COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

**FISCAL NOTE**

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

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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 | Fully Implemented (FY 2025)** |
| 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) | $0 or Unknown to (Unknown, Could exceed $8,847,000) |
| **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) | *$0 or Unknown to (Unknown, Could exceed $8,847,000) |

* 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 to the state.

** Oversight notes FY 2025 represents a continuation of existing sales tax exemptions that are currently set to expire December 31, 2023.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 32 pages.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | | |
|---|---|---|---|---|
| FUND AFFECTED | FY 2021 | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
| Blind Pension Fund | $0 | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) |
| Conservation Commission (0609)* | $0 | $0 | $0 | Could exceed ($161,131) |
| Parks, Soil, & Water (0613 & 0614)* | $0 | $0 | $0 | Could exceed ($128,905) |
| Aviation Trust Fund (0952)* | $0 | $0 | $0 | $4,979,858 |
| School District Trust (0688)* | $0 | $0 | $0 | Could exceed ($1,289,047) |
| **Total Estimated Net Effect on Other State Funds*** | **$0** | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) | **Less than $3,300,775** |

* Oversight notes this represents a continuation of existing sales tax exemptions that are currently set to expire December 31, 2023.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | | |
|---|---|---|---|---|
| FUND AFFECTED | FY 2021 | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
| | | | | |
| | | | | |
| **Total Estimated Net Effect on All Federal Funds** | **$0** | **$0** | **$0** | **$0** |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | | |
|---|---|---|---|---|
| FUND AFFECTED | FY 2021 | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
| | | | | |
| | | | | |
| **Total Estimated Net Effect on FTE** | **0** | **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 | Fully Implemented (FY 2025) |
| **Local Government** | **(Unknown)** | **(Unknown, Could exceed $200,000)** | **(Unknown, Could exceed $200,000)** | ***(Unknown, Could exceed $12,00,000)** |

* Oversight notes this represents a continuation of existing sales tax exemptions that are currently set to expire December 31, 2023.

# FISCAL ANALYSIS

## ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner and performed limited analysis due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information or on information regarding a previous version of the proposal. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

§137.010 & 137.122 Property Used for Transportation or Storage of Liquid and Gaseous Products

Officials from the **State Tax Commission** assume this proposal reclassifies stationary property used for transportation or storage of liquid and gaseous products, including petroleum products, natural gas, water and sewage from real to tangible personal property and the provisions of law relating to depreciable tangible personal property would be applied to the above mentioned. This will have an unknown fiscal impact on counties, cities, school districts who rely on property taxes as revenue, as real property does not depreciate in the same manner as tangible personal property.

The act modifies the definition of original cost for the purposes of depreciable tangible personal property and places this property under a depreciation schedule provided in 137.122.This may result in unknown lower assessments and revenue for those counties, school districts etc with a tax situs for said property and equipment.

Officials from **Department of Revenue (DOR)** assume this proposal changes the definition of stationary property used for transportation or storage of liquid and gaseous products including, to be considered tangible personal property. This change to the definition would impact how these items are assessed in the future. However, the Department would not be impacted as we do not handle property taxes.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal may impact total state revenues (TSR). This proposal may impact the calculation under Article X, Section 18(e).

Section 137.010 would move stationary property used for the transportation or storage of liquid and gaseous products, except propane or LP gas equipment, from the classification of "real property" to the classification of "tangible personal property".

ASSUMPTION (continued)

Section 137.122 details the depreciation schedule for business tangible personal property. In addition, this section would require that capitalized overhead expenses be removed from the "original cost" of personal property.

Subsection 137.122.5 would require all stationary property used for the transportation or storage of liquid and gaseous products, even such property put into place prior to January 2, 2006, to be assessed as provided under Section 137.122 beginning on January 1, 2021.

If these provisions impact the assessed value of stationary property used for the transportation or storage of liquid and gaseous products, then this proposal may impact the Blind Pension Trust Fund as well as local property tax funds. Therefore, B&P estimates that this proposal may impact TSR and the Blind Pension Trust Fund.

Officials from the **Department of Commerce and Insurance** assume the proposal would have no fiscal impact on their organization.

In response to a similar proposal, SB 785 (2020), officials from the **Department of Commerce and Insurance** stated changes in the amount of property taxes payable by natural gas utilities due to this reclassification may have an impact on customer rates of an unknown magnitude.

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

Officials from **Ste. Genevieve County Assessor's Office** assume section 137.110 states stationary property used for the transportation or storage of liquid and gaseous products including, but not limited to, petroleum products, natural gas, water and sewage should not be considered tangible personal property. Ste Genevieve County stands to lose no less than $80,000 annually in taxes.

Officials from the **Howell County Assessor's Office** assume section 137.010 revenue decreases of $50,000 to $100,000.

Officials from **Warren County Assessor's Office** assume this proposal would result in a loss of revenues of $3 million to $5 million to all taxing jurisdictions due to the provisions that change the classification of gas utility, petroleum, water and sewage from real estate to personal property. Additionally, the loss in revenue is unknown due the provisions that provide the taxpayer to provide the estimated true value in money of depreciable tangible personal property.

ASSUMPTION (continued)

In response to a similar proposal, HB 1907 (2020), officials from the **Office of the State Auditor** assumed the proposal would have no fiscal impact on their organization.

In response to a similar proposal, HB 1907 (2020), officials from **St. Louis County** assumed this legislation would have a negative fiscal impact. It would impact the way that Missouri American Water and Spire/Laclede Gas report their non-parcel real estate. In the past two years, that has been as follows:

| MAWC | TAXES: | SURCHARGE: |
|---|---|---|
| 2018 | $13,360,021.05 | $2,062,162.56 |
| 2019 | $14,583,931.32 | $2,314,595.90 |
| | | |
| SPIRE | | |
| 2018 | $7,637,913.03 | $1,172,518.90 |
| 2019 | $7,034,256.97 | $1,124,358.75 |

The foregoing would now all be assessed as "personal property", and would be depreciated using the MACRS Table, which is either a seven or fifteen year depreciation schedule. In the long term, this could have an important impact on revenue to St. Louis County and other counties.

In response to a similar proposal, HB 1907 (2020), officials from **Boone County** assumed this proposal would cost the taxing entities of Boone County, Missouri $1,600,000 annually. The 2019 assessed value of Ameren's natural gas distribution system in Boone County defined as real property is $43,317,691. If these assets had been classified as personal property, the assessed value would have been $20,677,481. Real property is subject to a 0.61 surtax in Boone County. Personal property is not subject to the 0.61 surtax per one hundred dollars of assessed valuation.

In response to a similar proposal, HB 1907 (2020), officials from **Clay County Assessor's Office** assumed this proposal would cost the county of Clay about ½ of the value for personal property or about $194,500,000 of assessed value with the verbiage of Capital expenditures.

In response to a similar proposal, HB 1907 (2020), officials from the **St. Francis County Assessor's Office** stated that any kind of tank we have assessed as real estate could be changed to personal property. Some of the tanks we have date back to 1960. I feel it would be a hardship to the taxpayer for us to request the information needed to add them to personal property using the MACRS tables.

ASSUMPTION (continued)

Based on an average tax levy of $5.00 plus the additional surtax of 20 cents St. Francois County would collect an estimated $14,628.12 with tanks assessed as real estate. If tanks are assessed as personal property the estimated collections would be $3,344.35 based on an average levy of $5.00 (with no surtax).

**Oversight** assumes this proposal reclassifies certain property from real property to tangible personal property that is now subject to a depreciation schedule. This proposal also removes capital overhead expenses from the definition of original cost. Oversight assumes this proposal could lower assessed values and subsequent tax revenues. In addition, some counties indicated that personal property was not subject to a surtax which would also result in lower tax revenues.

However, **Oversight** notes local property tax revenues are 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.

However, 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 (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 there are over 2,500 tax entities with 4,000 different tax rates. Of those entities, 3,155 tax rate ceilings are below the entities' statutory or voter approved maximum tax rate and 929 tax rate ceilings are 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.)

**Oversight** assumes this proposal could result in lower assessed values and subsequent tax revenues; therefore, Oversight will show an unknown negative impact to the Blind Pension Fund and local political subdivisions.

Although the effective date of this proposal, if passed, would be FY 2021 (August 2020), this would be midway through the assessment year; therefore, **Oversight** assumes this proposal would likely take effect the following calendar year, 2021, with impacted revenues occurring in FY 2022 (December 2021).

ASSUMPTION (continued)

§137.115 and §138.060 Burden of Proof and Inspections

Officials from **State Tax Commission** has 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 the proposal will have no fiscal impact on their organization.

Officials from **Office of Administration - Budget and Planning (B&P)** assume subsection 137.115.3 changes the allowed hours of flying for historical aircraft. This could increase the number of aircraft that are eligible for a reduced property tax rate. B&P estimates that this could decrease TSR and the Blind Pension Trust Fund. This could also decrease local revenues. This subsection will impact the calculation under Article X, Section 18(e).

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 the **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 and increase the size if 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

ASSUMPTION (continued)

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: $1,251,000
Fiscal Year 2022: $1,047,000
Fiscal Year 2023: $1,051,000

Officials from **Ste. Genevieve County Assessor's Office** assume 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 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 x $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 x 50% X $20,000 = $186,350,000.
- If 15% of the Commercial taxpayers were to appeal, I estimated legal and appraisal fees at 100 x $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.

ASSUMPTION (continued)

Officials from **Howell County Assessor's Office** assume section 137.115 would cost $350,000 for additional personnel, equipment and software and $150,000 for legal resources and appraisal resources for defense of county valuations. Section 138.060 would cost $2,475,000. This assumes receiving an appeal on 30% of the improved parcels in my county.

Officials from **Marion County Assessor's Office** assume 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:

- I just incurred approximately $5000 in expenses for an appeal, that did not require an appraisal. 15,874 x $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 x 50% X $20,000 = $158,740,000.
- If 15% of the Commercial taxpayers were to appeal, I estimated legal and appraisal fees at 150 x $40,000 = $6,000,000.

In response to a similar proposal, officials from **Bollinger County Assessor's Office** assume the provisions proposed pertaining to the assessment process provide for all County Assessor's to physical inspect all property within a jurisdiction that change more than 10% regardless of new construction or improvements.

This will not only increase burden of additional staff requirements and creates a change in the function/s and job description of the Assessors' office. However, is also an unfunded mandate. Bollinger County would have to increase staff by three, certified/license appraisers and transportation and/or mileage reimbursement increases. I estimate it will cost my office each year an additional $150,000 to $300,000 per year to physically inspect each parcel within my jurisdiction that increase more than 10%.

ASSUMPTION (continued)

Officials from the **Warren County Assessor's Office** state 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 * 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.

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

ASSUMPTION (continued)

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 General Revenue fund for reimbursement of increased assessment costs.

**Oversight** received a limited number of responses from counties 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 the necessary approval to publish a new fiscal note.

**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.

§137.115.3 Historic Aircraft

Officials from **State Tax Commission** estimate the fiscal impact to local jurisdictions (school districts, cities, counties etc) to be a loss of zero to $60,000 .The change regarding non-commercial aircraft, twenty five years old, from fifty (current law) to two hundred hours per year could have a fiscal impact on local taxing jurisdictions. The agency does not have exact data of how many of the 921 (2020) aircraft in Missouri are within this criteria and threshold, however in (2016) HB 2784 (which did not become law) changed the number of hours to two hundred and fifty, the agency calculated the fiscal impact of that change to be up to $90,000 to local taxing jurisdictions.

Officials from **Office of Administration - Budget and Planning (B&P)** assume subsection 137.115.3 changes the allowed hours of flying for historical aircraft. This could increase the number of aircraft that are eligible for a reduced property tax rate. B&P estimates that this could

ASSUMPTION (continued)

decrease TSR and the Blind Pension Trust Fund. This could also decrease local revenues. This subsection will impact the calculation under Article X, Section 18(e).

Officials from the **Department of Commerce and Insurance** assume the proposal will have no fiscal impact on their organization.

In response to a similar proposal, HB 1284 (2020), officials from the **Missouri Department of Transportation** assumed the proposal would have no fiscal impact on their organizations.

In response to a similar proposal, HB 1284 (2020), officials from **Perry County Assessor's Office** assume the reduction in assessment percentage of the aircraft due to this proposed bill would result in a tax revenue loss of approximately $1900 per year.

§137.385 and 138.090 Appeal Deadline

Officials from the **State Tax Commission** and **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations.

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 board of equalizations first meet each year. These provision will not impact TSR or the calculation under Article X, Section 18(e).

**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** received a limited number of responses from counties 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 the necessary approval to publish a new fiscal note.

**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.

ASSUMPTION (continued)

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 stimulus tax credit in their Missouri adjusted gross income (MAGI). 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 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. The Department notes that typically anything that reduces federal income taxes due would also reduce the federal income tax deduction amount.

B&P 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.

Officials from **Office of Administration - Budget and Planning** 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

ASSUMPTION (continued)

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 the proposed legislation, 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).

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.

Changes were made in this proposal which make it unclear how the partnerships will file their returns. The impact is unknown but expected to be a loss to General Revenue.

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).

ASSUMPTION (continued)

**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.

**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

Officials from the **Office of Administration - Division of Budget & Planning (B&P)** state this proposed legislation would exempt specified terrorist victims from income tax beginning with the year of their injury through the year of the individual's death. B&P notes 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.

ASSUMPTION (continued)

B&P notes the exemption proposed would not include deferred compensation payments or income that would not have occurred but for actions taken after 9/11.

B&P notes, 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.

B&P further notes, 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 $4.8 million (100 x $47,746) to $23.8 million (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).

| 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.

B&P estimates that this proposal could reduce Total State Revenue (TSR) and General Revenue (GR) by $257,828 to $1,286,564 (tax year 2020 top tax rate is 5.4%) in Fiscal Year 2021. 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.

ASSUMPTION (continued)

Officials from the **Missouri Department of Revenue (DOR)** assumes this proposal adds a 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 is unable to determine how many taxpayers would qualify for this provisions. The Department assumes the loss to General Revenue would be minimal.

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 decease 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.

ASSUMPTION (continued)

**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 21 tax years **could** be amended to benefit from the exemption set forth at the time this proposed legislation is enacted on August 28, 2020 (beginning in the tax year ending before the taxable year in which the wounds or injury were incurred (2000) 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,

ASSUMPTION (continued)

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.

Section 144.805 Aviation Jet Fuel

Officials from **Department of Revenue (DOR)** assumed his proposal would extend the sunset date on the aviation jet fuel tax in Section 144.805 and the sales tax exemption on the purchase or storage by a common carrier of tangible personal property. These items are to sunset on December 31, 2023 and this proposal is extending them to December 31, 2033. The extension of the sunset date will not fiscally impact the Department.

For informational purposes, DOR is submitting the amount collected each of the last four years from the aviation jet fuel tax in Section 144.805.

| | |
|---|---|
| FY 2015 | $4,823,355 |
| FY 2016 | $4,663,184 |
| FY 2017 | $3,889,020 |
| FY 2018 | $6,543,872 |

**Oversight** notes this proposal would continue to exempt jet fuel from state sales and use tax and local sales tax after the first $1.5 million in state sales and use tax is paid. Aviation jet fuel for federal grant recipients, airports that have been approved for federal grant funds or which are otherwise eligible to apply for federal grant funds, would be exempt from local sales and use tax, at the rates that were in effect December 30, 1987.

Oversight Estimation of Forgone Sale and Use Tax Collection
The average sales tax collection by DOR between FY 2015 and FY 2018 was $4,979,858.

Per U.S. Energy Information Administration the average purchase of jet fuel in Missouri between FY 2015 and FY 2018 was $ 294.9 Million.

The average annual cost to the state is estimated as follows (on $294.9 million of jet fuel sales):

ASSUMPTION (continued)

| Tax | Potential collection | Actual collection | Difference (forgone tax) |
|---|---|---|---|
| 3% GR Sales Tax | $8,847,000 | $0 | ($8,847,000) |
| Aviation Trust Fund | $0 | $4,979,858 | $4,979,858 |
| 1% School District Trust | $2,949,000 | $1,659,953 | ($1,289,047) |
| .1 % Park, Soil, Water | $294,900 | $165,995 | ($128,905) |
| .125% Conservation | $368,625 | $207,494 | ($161,131) |
| **Total Tax** | **$12,459,525** | **7,013,300** | **($5,446,225)** |

**Oversight** used above calculation to estimate the annual Local Sale tax loss as follows:

**Oversight** notes roughly the average local rate of sales & use tax percentage in Saint Louis Lambert International Airport (Lambert) and Kansas City International Airport (KCI) is 4.4 %. Therefore, Oversight will show fiscal impact to local political subdivisions as $11.8 M (294 M (Avg. Jet Fuel Purchase) x 4.4%).

**Oversight** notes DOR indicated they did not anticipate a reduction in funding from section 144.807, relative to what is currently collected, because the department is collecting $0 revenue due to the exemption in current law. However, Oversight considers the extension of a sunset date as having an impact because the baseline of current law assumes the exemption would cease and the money would have been collected if not for this bill. Therefore, Oversight will show an unknown negative fiscal impact to General Revenue for the extension of the sales tax exemption authorized in Section 144.807.

**Oversight** has estimated the loss to political subdivisions as shown above for exempting aviation jet fuel used or consumed at airports which are recipients of federal grant funds, or have applied for or been approved for federal grant funds, from local sales and use tax, at the rates that were in effect December 30, 1987. Oversight assumes this proposed legislation would extend an existing provision by removing or changing the expiration date. Oversight also assumes that removing or changing the expiration date would extend any fiscal impact associated with the existing provision. Therefore, Oversight will include an estimated impact in this fiscal note. Officials from the **Department of Transportation**, **Department of Natural Resources**, and **Missouri Department of Conservation** each defer to the DOR to estimate the fiscal impact of the proposed legislation on their respective organization.

ASSUMPTION (continued)

Officials from **Department of Natural Resources (DNR)** assume extending the sales tax exemption for aviation jet fuel could decrease the future amount of incoming revenues available in the Parks and Soils Sales Tax Funds for long term operation of Missouri's state parks and historic sites as well as assistance to agricultural landowners through volunteer programs. The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, the sales tax exemption could result in an unknown loss to the Parks and Soils Sales Tax Funds. 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 proposal, officials from **Department of Conservation (DOC)** assumed the proposal would have an unknown fiscal impact but greater than $100,000. 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.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this section would extend the sunset date from 2023 to 2033 for the aviation jet fuel sales tax exemption. B&P notes that since this is only a sunset extension this provision will not impact TSR or the calculation under Article X, Section 18(e).

**Oversight** notes that DOR’s and B&P’s assumptions do not include forgone sales and use tax effects on each department’s funds; therefore, Oversight will note the loss of revenue calculated above to MDC’s and DNR’s organizations as calculated within the Oversight assumption for purpose of this fiscal note.

Bill as a whole
Officials from **Department of Public Safety-Missouri Highway Patrol** assume the proposal will not have fiscal impact to their respective organizations.

Officials from **Perry County Assessor’s Office** assume revenue could decrease if limited on time to complete assessments due to being understaffed. Allowing capitalized overhead expenses to be removed from original costs along with moving certain property now assessed as real-estate to personal property will add to the loss in revenue. Losses could range from $10000 to $100,000 or more.

ASSUMPTION (continued)

Additional staff may cost between $50,000 and $100,000 to complete assessments at an earlier date, requiring notification to property owner regarding inspections and longer inspection times.

Officials from **Washington County Assessor's Office** assume the proposed language would add approximately $350,000 per year unfunded mandate to the expense of the Washington County Assessor's Office.

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.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

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.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

| FISCAL IMPACT - State Government | FY 2021 (10 Mo.) | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
|---|---|---|---|---|
| **GENERAL REVENUE** | | | | |
| Revenue Reduction - DOR - §§143.121 & 143.171 - CARES Act Stimulus Payments and MAGI) p. 14 | (Up to $36,385,352) | $0 | $0 | $0 |
| Revenue - DOR - change in assessments of partnership returns (143.425) p. 16 | $0 or (Unknown) to Unknown | $0 or (Unknown) to Unknown | $0 or (Unknown) to Unknown | $0 or (Unknown) to Unknown |
| Revenue Reduction - Income tax exemption for specified terrorist victims (143.991) p. 17-20 | $0 or up to ($257,828) to (Unknown | $0 or up to ($253,054) to (Unknown) | $0 or up to ($248,279) to (Unknown) | $0 or (Unknown) |
| Loss - Jet Fuel Tax Sales Exemption (144.805) p. 21 | $0 | $0 | $0 | ($8,847,000) |
| Loss - Jet Fuel Storage Exemption (144.807) | $0 | $0 | $0 | (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)** | **Unknown to (Unknown, Could exceed $8,847,000)** |

| FISCAL IMPACT - State Government | FY 2021 (10 Mo.) | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
|---|---|---|---|---|
| **BLIND PENSION FUND** | | | | |
| Revenue (Loss) - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule §137.010 & 137.122 p. 7 | $0 | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) |
| Revenue (Loss) - loss of tax revenue from excluding capital expenditures from the definition of original cost - §137.122 p. 7 | $0 | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) |
| **ESTIMATED NET EFFECT ON THE BLIND PENSION FUND** | **$0** | **(Unknown, Could exceed $100,000)** | **(Unknown, Could exceed $100,000)** | **(Unknown, Could exceed $100,000)** |

| FISCAL IMPACT - State Government | FY 2021 (10 Mo.) | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
|---|---|---|---|---|
| **CONSERVATION COMMISSION FUNDS** (0609) | | | | |
| Loss - Jet Fuel Sales Tax Exempt (144.805) p. 21 | $0 | $0 | $0 | ($161,131) |
| Loss - Jet Fuel Storage Exemption (144.807) | $0 | $0 | $0 | (Unknown) |
| **ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUNDS** | **$0** | **$0** | **$0** | **(Could exceed $161,131)** |
| | | | | |
| **PARK, SOIL, WATER FUND (0613 & 0614)** | | | | |
| Loss - Jet Fuel Sales Tax Exempt (144.805) p. 21 | $0 | $0 | $0 | ($128,905) |
| Loss - Jet Fuel Storage Exemption (144.807) | $0 | $0 | $0 | (Unknown) |
| **ESTIMATED NET EFFECT ON PARK , SOIL AND WATER FUNDS** | **$0** | **$0** | **$0** | **(Could exceed $128,905)** |

| FISCAL IMPACT - State Government | FY 2021 (10 Mo.) | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
|---|---|---|---|---|
| **AVIATION TRUST FUND (0952)** | | | | |
| Income - Continuation of Direct Payments (144.805) | $0 | $0 | $0 | $4,979,858 |
| **ESTIMATED NET EFFECT ON AVIATION TRUST FUND** | **$0** | **$0** | **$0** | **$4,979,858** |
| **SCHOOL DISTRICT TRUST FUND (0688)** | | | | |
| Loss - Jet Fuel Sales Tax Exempt (144.805) | $0 | $0 | $0 | ($1,289,047) |
| Loss - Jet Fuel Storage Exemption (144.807) | $0 | $0 | $0 | (Unknown) |
| **ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND** | **$0** | **$0** | **$0** | **(Could exceed $1,289,047)** |

| FISCAL IMPACT - Local Government | FY 2021 (10 Mo.) | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
|---|---|---|---|---|
| **LOCAL POLITICAL SUBDIVISIONS** | | | | |
| Revenue (Loss) - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule §137.010 & 137.122 p. 7 | $0 | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) |
| Revenue (Loss) - loss of tax revenue from excluding capital expenditures from the definition of original cost - §137.122 p. 7 | $0 | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) | (Unknown, Could exceed $100,000) |
| Cost - Physical Inspections and Burden of Proof Requirements for increases greater than 15% §137.115.1 and 138.060 p. 8-12 | (Unknown) | (Unknown) | (Unknown) | (Unknown) |
| Cost - County Assessors - additional staff costs to adhere to the new deadlines §137.385, §138.090 p. 13 | (Unknown) | (Unknown) | (Unknown) | (Unknown) |

| FISCAL IMPACT - Local Government | FY 2021 (10 Mo.) | FY 2022 | FY 2023 | Fully Implemented (FY 2025) |
|---|---|---|---|---|
| **LOCAL POLITICAL SUBDIVISIONS Continued** | | | | |
| Loss - Jet Fuel Sales Tax Exempt (144.805) p. 21 | $0 | $0 | $0 | ($11,800,000) |
| Loss - Jet Fuel Storage Exemption (144.807) | $0 | $0 | $0 | (Unknown) |
| **ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS** | **(Unknown)** | **(Unknown, Could exceed $200,000)** | **(Unknown, Could exceed $200,000)** | **(Unknown, Could exceed $12,000,000)** |

FISCAL IMPACT - Small Business

Oversight assumes there could be a fiscal impact to small businesses as a result of changes to assessed values and tax levies. (Section 137.010 and 137.122)

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)

Small businesses that buy aviation fuel would be expected as a result of this proposal. (Section 144.805)

## FISCAL DESCRIPTION

Section 137.010 & 137.122 - Currently, stationary property used for transportation or storage of liquid and gaseous products is defined as real property. This bill redefines these items as tangible personal property and their value subject to a standardized depreciation table, as defined in the bill.

Section 137.115 & 138.060 - The proposal expands the physical inspection requirements to all counties for properties with a 15% or more increase in assessed valuation. This proposal extends the burden of proof, supported by clear, convincing evidence to sustain such valuation, will be on the assessor at any hearing or appeal of the valuation of residential real property to all counties for increases in assessed valuation of 15% or more.

Section 137.385 & 138.090 - This bill changes the deadline to appeal valuation of property to the board of equalization in first class counties from the third Monday in June to the second Monday in July (Section 137.385). The county board of equalization shall meet on the third Monday in July. (Section 138.090)

Section 143.121 and 143.171 - This proposal would exclude CARES Act tax credits from the calculation of Missouri adjusted gross income.

Section 143.425 - 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 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.

FISCAL DESCRIPTION (continued)

Section 143.991 - 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.

Section 144.805 - The bill extends, from December 31, 2023, to December 31, 2033, the expiration date of the provisions regarding the exemption for common carriers engaged in the interstate transportation of passengers and cargo on the sale of aviation jet fuel from any state and local sales and use tax if the common carrier has paid sales and use taxes applicable to the purchase, storage, or consumption of the fuel in an amount of $1.5 million in the year.

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 Commerce and Insurance
Department of Social Services
Office of the State Auditor
Missouri Department of Transportation
Department of Natural Resources
Department of Conservation
Department of Public Safety - Missouri State Highway Patrol
Joint Committee on Administrative Rules
Office of the Secretary of State
Economic & Policy Analysis Research Center

JLH:LR:OD

SOURCES OF INFORMATION (continued)

Washington County Assessor's Office
Perry County Assessor's Office
Ste. Genevieve County Assessor's Office
Howell County Assessor's Office
Clay County Assessor's Office
St. Louis County
Boone County
St. Francis County Assessor's Office
Warren County Assessor's Office
Greene County Assessor's Office
Marion County Assessor's Office
Bollinger County Assessor's Office

Julie Morff
Director
May 1, 2020

Ross Strope
Assistant Director
May 1, 2020