

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5223H.011  
 Bill No.: HJR 121  
 Subject: Taxation and Revenue - Property; Constitutional Amendments  
 Type: Original  
 Date: February 23, 2022

Bill Summary: This proposal amends the Constitution to modify personal property tax payments.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue**/**	\$0 or (More than \$7,000,000)	\$0	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$7,000,000)</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>

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

\*\*Moving back the due date for property tax payments may reduce the amount of late payment fines charged and collected, which is used in the foundation formula calculation (potentially increasing the amount of state aid required). Also, shifting the payment of some property taxes from FY 2024 to FY 2025 may shift the timing of Schedule A deductions on taxpayer’s federal income tax calculations and their income tax payment, which may impact state income tax calculations the following year.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Blind Pension Fun*	\$0	\$0 or (Could exceed \$3,297,857)	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 or (Could exceed \$3,297,857)</b>	<b>\$0</b>

\* If the joint resolution is approved by voters, the loss in personal property tax revenue would be temporary and would be made up the following fiscal year. Losses and gains net to zero after FY 2024.

Numbers within parentheses: () indicate costs or losses.

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

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

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0 or (Could exceed \$802,867,130)</b>	<b>\$0 or (Unknown) to Unknown</b>

\* If the joint resolution is approved by voters, the loss in personal property tax revenue would be temporary and would be made up the following fiscal year. Losses and gains in personal property taxes net to zero after FY 2024. Additional costs, losses or gains to County Collectors or School Districts could occur.

## FISCAL ANALYSIS

### ASSUMPTION

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

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

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

For the FY22 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

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

**Oversight** has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2023. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2022 and the next scheduled general election is in November 2022 (both in FY 2023). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date).

Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2023.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal would go to public vote in November 2022. For the purpose of this fiscal note B&P assumes that if voter approved, this proposal would begin January 1, 2023.

This proposal would allow taxpayers to split their personal property tax payments equally with one-half due on December 31st and the second half due seven months later by July 31st.

B&P notes that currently the full personal property tax payment is due on December 31st of the year in which the property tax is assessed. B&P further notes that if this proposal begins January 1, 2023 then the first tax payments may be delayed from December 2023 (FY24) to July 31, 2024 (FY25).

B&P also notes that the Blind Pension Trust Fund levies a property tax of \$0.03 per \$100 value on all real and personal property. Revenues to the Blind Pension trust fund were \$37,405,487 in FY21 (for tax year 2020 property taxes). In addition, based on data published by the State Tax Commission (STC), B&P estimates that 19% (\$6,893,133) to 20% (\$7,227,363) of revenues came from personal property tax. Therefore, if everyone elected to pay their property tax in installments, this proposal could shift \$3,446,566 to \$3,613,682 in revenues to the Blind Pension Trust Fund from FY24 into FY25.

Further, this proposal could shift a significant amount of local revenue between fiscal years, depending on the composition of property tax within a given area.

Officials from the **Department of Revenue** and **Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Kansas City** assume this legislation will have a negative fiscal impact on Kansas City because property tax collection of approximately \$13M will be delayed in the year of enactment.

Officials from the **St. Charles Community College** state they would experience a negative fiscal impact. Property tax revenue received in December and January each year is critical to cash flows for operating expenses and debt service payments. The amount of the impact can't be calculated with the data available to the college.

Officials from the **City of Sikeston** assume the proposal will have a fiscal impact on their organization.

Officials from the **Newton County Health Department**, **St. Louis County Health Department** and the **Fruitland Area Fire Protection District** each assume the proposal will have no fiscal impact on their respective organizations.

**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). The [Blind Pension](#) benefits are paid out monthly per DSS’s website. Oversight assumes this proposal could create a temporary loss of funds if the collection of some personal property tax revenue is shifted from December to July.

Based on information from the State Tax Commission’s website, **Oversight** estimates approximately 18% of property taxes are from personal property. In FY 2020, the Blind Pension Fund received \$36,642,858 in property tax revenue of which \$6,595,714 is estimated to come from personal property taxes.

Per the State Treasurer’s [Monthly Fund Activity](#) report, the Blind Pension Fund had distributions totaling \$34,377,490 in FY 2020 with the average monthly distribution is estimated at \$2,864,791. Below is a monthly breakout of the Blind Pension Fund receipts and distributions for FY 20:

FY 2020	Receipts	Distributions
July 2019	\$191,180	\$2,951,765
August 2019	\$179,493	\$2,895,433
September 2019	\$183,994	\$2,908,293
October 2019	\$121,795	\$2,805,856
November 2019	\$180,189	\$2,827,409
December 2019	\$8,570,028	\$2,962,326
January 2020	\$20,973,422	\$2,832,874
February 2020	\$3,048,396	\$2,869,383
March 2020	\$697,563	\$2,832,609
April 2020	\$833,313	\$2,897,311
May 2020	\$1,224,816	\$2,812,477
June 2020	\$438,670	\$2,781,752
<b>Total</b>	<b>\$36,642,858</b>	<b>\$34,377,490</b>

**Oversight** notes 81% of the receipts for the Blind Pension Fund occurred in December and January. If half of the personal property tax payments were delayed until July, the Blind Pension Fund could experience a temporary loss of revenue that could exceed \$3,297,857 ( $\$6,595,714 * .50$ ). This could cause a shortfall in funds available for monthly benefit distributions February through June.

Per the State Treasurer’s [FY 2020 Year End Fund](#) report, Oversight notes the balance of the fund at the end of FY 2020 was \$17,592,453. For purposes of this fiscal note, Oversight assumes the

fund balance would be sufficient to cover the shortfall from delayed payments occurring in FY 2024.

**Oversight** assumes the loss in revenue would be temporary and would be made up the following fiscal year. Oversight assumes the delay payments would create a loss for the Blind Pension Fund in FY 2024 but gains and losses would net to zero in FY 2025 and after.

Per the State Tax Commission website, the personal property taxes paid for 2021 were approximately \$1,612,329,973. If 51% of these tax payments were delayed until July, the temporary loss in revenue is estimated at \$802,867,130 for local political subdivisions  $((\$1,612,329,973 \text{ less } \$6,595,714) * .50)$ . Oversight assumes the loss in revenue would be temporary and would be made up within the next fiscal year; therefore, Oversight assumes the delayed payments would impact local political subdivisions in FY 2024 but gains and losses would net to zero in FY 2025 and after.

Since this proposal would extend the collection period, **Oversight** assumes this could reduce the revenue collected from fees and fines for delinquent property taxes.

**Oversight** assumes the proposal could result in a decrease in fine revenues paid to local governments and distributed to school districts. Fine revenue received by school districts in excess of FY 2005 levels is a deduction in the foundation formula calculation. A reduction in the fine revenue would increase the foundation formula distributions to school districts, ultimately resulting in a cost to the General Revenue Fund.

**Oversight** has reflected the fiscal impact to the General Revenue Fund beginning in 2025, because any decrease in fees distributed to schools increases distributions from the foundation formula the following year. Based on information provided by DESE for the fiscal note for Perfected HB 1818 (2020), Oversight notes the difference between fine revenue collected in FY 2018 and FY 2005 was estimated at \$2,093,973. However, this amount includes penalty revenue from numerous sources other than delinquent personal property taxes.

**Oversight** assumes the fine revenue collected varies from year to year. Therefore, Oversight will show a range of impact of \$0 (no difference in fine revenue) to an unknown cost to General Revenue due to an increased call to the foundation formula.

**Oversight** assumes School Districts could see a decrease in fine revenue beginning in FY 2024 with increased distributions from the Foundation Formula beginning in FY 2025. Oversight notes the total fine revenue received by school districts in FY 2020 was estimated at \$33,322,788. However, this amount includes penalty revenue from sources other than delinquent personal property taxes. Oversight will show a range of impact of \$0 (no difference in fine revenue) to an unknown loss to school districts.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>GENERAL REVENUE</b>			
<u>Costs</u> - increase in foundation formula payments	\$0	\$0	\$0 or (Unknown)
<u>Transfer Out</u> - SOS - reimbursement of local election authority election costs <b>if</b> a special election is called by the Governor	\$0 or (More than <u>\$7,000,000</u> )	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (More than <u>\$7,000,000</u>)</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>
<b>BLIND PENSION FUND</b>			
<u>Revenue (Loss)</u> - from delayed personal property tax payments (December 2023 & January 2024) p. 5	\$0	\$0 or (Could exceed \$3,297,857)	\$0 or (Could exceed \$3,297,857)
<u>Revenue Gain</u> - from delayed personal property tax payments (July 2024)	\$0	\$0	\$0 or Could exceed \$3,297,857
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b>\$0 or (Could exceed <u>\$3,297,857</u>)</b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs</u> - County Collectors - computer programming and implementation	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue (Loss)</u> - School Districts - from lost property tax penalties	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain</u> - School Districts - increased distributions from Foundation Formula	\$0	\$0	\$0 or Unknown
Revenue (Loss) - from delayed property tax payments (December 2023 & January 2024)	\$0	\$0 or (Could exceed \$802,867,130)	\$0 or (Could exceed \$802,867,130)
<u>Revenue Gain</u> - from delayed property tax payments (July 2024)	\$0	\$0	\$0 or Could exceed \$802,867,130
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$7,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election <b>if</b> called for by the Governor	\$0 or (More than \$7,000,000)	\$0	\$0
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Could exceed \$802,867,130)</u></b>	<b><u>\$0 or (Unknown) or Unknown</u></b>

FISCAL IMPACT – Small Business

Oversight assumes there could be an impact to small businesses from a reduction in late property tax penalties owed in FY 2024.



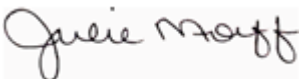
FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment provides that personal property taxes may be paid in two equal installments, with half of the amount paid by December 31st of the calendar year in which the property is assessed and the remainder paid by July 31st of the year after such property is assessed.

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

SOURCES OF INFORMATION

Office of the Secretary of State  
Office of Administration - Budget and Planning  
Department of Revenue  
Department of Social Services  
City of Kansas City  
City of Sikeston  
Newton County Health Department  
St. Louis County Health Department  
Fruitland Area Fire Protection District  
St. Charles Community College



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