

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3183-07
Bill No.: Truly Agreed To and Finally Passed HCS for SB 676
Subject: Taxation and Revenue - Property; County Officials; Counties
Type: Original
Date: June 1, 2020

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Unknown to (\$36,385,352 to Could exceed \$36,643,180)	\$0 or Unknown to (Unknown, Could exceed \$253,054)	\$0 or Unknown to (Unknown, Could exceed \$248,279)
Total Estimated Net Effect on General Revenue	Unknown to (\$36,385,352 to Could exceed \$36,643,180)	\$0 or Unknown to (Unknown, Could exceed \$253,054)	\$0 or Unknown to (Unknown, Could exceed \$248,279)

* Oversight notes (\$36,385,352) of the fiscal impact in FY 2021 (from §§143.121 & 143.171) represents the state not collecting state income tax on the CARES Act COVID-19 federal stimulus refunds distributed in 2020. This is not a loss of current funding or a new expense, but rather a non-collection (forgone income) of a potential one-year windfall of income taxes.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 20 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

§137.115 and §138.060 Burden of Proof and Inspections

Officials from the **State Tax Commission** have reviewed the proposed legislation and notes in current law, for property assessment appeals to the boards of equalization in St Louis County, St Louis City and St Charles County, the assessor has the burden of proof that the valuation does not exceed the true market value of the property. Additionally if a physical inspection of the property is required (increase subclass (1) real property by more than fifteen percent since last assessment), the assessor has the burden to prove such inspection was performed and the property owner prevails if the requirement was not performed. This proposal extends these provisions and requirements to all counties. The fiscal impact is unknown and would be at the local (County) level on local assessment officials as said requirements will likely require the need for additional qualified appraisal staff and resources to fulfill the provisions of this proposed legislation.

Officials from the **Department of Revenue** assume section 137.115 requires physical inspections on property for property tax assessments under certain circumstances. Property tax assessments are handled by the County Assessors and the State Tax Commission and not the Department. This will not have a fiscal impact on the Department.

Section 138.060 requires that if a taxpayer has their property tax assessment increase by more than 15% then the burden of proof in an appeal shifts from the taxpayer to the Assessor. Property tax assessments are handled by the County Assessors and the State Tax Commission and not the Department. This will not have a fiscal impact on the Department.

Officials from **Office of Administration - Budget and Planning (B&P)** assume the repeal of language in Subsection 137.115.13 would broaden the physical inspection requirements from only St. Louis County to all local jurisdictions. This subsection will not have a direct impact to TSR or the calculation under Article X, Section 18(e).

Section 138.060 changes the local jurisdictions in which the assessor has burden of proof. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **Greene County Assessor's Office** assume, in order to complete the inspections and other activities created by this bill, changes in office function are required. It will be necessary to double the size of the residential appraisal staff, increase the size of the commercial staff by at least 33 percent, and add at least one support staff. The additional staff will require

ASSUMPTION (continued)

computer equipment, furniture, vehicles and associated maintenance, at least a doubling of BOE costs, and outside appraisals to prove the assessor's value is not greater than the true market value. Estimated costs below are considered to be conservative, due to the difficulty in estimating certain cost components.

Fiscal Year 2021: \$1,302,000
Fiscal Year 2022: \$1,055,000
Fiscal Year 2023: \$1,060,000

In addition, there will be lost revenue, but the amount is virtually impossible to quantify.

Officials from **Adair County Assessor's Office** assume a potential increase in work load due to the escalation of BOE appointments.

Officials from **St. Charles County Assessor's Office** assume this proposal will cost \$95,000 annually for two added field appraisers to complete increases over 15% and provide written notification.

Officials from **Howell County Assessor's Office** assume section 137.115 and 138.060 are estimated at \$700,000 for additional personnel, equipment and software and \$300,000 for legal resources and appraisal resources for defense of county valuations and procedures. In addition, revenue decreases are estimated at \$100,000 to \$2,000,000.

Officials from **Bollinger County Assessor's Office** assume section 137.115 will result in significant cost increases estimated at \$150,000 for additional personnel, equipment, software, potential legal defense and process changes. Section 138.060 will result in costs estimated at \$100,000 for appeals (very possibly could be more if it has to go beyond to the Missouri State Tax Commission). In addition, there will be an estimated \$150,000 to \$1,000,000 in revenue reductions.

Officials from **Andrew County Assessor's Office** assume now the county will have to get and pay for an appraiser for however many request it.

In response to a previous version, officials from **St. Genevieve County Assessor's Office** assumed section 137.115, the proposed language pertaining to the assessment process, mandating that all County Assessors physically inspect all property that increases more than 15% would require the County to hire additional staff. I estimate an additional cost annually between \$100,000 to \$300,000 for additional salaries and benefits. This would not include the cost of

ASSUMPTION (continued)

finding additional office space. We are currently at the maximum occupancy for our square foot of office space.

For section 138.060, I estimate the financial burden on Ste Genevieve County to be in the range from \$100,000 to \$5,000,000. Not only would we have to hire additional personnel (3-4 certified appraisers), and find additional office space, but we would also incur additional outside appraisal and legal fees. Approximately 25% of the Ste Genevieve County assessed value comes from mining, that requires a team of expert Appraisers, Attorneys, and Accountants. We have numerous "special use" properties.

The 2019 certified parcel count for Ste Genevieve County is 18,635. I do not know how the Assessor's Office could fund the "burden of proof" responsibility because of a few scenarios listed below:

- I just incurred approximately \$5000 in expenses for an appeal, that did not require an appraisal. $18,635 \times \$5000 = \$93,175,000$ if all taxpayers filed appeals.
- If 50% of the taxpayers filed an appeal that would require basic legal and appraisal fees, I estimated $18,635 \times 50\% \times \$20,000 = \$186,350,000$.
- If 15% of the Commercial taxpayers were to appeal, I estimated legal and appraisal fees at $100 \times \$50,000 = \$5,000,000$.
- There is currently one taxpayer in Ste Genevieve County that will be converting from a Chapter 100 Agreement to ad-valorem taxation. An appeal from that Company could easily cost Ste Genevieve \$1,000,000 plus in legal, accounting, and appraisal expenses.

In response to a previous version, officials from **Marion County Assessor's Office** assumed the proposed language pertaining to the assessment process, mandating that all County Assessors physically inspect all property that increases more than 15% would require the County to hire additional staff. I estimate an additional cost annually between \$100,000 to \$300,000 for additional salaries and benefits. This would not include the cost of finding additional office space. We are currently at the maximum occupancy for our square foot of office space.

I estimate the financial burden the cost this proposal would put on Marion County to be in the range from \$100,000 to \$400,000. Not only would we have to hire additional personnel (3-4 certified appraisers), and find additional office space, but we would also incur additional outside appraisal and legal fees.

The 2019 certified parcel count for Marion County is 15,874. I do not know how the Assessor's Office could fund the "burden of proof" responsibility because of a few scenarios listed below:

ASSUMPTION (continued)

- I just incurred approximately \$5000 in expenses for an appeal, that did not require an appraisal. $15,874 \times \$5000 = \$79,370,000$ if all taxpayers filed appeals.
- If 50% of the taxpayers filed an appeal that would require basic legal and appraisal fees, I estimated $15,874 \times 50\% \times \$20,000 = \$158,740,000$.
- If 15% of the Commercial taxpayers were to appeal, I estimated legal and appraisal fees at $150 \times \$40,000 = \$6,000,000$.

In response to a previous version, officials from the **Warren County Assessor's Office** stated in order to complete the inspections and other activities created by this bill, changes in office function are required. It will be necessary to double the size of the residential appraisal staff and increase the size of the commercial staff by at least 33 percent. The additional staff will require computer equipment, furniture, vehicles and associated maintenance, at least a doubling of BOE costs, and outside appraisals to prove the assessor's value is not greater than the true market value. Estimated costs below are considered to be conservative, due to the difficulty in estimating certain cost components.

Fiscal Year 2021: \$500,000 to \$1,000,000
Fiscal Year 2022: \$500,000 to \$750,000
Fiscal Year 2023: \$500,000 to \$1,250,000

Oversight notes Missouri has 2 counties and one city not in a county which are already subject to the burden of proof requirements listed in this proposal (St. Charles County, St. Louis County and the City of St. Louis). Oversight notes this proposal expands the burden of proof requirements to all counties for properties that have an increase in assessed value greater than 15%.

Oversight assumes this would extend the burden of proof requirement to an additional 112 counties in Missouri. The average salary for a certified appraiser is \$55,190 per the Missouri Economic Research and Information Center (MERIC) Occupational Employment and Wage Estimates (OES). If half of the 112 counties had to hire an appraiser at \$55,190 the cost to counties is estimated at \$3,090,640 ($\$55,190 \times 56$).

Oversight is unsure of the number of properties that have an increase in assessed value greater than 15%. Oversight assumes some counties may be required to hire more than one appraiser and/or other staff as well as additional software or equipment. Oversight will show an unknown cost for additional staff, equipment or services to meet the requirements of this proposal.

ASSUMPTION (continued)

Based on information from the Department of Revenue FY 2021 Budget Request, **Oversight** notes the State of Missouri may provide local assessment jurisdictions with up to 60% of all costs associated with implementing a two-year reassessment plan per section 137.750, RSMo. The current assessment maintenance appropriation reimburses at 50 cents on the dollar for costs associated with implementing a two-year reassessment plan until funds are depleted.

The State Tax Commission's core request is \$10,022,739 which will provide reimbursements to counties at just under \$3.00 per parcel based upon the 2018 parcel count of 3,340,913. In addition, the State Tax Commission is requesting \$31,536 as a new decision item to provide funding at \$3.00 per parcel utilizing the 2019 parcel count of 3,351,425 for FY 2021.

The median cost per parcel required to implement the statewide assessment program stands at \$18.64. The core request provides funding to pay for 13% of the actual cost required to assess property in the State of Missouri with the balance of 87% being borne by local government and public school districts.

Based on information provided in a [program evaluation](#) done by Oversight in 2015, the per parcel reimbursement rate has ranged from \$3 to \$6.20 over the previous 20 years. However, Oversight notes the \$3 dollar per parcel minimum reimbursement does not change as a result of this proposal. Therefore, Oversight will not show an impact to the state's General Revenue fund for reimbursement of increased assessment costs.

§137.385 and 138.090 Appeal Deadline

Officials from the **State Tax Commission** assume these provisions will have no fiscal impact on their organization.

Officials from **Department of Revenue** assume these provisions change when a person must file an appeal before the Board of Equalization and when the Board of Equalization will meet to review the appeals. The Boards of Equalization review property tax assessments. This will not have a fiscal impact on the Department.

Officials from the **Office of Administration - Budget and Planning** assume section 137.385 changes when appeals must be filed. Section 138.090 changes when county boards of equalization first meet each year. These provision will not impact TSR or the calculation under Article X, Section 18(e).

ASSUMPTION (continued)

Oversight assumes this proposal extends the deadline for when homeowners can file an appeal and delays the meeting date for the Board of Equalization in first class counties. Oversight will show a range of impact from \$0 to an unknown cost to local county assessors if appeals were to increase.

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

Section 143.121 and 143.171 CARES Act and Missouri Adjusted Gross Income

Officials from **Department of Revenue (DOR)** assume section 143.121 states that a taxpayer shall not include the COVID-19 economic stimulus payments distributed by the Internal Revenue Service, in their Missouri adjusted gross income (MAGI) for 2020. Currently, the Department notes that individuals who itemize their tax deductions are required to include any federal tax refunds within their MAGI. This provision would exclude refunds from the COVID-19 economic stimulus payment from this requirement.

Section 143.171 would allow taxpayers to add their COVID-19 economic stimulus payment amount back to their final federal tax due amount, for the purpose of taking the Missouri federal income tax deduction. The Department notes that typically anything that reduces federal income taxes due would also reduce the federal income tax deduction amount.

The Office of Administration - Budget and Planning and DOR used their confidential taxpayer modeling software to determine the amount of tax that would be owed if this provision were not adopted. Adopting this provision would result in a loss to general revenue of Up to \$36 million in FY 2021.

The Department would be required to add a line to the tax return and will need form and computer programming changes.

ASSUMPTION (continued)

Officials from **Office of Administration - Budget and Planning (B&P)** assume section 143.121 states that a taxpayer shall not include the COVID-19 stimulus tax credit in their Missouri adjusted gross income (MAGI). B&P notes that individuals who itemize their tax deductions are required to include any federal tax refunds within their MAGI. This provision would exclude refunds due to the COVID-19 stimulus tax credit from this requirement.

Section 143.171 would allow taxpayers to add their COVID-19 stimulus tax credit amount back to their final federal tax due amount, for the purpose of taking the Missouri federal income tax deduction. B&P notes that typically anything that reduces federal income taxes due would also reduce the federal income tax deduction amount.

Using 2017 tax year data, the most recent complete year available, and adjusting for SB 509 (2014), B&P estimates that this provision will reduce TSR and GR by up to \$36,385,352 in FY21, pending finalized IRS rules. This provision will impact the calculation under Article X, Section 18(e).

In response to a similar proposal, officials from the **Economic and Policy Analysis Research Center (EPARC)** assume the language in sections 143.121 and 143.171 would nullify the impact the CARES Act tax credits would have had on filers' calculation of their Missouri individual income tax.

Section 143.425 Taxation of Partnerships

Officials from **Department of Revenue (DOR)** assume this section, broadly speaking, sets forth reporting and payment requirements for partnerships at the individual partner and/or entity level in the event of an entity-level audit by the IRS or other federal entity-level adjustment. This new IRS partnership audit regime, under which the IRS will generally audit and make changes to partnership items at the partnership level instead of flowing the changes through to individual partners, began on January 1, 2018.

The new partnership audit regime will affect IRS audits of tax year 2018 and tax year 2019 partnership tax returns, and onwards. The new regime applies to tax years beginning after December 31, 2017 and continues indefinitely. These tax returns started getting filed in 2019. Thus, the IRS would begin auditing 2018 tax year returns, at earliest, sometime in calendar year 2019. (This ignores short tax years).

ASSUMPTION (continued)

Partnerships were also given an option to opt-in to this new audit regime early; partnerships that made the election to opt-in early could have received partnership-level adjustments as a result of an IRS audit for partnership tax years beginning on or after November 2, 2015.

This proposal would allow the Department to assess and collect taxes directly from the partnership entity following a federal audit. Without this change, the Department may be unable to collect (or refund) any taxes owed by a partnership following the findings of an audit by the IRS. This proposal is not expected to have a fiscal impact on the Department; however, it would be expected to reduce the amount of administration required to process partnership forms.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this section changes the way that partnerships are audited. The purpose of this language is to bring Missouri statute in line with IRS rules that will impact audits for tax year 2017 and after. However, due to problematic language it is unclear how this provision would impact tax returns filed by partnerships. Therefore, B&P estimates that this provision may have an unknown, likely negative, impact on TSR and GR. This provision may impact the calculation under Article X, Section 18(e).

Oversight notes, currently, DOR may adjust tax on the returns of individual partners of partnerships upon findings through amended tax(es) filed by the individual partners themselves or through Discovery programs operated by DOR. These Discovery programs receive information from the IRS in relation to adjustments made to the federal tax filings of Missouri residents. If DOR believes it to be necessary, they will adjust individual partner's Missouri tax filing(s) to reflect those changes received from the IRS and assess or refund accordingly.

The United States Congress passed the Bipartisan Budget Act (2015) which entitles the IRS to audit partnerships at the entity level rather than passing the changes on to the individual partner level. If the IRS finds that adjustments are required, the IRS will make the necessary adjustments on the partnership return rather than passing the tax on to the individual partners.

Currently, DOR is unable to perform adjustments at the partnership level deemed necessary through their Discovery programs. This proposed legislation would allow DOR to make such adjustments. Oversight notes this proposed legislation is following the changes made at the IRS level under the Bipartisan Budget Act (2015). Oversight further notes it allows DOR to continue to adjust tax returns as they have in the past, but with new methods.

ASSUMPTION (continued)

Oversight assumes without this change, DOR would no longer be able to collect the unreported changes to partnership returns recognized under DOR's Discovery programs, as they would no longer be reported at the individual (partner) level. Thus, TSR and GR could be reduced by an unknown amount.

For purposes of this fiscal note, **Oversight** will show a fiscal impact of \$0 or Unknown to (Unknown). Zero would be recognized if DOR received the additional tax assessments or made the additional tax refunds equal to the amounts in the past. Unknown would be recognized if DOR collects a greater amount of additional tax assessments due to the passage of this proposed legislation and (Unknown) would be recognized if DOR receives a lesser amount of additional tax assessments or must make a greater amount of refunds due to the passage of this proposed legislation.

Section 143.991 Terrorist Attack Victims Tax Relief

Officials from the **Office of Administration - Division of Budget & Planning (B&P)** state this proposal would exempt "specified terrorist victims" from income tax, from the year of their injury through the year of their death. A specified terrorist victim is defined as an individual who died or was injured due to the 9/11 terrorist attacks or the anthrax attacks which took place between September 2001 and December 2001.

The income tax exemption shall not include deferred compensation payments or income that would not have occurred but for actions taken on 9/11.

Based on information published by the CDC, there are 100 to 499 individuals living in Missouri and enrolled in the World Trade Center Health Program. B&P was unable to find data to the number of qualified anthrax survivors living within Missouri.

Based on data published by the U.S. Bureau of Economic Analysis the median per capita income in Missouri for 2018 was \$47,746. Therefore, B&P estimates that this proposal may exempt from \$4.8M (100 x \$47,746) to \$23.8M (499 x \$47,746) in income. However, deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 509 (2014).

ASSUMPTION (continued)

Tax Year	TY20	TY21*	TY22*	TY23*
Tax Rate	5.40%	5.30%	5.20%	5.10%
Low Estimate	\$257,828	\$253,054	\$248,279	\$243,505
High Estimate	\$1,286,564	\$1,262,738	\$1,238,913	\$1,215,088

*Assumes each SB 509 (2014) trigger is reached for rate reduction.

Therefore, B&P estimates that this proposal could reduce TSR and GR by \$257,828 to \$1,286,564 (tax year 2020 top tax rate is 5.4%) in FY21. Once SB 509 (2014) has fully implemented, this proposal could reduce TSR and GR by \$243,505 to \$1,215,088 annually.

Subdivision 143.991.3(4) would not allow individuals to receive a refund for amended returns based solely on the income exemption under Section 143.991.3.

B&P further notes that over time qualifying individuals are likely to receive more income from non-taxable sources (such as social security payments); therefore, the impacts of this proposal may decline in the future.

Oversight notes B&P estimates this proposed legislation could reduce TSR and GR by an amount equal to \$257,828 to \$1,286,564 in Fiscal Year 2021 and by an amount equal to \$243,505 to \$1,215,088 when fully implemented.

Officials from the **Department of Revenue** assume this section creates the Christopher J Bosche Memorial Act. This adds new Subsection 143.991.3, which makes the income tax provisions of Chapter 143 inapplicable to a "specified terrorist victim", which is defined as a decedent who dies as a result of the 9/11/01 terror attack, or who dies as a result of the anthrax attack between 9/11/01 and 1/1/02.

The reference to 26 USC 692(d) (3) is to income in respect of a decedent who was a victim of a terrorist act, to income that had to be recognized because of something that was done after 9/11/01. The purpose of the reference is to be complete in the types of income that is subject to this exemption.

The Department notes that the qualified taxpayer who be allowed to exempt their income from taxes in the year of their death and the previous three years (if they amend their tax returns). The Department is unable to determine how many taxpayers would qualify for this provision in any

ASSUMPTION (continued)

particular year. The Department assumes the loss to General Revenue would be minimal in any given fiscal year.

The Department assumes we can absorb any administrative costs from this provision.

In response to a similar proposal, SB 742 (2020), officials from the **University of Missouri's Economic & Policy Analysis Research Center (EPARC)** stated, if enacted, "this act (would) provide an income tax exemption for victims who die as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on September 11, 2001, or as a result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. Such income tax exempting shall apply for the period beginning in the tax year such injuries occurred and ending in the tax year of such victim's death. This act shall not apply to any individual as a participant or conspirator in any such attack or a representative of such an individual."

EPARC states EPARC does not possess the data necessary to indicate the number of filers this proposed legislation would impact and is unable to estimate the impact of the proposed legislation.

Oversight notes this proposed legislation would provide personal income tax relief to individuals who meet the definition of specified terrorist victim. Oversight notes a specified terrorist victim is defined as a decedent who dies as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on September 11, 2001 or as a result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.

Subsequently, **Oversight** assumes an individual must decrease before such individual qualifies for the exemption set forth in this proposed legislation. Therefore, Oversight assumes amended tax returns would be filed by an executor of the deceased individual.

Oversight assumes this proposed legislation would exempt, for a specified terrorist victim, income for any prior taxable year beginning with the tax year ending before the tax year in which the wounds or injury were incurred to the tax year in which falls the death of the qualified individual.

Oversight notes, for each qualifying individual, a total of more than 20 tax years **could** be amended to benefit from the exemption set forth at the time this proposed legislation is enacted

ASSUMPTION (continued)

on August 28, 2020 (beginning in the tax year ending before the taxable year in which the wounds or injury were incurred (2001) to Tax Year 2020). Oversight assumes the number of tax years that **could** be amended to benefit from the exemption set forth could increase each year qualifying individuals remain alive.

However, **Oversight** notes Section 143.801 provides that no taxpayer shall be entitled to a refund in which such refund claim is filed in excess of three years from the time the return was filed (due) or two years from the time the tax was paid.

Therefore, **Oversight** assumes, for each qualifying individual, a total of 3 tax years **could** be amended to benefit from the exemption set forth at the time this proposed legislation is enacted on August 28, 2020.

Oversight notes, though, this proposed legislation excludes from the exemption set forth any amount of tax imposed which would be computed by only taking into account the items of income, gain, or other amounts determined to be taxable under 26 U.S.C. Section 692(d)(3), as amended.

Oversight is unable to determine how many qualifying taxpayers have deceased or will become deceased in specific future years. Furthermore, Oversight is unaware of the qualifying individuals' income that would become exempt under this proposed legislation.

Oversight notes the State of Connecticut allows for a similar exemption. However, Connecticut's law allows for an exemption of income tax to specified terrorist victims only in the taxable year in which falls the date of his or her death.

New York allows for an income tax exemption for Tax Year 2000 and all later tax years up to and including the year of the death of an individual, as a result of the September 11, 2001 terrorist attacks.

New Jersey allows an exclusion for income of victims who died as a result of the September 11, 2001 terrorist attacks which applies for Tax Year 2000 and all later years up to and including the year of death.

For purposes of this fiscal note, **Oversight** will report a revenue reduction using a range beginning with \$0 "Up to" the estimates provided by B&P and ending with a negative Unknown.

ASSUMPTION (continued)

Bill As A Whole

Officials from the **Department of Conservation, Department of Social Services, Missouri Department of Transportation, Department of Commerce and Insurance, Department of Natural Resources, and Department of Public Safety - Missouri State Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from **Office of the State Auditor** assume this proposal should have no fiscal impact on the SAO. Any impact can be absorbed through current appropriations.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Revenue Reduction</u> - DOR - CARES Act Stimulus Payments and MAGI (143.121 & 143.171)	(Up to \$36,385,352)	\$0	\$0
<u>Revenue</u> - DOR - change in assessments of partnership returns (143.425)	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown
<u>Revenue Reduction</u> - Income tax exemption for specified terrorist victims (143.991)	\$0 or up to (\$257,828) to (Unknown)	\$0 or up to (\$253,054) to (Unknown)	\$0 or up to (\$248,279) to (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Unknown to (\$36,385,352 to Could exceed \$36,643,180)	\$0 or Unknown to (Unknown, Could exceed \$253,054)	\$0 or Unknown to (Unknown, Could exceed \$248,279)

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> - Physical Inspections and Burden of Proof Requirements for increases greater than 15% (137.115.1 & 138.060)	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - County Assessors - additional staff costs to adhere to the new deadlines (137.385 & 138.090)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT - Small Business

This proposed legislation could impact any small business whose Missouri partnership return is adjusted due to adjustments made at the federal level. The impact to small businesses could be negative if the changes require an additional assessment of tax or the impact could be positive if the changes require a refund to be issued to the small business. (Section 143.425)

FISCAL DESCRIPTION

PROPERTY TAX ASSESSMENTS

Current law requires the St. Louis County Assessor to conduct a physical inspection of residential real property prior to increasing the assessed valuation of a property by more than fifteen percent since the last assessment, and requires written notification of such inspection. This amendment applies such provision to all counties. (Section 137.115)

This provision is identical to a provision contained in SS#2/SB 704 (2020).

For property tax assessments and appeals of such assessments, current law provides that, in first class counties, taxpayers shall appeal to the county board of equalization by the third Monday in June and the county board of equalization shall meet on the first Monday in July. This act modifies such deadlines to provided that taxpayers shall appeal to the county board of equalization by the second Monday in July, and the county board of equalization shall meet on the third Monday in July.

This provision is similar to a provision contained in SS#2/SB 704 (2020).

For property assessment appeals to the boards of equalization in the City of St. Louis, St. Charles County, and St. Louis County, current law provides that the assessor shall have the burden to prove that the valuation does not exceed the true market value of the property. Additionally, if a physical inspection of a property is required for assessment, the assessor shall have the burden to prove that such inspection was performed. If the assessor fails to provide sufficient evidence that the inspection was performed, the property owner shall prevail on the appeal as a matter of law.

This amendment applies such provisions to appeals in all counties for which the increase in assessed valuation for the subject property exceeds fifteen percent. (Section 138.060)

This provision is substantially similar to a provision contained in SS#2/SB 704 (2020).

FISCAL DESCRIPTION (continued)

INCOME TAXES

Current law allows a taxpayer to deduct from his or her Missouri adjusted gross income a portion of his or her federal income taxes paid. This amendment provides that federal income tax credits received under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act shall not be considered when determining the amount of federal income tax liability allowable as a deduction under current law. (Section 143.171)

Current law also requires taxpayers who itemize deductions to include any federal income tax refund amounts in his or her Missouri adjusted gross income if such taxpayer previously claimed a deduction for federal income tax liability on his or her Missouri income tax return. This amendment provides that any amount of a federal income tax refund attributable to a tax credit received under the CARES Act shall not be included in the taxpayer's Missouri adjusted gross income. (Section 143.121)

These provisions are identical to provisions contained in SS#2/SB 704 (2020).

TAXATION OF PARTNERSHIPS

This act requires taxpayers in a partnership to report and pay any tax due as a result of federal adjustments from an audit or other action taken by the IRS or reported by the taxpayer on an amended federal income tax return. Such report shall be made to the Department of Revenue on forms prescribed by the Department, and payments of additional tax due shall be made no later than 180 days after the final determination date of the IRS action, as defined in the act.

Partners and partnerships shall also report final federal adjustments as a result of partnership level audits or administrative adjustment requests, as defined in the act. Such payments shall be calculated and made as described in the act. Partnerships shall be represented in such actions by the partnership's state partnership representative, which shall be the partnership's federal partnership representative unless otherwise designated in writing.

Partners shall be prohibited from applying any deduction or credit on any amount determined to be owed under this act.

The Department shall assess additional tax, interest, and penalties due as a result of federal adjustments under this act no later than three years after the return was filed, as provided in current law, or one year following the filing of the federal adjustments report under this act. For

FISCAL DESCRIPTION (continued)

taxpayers who fail to timely file the federal adjustments report as provided under this act, the Department shall assess additional tax, interest, and penalties either by three years after the return was filed, one year following the filing of the federal adjustments report, or six years after the final determination date, whichever is later.

Taxpayers may make estimated payments of the tax expected to result from a pending IRS audit. Such payments shall be credited against any tax liability ultimately found to be due. If the estimated payments made exceed the final tax liability, the taxpayer shall be entitled to a refund or credit for the excess amount, as described in the act.

The provisions of this act shall apply to any adjustments to a taxpayer's federal taxable income or federal adjusted gross income with a final determination date occurring on or after January 1, 2021. (Section 143.425)

This provision is identical to SCS/SB 220 (2019), is substantially similar to HB 477 (2019) and a provision contained in SS#2/SB 704 (2020), and is similar to SB 897 (2018).

TERRORIST ATTACK VICTIMS TAX RELIEF

This act provides an income tax exemption for victims who die as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on September 11, 2001, or as a result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. Such income tax exemption shall apply for the period beginning in the tax year such injuries occurred and ending in the tax year of such victim's death.

The tax exemption provided by this act shall not apply to the amount of any tax imposed which would be computed by only taking into account the items of income, gain, or other amounts determined to be taxable under federal law, as described in the act.

This act shall not apply to any individual as a participant or conspirator in any such attack or a representative of such an individual.

Provisions in current law requiring a claim for refund to be filed within three years from the time the return is filed shall not apply to refunds claimed pursuant to this act. (Section 143.991)


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
Department of Revenue
Office of Administration - Budget and Planning
Department of Conservation
Department of Public Safety - Missouri State Highway Patrol
Department of Social Services
Missouri Department of Transportation
Department of Commerce and Insurance
Department of Natural Resources
Office of the State Auditor
Joint Committee on Administrative Rules
Office of the Secretary of State
Greene County Assessor's Office
Ste. Genevieve County Assessor's Office
Howell County Assessor's Office
Marion County Assessor's Office
Bollinger County Assessor's Office
Warren County Assessor's Office
Adair County Assessor's Office
Andrew County Assessor's Office



Julie Morff
Director
June 1, 2020



Ross Strope
Assistant Director
June 1, 2020