

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3595S.01I
Bill No.: SB 736
Subject: Taxation and Revenue - Property; Counties; Cities, Towns and Villages; Political Subdivisions
Type: Original
Date: January 25, 2022

Bill Summary: This proposal authorizes a property tax credit as a result of certain restrictive orders.

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
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Oversight is unsure if any such restrictions are in place currently or will be enacted in future years. Therefore, Oversight has ranged the fiscal impact from \$0 to an unknown amount of property tax credits.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** note:

Section 139.305 Real Property Tax Credit

Beginning with all tax years on or after January 1, 2022, a qualified taxpayer shall be allowed a tax credit equal to a percentage of the property tax owed for the days the property is closed by a local political subdivision. A qualified taxpayer is a business located in an area that is shut-down during the tax year by a political subdivision or government entity for more than 15 days.

This proposal requires that a city or county that prohibits or restricts of the use of a taxpayer's real property will be required to give a credit on the real property tax owed for the length of the imposed prohibition or restriction. This would be a loss of revenue to the city or county that imposes such a restriction. This would not fiscally impact the Department of Revenue. Property tax is handled by the local political subdivisions and the State Tax Commission.

In response to the similar proposal, SB 100 2021, **Office of Administration – Budget & Planning (B&P)** assumed this proposal will have no direct fiscal impact on their organization.

Officials from the **Department of Health and Senior Services** and **Office of the State Auditor** both assume the proposal the proposal would have no fiscal impact on their respective organizations.

Officials from the **Department of Revenue, Department of Health and Senior Services, Office of the State Auditor** 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 above organizations.

Officials from the **State Tax Commission (STC)** assume under this proposal, if any county or city issues an order or ordinance restricting the use of real property in a county or city, then the total tax bill for any real property in the county or city would be reduced of the total real property taxes owed only to the county or city, but the real property taxes owed to the individual taxing districts, such as school districts, would not be reduced. The taxpayer would receive a credit against property taxes owed. The credit is equal to the percentage of the calendar year that the restrictions on the use of the property were in place. The act states "real property" which consists of three subclasses, residential, commercial and agricultural. The potential negative fiscal impact on counties or cities that have adopted such restrictions is unknown, however a large

urban/suburban county such as St Louis County, has a total of 391,033 parcels in the three subclasses (17,200 commercial parcels, 372,956 residential parcels and 877 agricultural parcels). Additionally the fiscal impact would be dependent on the duration, and the definition of the restriction.

In response to the similar proposal, SB 100 2021, **STC** added additional information to provide example of the proposal below:

As an example of a likely subclass (commercial) affected by restrictions, County A issues a six-month county-wide order restricting the use of real property in County A. Commercial Property Y has a market value of \$100,000 and an assessed value of \$32,000 ($\$100,000 \times .32 = \$32,000$). The tax rate in County A is 6.5%. Commercial Property Y has a total property tax liability of \$2,080 ($\$32,000 \times .065 = \$2,080$). Of that total, \$200 is the portion for property tax liabilities owed only to County A. The amount of taxes owed only to County A due to the six-month county-wide order would be \$100. Commercial Property Y has a reduced total property tax liability of \$1,980. The amount of taxes owed for the same six-month period to the taxing districts, such as the school districts, would not be reduced, but the county's amount of tax revenue would be reduced by fifty percent.

Officials from the **City of Springfield** anticipates a negative fiscal impact of an unknown amount if the City adopts orders triggering the property tax credit after January 1, 2022.

Officials from the **City of Kansas City** assumed this proposal would have a negative fiscal impact of an indeterminate amount on Kansas City.

In response to a similar proposal, SB 100 2021, officials from the **City of St. Louis Assessor's Office** stated there is not enough information to even "guestimate" the fiscal impact of this proposed legislation, but the impact could be substantial, if not exorbitant for the City. That is because the City is under many citywide ordinances that restrict or prohibit uses and occupancy on properties.

In response to a similar proposal, SB 100 2021, officials from the **City of Hale** and the **St. Clair Fire Protection District** each assumed the proposal would have a fiscal impact on their respective organizations.

In response to a similar proposal, SB 100 2021, officials from the **Newton County Health Department** assumed the impact would be the loss in revenue from any enacted ordinance that would initiate reduction in property taxes.

Oversight notes that there are no current restrictions in major metropolitan cities throughout the Missouri regarding restrictive ordinances. However throughout the 2020 and 2021 calendar years many cities and counties enacted various occupancy restriction which directly affected business throughout Missouri. Examples of such a restrictions are shown below:

Oversight notes the following cities and counties restrictions enacted on, or about, February 4, 2021(see SB 100 2021 FN):

Per the **City of Kansas City's** [website](#), the following restrictions are in place and will remain in effect until it is modified or rescinded:

- “All indoor gatherings are limited to 10 people maximum.
- Restaurants, taverns, and all other venues, including wedding and other event spaces, shall close at 10:00 PM and shall limit the number of occupants indoors to no more than 50 percent of room occupancy.
- Indoor and outdoor patrons at these facilities must be seated, and also masked at all times except when actively eating or drinking. Indoor and outdoor parties are limited to a maximum of 10 people and parties shall be spaced with no less than six feet of distance between themselves and individuals from any other parties. Operators must report any COVID cases among staff or patrons to the Department of Health.
- Masks must be worn in all indoor spaces with more than one person per room, and outdoor spaces where social distancing cannot be maintained.
- Patrons of gyms, fitness, and recreational centers, including city, school, and other publicly-owned and managed facilities, must wear masks, and are limited to no more than 50 percent capacity.”

Per the **City of Springfield's** [website](#), the following restrictions have been implemented for retail and dining facilities:

- “As of July 16, any business engaged in retail sales or personal care services to the public must limit the number of customers in any particular business or retail location at any one time to a maximum of:
- The result of the total square feet of that part of the building devoted to the subject business divided by 30 times 50%.
- Face coverings are required for both staff and patrons in areas open to the public.”

Per the **St. Louis County** [website](#), the following restrictions are in effect beginning January 4, 2021:

Businesses are subject to the following requirements:

1. All Businesses that provide goods or services to the public are limited to twenty-five percent (25%) or less of the entity's authorized fire or building code occupancy and must:
 - a. Provide employees and volunteers working in the Businesses' facility with Face Coverings or supplies to make Face Coverings; and

- b. Comply with Social Distancing Requirements, Disinfection Processes and follow any additional applicable requirements as determined by DPH and posted on stlcorona.com or specifically given to the Business related to general and Business-specific operating standards, guidelines and protocols.
2. All restaurants and Drinking Establishments are limited to twenty-five percent (25%) or less of the entity's authorized fire or building code occupancy OR are limited to the number of tables in the restaurant where individual groups are able to sit 6 feet of distance away from other individual groups, whichever is less, and must:
 - a. Close by 10 p.m. for indoor and outdoor service. Carry-out and delivery are not subject to the 10 p.m. curfew.
 - b. Provide employees and volunteers working in the Businesses' facility with Face Coverings or supplies to make Face Coverings.
 - c. Require customers to wear Face Coverings at all times they are interacting with or being served by a restaurant employee.
 - d. Comply with Social Distancing Requirements, Disinfection Processes and follow any additional applicable requirements as determined by DPH and posted on stlcorona.com related to general and Business-specific operating standards, guidelines and protocols.
 - e. Assist DPH with contact tracing when asked.
 - f. All restaurants and Drinking Establishments are encouraged to continue to provide outdoor service, carryout and delivery.
 3. Banquet facilities, hotel conference rooms and facilities, as well as other businesses that provide similar facilities are subject to the capacity limitation of 25% of the entity's authorized fire or building code occupancy OR 50 people or less if the entity's authorized fire or building code would allow 200 or more individuals. These facilities must comply with all Food Establishment Bar Operating Guidelines. All meals and drinks must be served at tables and guests must remain seated at all times in groups of 10 or less and such facilities must:
 - a. End service by 10 p.m. for indoor and outdoor services.
 - b. Provide employees and volunteers working in the Businesses' facility with Face Coverings or supplies to make Face Coverings.
 - c. Require customers to wear Face Coverings at all times they are interacting with or being served by hotel or banquet staff.
 - d. Comply with Social Distancing Requirements, Disinfection Processes and follow any additional applicable requirements as determined by DPH and posted on stlcorona.com related to general and Business-specific operating standards, guidelines and protocols.
 - e. Assist DPH with contact tracing when asked."

Oversight assumes the effective date of this proposal is January 1, 2022, with impacted revenues occurring in FY 2023 (December 2022) if any city or county decides to enact such an ordinance or restriction triggering the property tax credit. Oversight is unsure if there are currently any such restrictions in place. Oversight will show a potential loss of revenue occurring in FY 23. Oversight will show a range of impact of \$0 (no city-wide or county-wide restrictions) to an unknown loss in revenue to cities and counties that impose restrictions on the use of real property.

Oversight assumes there could be costs associated with implementing and tracking property tax credits for eligible properties if any city or county decides to enact such an ordinance or restriction triggering the property tax credit. Oversight will show a range of impact \$0 (the cost can be absorbed with existing resources) to an unknown cost to cities and counties to implement and track.

<u>FISCAL IMPACT – State Government</u>	FY 2023	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023	FY 2024	FY 2025
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> - Cities and Counties - to implement and track property tax credits - §139.305	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue (Loss)</u> - Cities and Counties - from property taxes credits in areas that impose real property restrictions - §139.305	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

Oversight assumes that if such an ordinance were to be enacted, there could be a positive fiscal impact to small businesses that are located in areas with use restrictions and receive a credit toward property taxes owed.

FISCAL DESCRIPTION

Beginning January 1, 2022, this act allows a taxpayer that is a resident of a city or county that imposes one or more restrictive orders for a combined total in excess of fifteen days in a calendar year to receive a credit against property taxes owed on such affected property. A restrictive order shall be any city-wide or county-wide ordinance or order imposed by a city or county that prohibits or otherwise restricts the use of a taxpayer's real property, including, but not limited to, occupancy restrictions, but shall not include any ordinance or order prohibiting or restricting the use of a taxpayer's real property due to a violation of a public health or safety code.

The amount of the credit shall be a percentage of the property tax liability that is equal to the percentage of the calendar year that the restrictions on the use of the property were in place, provided that the first fifteen total combined days of all such orders shall not count toward such calculation of the credit. A taxpayer shall pay his or her property taxes in full prior to submitting a statement to the county collector requesting the credit authorized by the act. Within thirty days of the receipt of such statement, the city or county shall issue the credit to the taxpayer.

A taxpayer receiving a tax credit under the act that leases or rents all or a portion of his or her affected real property to one or more other taxpayers shall distribute the tax credit on a pro rata basis to the taxpayers who are current on all lease or rental payments owed to the taxpayer receiving the credit.

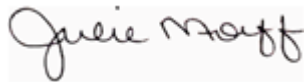
The credit authorized by this act shall only apply to real property tax liabilities owed to a city or county imposing a restrictive order, and shall not apply to property tax liabilities owed to any other taxing jurisdiction. (Section 139.305)

This act contains an emergency clause.

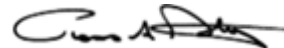
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
State Tax Commission
Office of the State Auditor
Department of Health and Senior Services
City of Springfield
City of Kansas City



Julie Morff
Director
January 25, 2022



Ross Strobe
Assistant Director
January 25, 2022