **Office of Administration - Budget and Planning, Department of Social Services, Office of the State Auditor, Office of the State Treasurer** and the **City of O’Fallon** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **City of Kansas City** state this could have a negative fiscal impact on Kansas City in an indeterminate amount.

Officials from the **City of Springfield** state they do not have sufficient data regarding individual versus overall levels of assessment to determine whether this would have a fiscal impact.

Oversight assumes this proposal would potentially limit the assessed value of individual property to the overall level of assessment.

Blind Pension Fund

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.

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

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.

Local Political Subdivisions

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 assessed value would reduce the maximum allowed revenue growth (relative to current law) which could potentially impact all taxing entities.

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 other property owners.

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.)

Some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate rather it would result in a loss of revenue.

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 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>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
BLIND PENSION FUND			
<u>Revenue Loss</u> - from a change in assessed value - §137.132	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> - from a change in assessed value - §137.132	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown)	(Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

PROPERTY TAX ASSESSMENTS

This act provides that if the overall level of assessment, as defined in the act, for all real property in a subclass is lower than the individual level of assessment, as defined in the act, of an individual parcel of real property in such subclass, then the individual level of assessment for such parcel shall be reduced to the overall level of assessment. Such reduction shall be made upon an appeal by the taxpayer. (Section 137.132)

PROTESTED PROPERTY TAXES

Current law requires a taxpayer to file a written protest of property taxes with the collector at the same time such taxpayer makes full payment of such taxes. This act repeals such requirement.

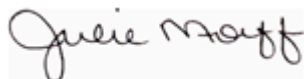
This act also provides that the interest due to a taxpayer who's protested taxes were distributed to a taxing authority shall be calculated from the date that the protested taxes were distributed to the taxing authority through the date of the refund.

Any taxpayer determined by a circuit court or the State Tax Commission to be entitled to a refund of property taxes shall receive such refund from the collector within fifteen days of the final determination of the refund amount by the circuit court or State Tax Commission. If such refund is not issued within fifteen days, the taxpayer shall be entitled to interest on the refund as calculated under current law. (Section 139.031)

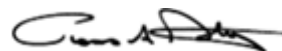
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission
Office of Administration - Budget and Planning
Department of Social Services
Office of the State Treasurer
City of Kansas City
City of Springfield
City of O'Fallon



Julie Morff
Director
March 9, 2022



Ross Strope
Assistant Director
March 9, 2022