

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4335H.05C
 Bill No.: HCS for SS for SCS for SB Nos. 1066 & 1088
 Subject: Taxation and Revenue - Property; Property, Real and Personal; Counties
 Type: Original
 Date: April 20, 2026

Bill Summary: This proposal modifies provisions relating to the classification of certain residential real property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	Up to (\$246,286)	(\$29,989)	(\$30,739)
Total Estimated Net Effect on General Revenue	Up to (\$246,286)	(\$29,989)	(\$30,739)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

*Oversight assumes the fiscal impact could exceed the \$250,000 threshold.
 Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	(Unknown)	(Unknown) to Unknown	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency 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.

§67.496 - “Not Increasing Taxes” Language Prohibited

In response to similar legislation, HB HCS No. 2. for HB 2668 (2026), officials from the **Department of Revenue (DOR)** noted this provision restricts how increases to the tax rate can be described on the ballot. This will not fiscally impact DOR.

Oversight assumes this provision prohibits any political subdivision or election authority from advertising or describing any proposed property tax as a “no tax increase” tax proposal.

Oversight does not anticipate a fiscal impact from this provision. However, Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

§§115.240 & 115.706 - Ballot Labeling

Oversight does not anticipate a fiscal impact from these provisions. However, Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

§137.016 – Reclassification of Certain Real Property

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would classify single family short-term rental property as residential real property. B&P notes that such property is currently assessed as either commercial or mixed-use (residential and commercial). Residential real property is assessed at 19% of true market value, while commercial real property is assessed at 32% of true market value.

B&P notes that in addition to local property taxes, the Blind Pension Trust fund levies a statewide property tax of \$0.03 per \$100 value. Therefore, assessing such property as only

residential real property will likely result in lower state and local property tax collections by an unknown amount.

Officials from the **State Tax Commission** have reviewed this proposal and determined this proposal may have a negative impact on the taxing jurisdictions relying on property taxes as a source of revenue. Current statute allows assessors to assess single family homes as commercial properties if they are regular rented out for time periods less than a month, and this proposal would require assessors to assess these homes as residential property, which includes a lower rate.

The commission notes that this version of the bill contains several provisions dealing with the levy setting process and bond issues. The commission does not anticipate any increased impact from these provisions.

In response to similar legislation, HB 1768 (2026), officials from the **City of Kansas City** assumed the proposed legislation has a negative fiscal impact of \$1.4 to \$1.5 million.

Officials from the **St Louis City Assessor's Office** assumed the following fiscal impact:

Commercial tax	Residential tax	Diff in taxes
\$2,006,106	\$999,916	(\$1,006,189)

(\$1,006,189) Loss to all taxing jurisdictions
(\$201,238) Loss to City of St. Louis
(\$15,093) Loss to Collector of Revenue Fund
(\$6,289) Loss to Assessment Fund

Officials from the **County Employees' Retirement Fund** assume there is insufficient data to quantify SCS/SBs 1066 & 1088's exact impact. SCS/SBs 1066 & 1088 may have an unknown, possibly negative, fiscal impact to the County Employees' Retirement Fund. A certain portion of the moneys that are used to fund CERF are tied to the collection of property taxes. CERF notes that the amount of these revenues fluctuates from year to year.

In response to a previous version, officials from the **Adair County SB 40 DD Board** assumed a reduction in funding from personal and/or real property taxes would have a direct and significant impact on the essential supports provided by the Adair County SB40 Developmental Disability Board. SB40 funding enables the board's local system to assess community needs and sustain a coordinated network of services that currently support approximately 465 individuals with intellectual and developmental disabilities and their families across Adair County.

Officials from the **Callaway County SB 40 Board** assume Senate Bill 1066 revises statutory definitions governing the classification of real property for property tax purposes, including residential, agricultural, and commercial categories. While the bill does not alter tax rates or levy authority, changes in property classification may shift assessed valuation among subclasses with

differing assessment percentages.

Senate Bill 40 organizations, including Callaway County Special Services (CCSS), rely on levy-based property tax revenue to sustain essential community-based services for individuals with intellectual and developmental disabilities (IDD) and their families. Reclassification of property from higher-assessed commercial or industrial categories to lower-assessed residential or agricultural categories may reduce effective taxable value and slow revenue growth for local taxing entities.

Additionally, allocation of mixed-use properties across multiple subclasses may increase valuation variability and appeal activity, further affecting revenue predictability. Although the bill allows certain levy adjustments to mitigate losses, those adjustments are subject to constitutional limitations and may not fully offset long-term valuation shifts. Absent mitigation, SB 1066 may create structural fiscal pressure on levy-dependent SB40 boards by constraining revenue growth needed to keep pace with rising service demand and operational costs.

In response to a previous version, officials from the **City of Kansas City** assumed this bill will likely have a negative fiscal impact on Kansas City. The bill would require single family homes leased for a period of less than 30 days to be "residential" property, which carries a lower rate of tax per assessed value compared to commercial property. This change would likely reduce property tax revenue received from properties currently classified as commercial that would meet the requirements of a residential property under this amendment.

In response to a previous version, officials from the **High Point R-III School District** assumed a fiscal impact but did not provide any additional information.

In response to a previous version, officials from the **Department of Social Services** assumed the proposal will have no fiscal impact on their organization.

Oversight notes this provision reclassifies single family short-term rental properties as residential property.

Oversight notes according to the [Property Reassessment and Taxation Manual](#) on the MO State Tax Commission website, Real Property is currently assessed as follows:

Subclass	Rate
(1) residential	19%
(2) agricultural and horticultural	12%
(3) utility, industrial, commercial, railroad, and other property	32%

Oversight notes the reduction of assessment percentage from 32% to 19%, (approximately a 41% proportional decrease) for qualifying properties will result in a decrease in assessed value relative to current law.

Oversight is uncertain what proportion of assessed value would be reclassified under this proposal.

Oversight notes the Blind Pension Fund (1621) is calculated as an annual tax of three cents on each one hundred dollars of assessed valuation of taxable property ((Total Assessed Value/100)*.03). Because this proposal reduces the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law.

Oversight does not have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2028.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. This would be approximately a 1.0% change in the assessed value of all residential property.

Oversight notes property tax revenues are designed to be relatively revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to other property owners.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. 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 an actual loss of revenue.

§137.039 – Tax Abatements

In response to similar legislation, HB 2668 (2026), officials from the **State Tax Commission (STC)** noted this provision will have an unknown negative impact for taxing jurisdictions relying on property taxes as a source of revenue.

Currently, a taxing jurisdiction can shift part of the tax burden to other property owners outside of the tax abatement to mitigate revenue losses under the Hancock Amendment. This provision would require the taxing jurisdiction to reduce the levy and hold these property owners harmless when abatements are used.

Officials from the **County Employees' Retirement Fund (CERF)** assume this section may have a negative fiscal impact to CERF. A certain portion of the moneys that are used to fund CERF are tied to the collection of property taxes. CERF notes that the amount of these revenues fluctuates from year to year. CERF notes that there is insufficient information to quantify the exact impact but CERF assumes that the impact would be negative.

Oversight assumes this proposal requires political subdivisions to decrease the real property tax levy to reduce the amount of tax revenue such political subdivision received from the additional tax abatement revenue.

Oversight is uncertain how many taxing entities who receive tax abatement or similar incentives would need to reduce their levy under this proposal. Therefore, Oversight will show an unknown negative impact to local political subdivisions for the loss in real property tax revenue.

§137.073 - Tax Levies by Subclass

Officials from the **County Employees' Retirement Fund (CERF)** assume there is insufficient data to quantify this section's exact impact. It may result in an unknown, possibly negative, fiscal impact.

Oversight assumes this provision could result in potential redistribution of property tax revenues among subclasses. Oversight assumes the fiscal impact on local political subdivisions is dependent upon future assessed valuation growth and levy decisions. Oversight will show an unknown negative or unknown positive impact to local political subdivisions.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property $((\text{Total Assessed Value}/100)*.03)$. Because this proposal alters only components of the rate setting calculation, it does not limit the assessed value portion of this equation, therefore the Blind Pension Fund will not be impacted by this proposal.

§137.073.5.(3) – Temporary vs. Permanent Levy

Oversight assumes this provision specifies that, if the voters in a political subdivision approve a temporary levy increase prior to the expiration of a previously approved temporary levy increase, the new tax rate ceiling will remain in effect only until the temporary levy increase expires under the terms originally approved by a vote of the people. At that time, the tax rate ceiling will be decreased by the amount of the temporary levy increase unless voters of the political subdivision are asked to approve an additional permanent increase and such increase is approved.

Oversight does not anticipate a fiscal impact from this proposal. Therefore, Oversight will reflect a zero impact in the fiscal note.

§137.073.5(6) - Voter-Approved Increased Tax Rate Ceiling

Oversight assumes this provision clarifies the treatment of voter-approved increases to property tax rate ceilings. Oversight assumes this provision does not mandate a tax increase; it only governs the treatment of rates already approved by voters. Therefore, Oversight does not anticipate a fiscal impact from this proposal. Therefore, Oversight will reflect a zero impact in the fiscal note.

§137.079 – Single Tax Rate Requirement

Oversight assumes this provision modifies levy certification procedures. Oversight does not anticipate a fiscal impact from this proposal. Therefore, Oversight will reflect a zero impact in the fiscal note.

§137.115 – Requirements for Subclass (3) Real Property

Officials from the **City of St. Louis Assessor's Office** state this change is not practical and do not comport with real estate valuation norms. Real Estate professionals are aware that residential and commercial property valuation are different and unique disciplines – the same rules do not apply to one as it does to the other.

The requirement that there be sales of at least 3 comparable properties may not be possible for some property types (casinos, data centers, stadiums, arenas, natural or petroleum gas storage, etc.) Additionally, for some commercial sales, like hotels and motels, the sales prices include business value and personal property value and would overstate the value to the land and buildings if required to be used.

Furthermore, sales of commercial properties are rarely within a mile of each other. Many property types may be the only one in a jurisdiction (casino, data center) or may be spread out in location and not typically grouped together (malls, grocery, veterinary, etc.) There have been many professional appraisals provided to assessors on specialty properties where sales comparisons come from the Midwest region or from elsewhere in the continental states. The requirement to be with 500 sq.ft. in size would likely result in no comparable sales being applied to any commercial property. When dealing with a 100,000 sq.ft. warehouse, comparables of anywhere from 50,000 to 150,000 or more might be used. For large offices of 500,000 sq.ft., comparables may range in size from 250,000 sq.ft. to 1,000,000 sq.ft. Because commercial properties are often tens of thousands of square feet, it would be very difficult, if not almost impossible, to meet this requirement.

The sales approach is not always used, nor is it always the best indicator of value for commercial property. The Income Approach is used in many commercial valuations because it is more relevant to market value in many cases, such as office buildings, retail property, many industrial and warehouse properties, hotels and motels, and many others. Requiring sales information for property that is more appropriately valued by the income approach will have a negative effect on the assessment process in Missouri.

Additionally, officials from the **City of St. Louis Assessor's Office** assume this provision requires physical inspections on subclass (3) real property which would require one to two additional employees at \$65,000 per employee for a total cost of \$130,000.

Oversight will show an unknown cost to local political subdivisions to meet the requirements of this provision.

§137.115 - Repeal of Opt-Out Provisions from HB 1150 (2002) and SB 960

Officials from **County Employees' Retirement Fund** assume there is insufficient data to quantify this section's exact impact. It may result in an unknown, possibly negative, fiscal impact.

Oversight assumes this provision repeals several opt-out provisions including setting separate levies to be calculated for each subclass of real property, tax rate ceilings, blended tax rates, and tax rate calculations.

Oversight assumes jurisdictions that previously opted out may experience shifts in tax burden among property subclasses and/or changes in effective levy rates. Therefore, Oversight will show an unknown revenue impact to local political subdivisions beginning in FY 2027.

§137.1050.6 - Senior Citizen Homestead Tax Credit Eligibility

Officials from the **City of St. Louis Assessor's Office** notes this changes the Senior Tax Freeze Credit to apply to all taxing jurisdictions; currently only the City taxes are frozen. The current credit for the City only is \$520,121. The credit if applied to all taxing jurisdictions is estimated at \$2,600,605. The difference in taxes is noted below:

(\$2,080,484)	Loss to all taxing jurisdictions
(\$0)	Loss to City of St. Louis
(\$31,207)	Loss to Collector of Revenue Fund
(\$13,003)	Loss to Assessment Fund

In response to similar legislation, HCS for HB 2944 (2026), officials from the **Office of Administration – Budget & Planning (B&P)** assumed this proposal will not impact:

- TSR
- The calculation under Article X, Section 18(e)
- B&P.

In response to similar legislation, HCS for HB 2944 (2026), officials from the **Department of Revenue (DOR)** noted this is the property tax credit administered by the counties and not DOR. Therefore, no impact on DOR.

Officials from the B&P and DOR both assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note these agencies.

Officials from the **County Employees' Retirement Fund** assume data is not available to quantify the impact of section 137.1050 but the County Employees' Retirement Fund assumes it would have an unknown negative fiscal impact of an indeterminate amount. A certain portion of

the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Subsections 10 and 13 of section 137.1050 would have a negative fiscal impact. They would be expected to reduce the current revenue stream by an indeterminate amount.

In response to similar legislation, HB 2944 (2026), officials from the **High Point R-III School District** assumed this proposal will have a fiscal impact but did not provide any additional information.

In response to similar legislation, HB 2944 (2026), officials from the **Metro St. Louis Sewer District Employees Pension Plan** assumed there will be a fiscal impact to the extent that the legislation results in a decrease of tax revenue to the District. Property taxes are the primary source of revenue for the District's stormwater capital plan to fund improvements for flooding and erosion control.

Oversight notes that this provision modifies language for the property tax credit established in SB 190 (2023).

Oversight notes that this legislation provides that once an eligible taxpayer qualifies for the Homestead Property Tax Credit, such taxpayer shall maintain his or her eligibility without needing to reapply each year. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight assumes local political subdivisions may incur some administrative costs to track and implement this proposal. Therefore, Oversight will show an unknown cost to counties in the fiscal note.

§137.1050.8 – Electronic Portal for Senior Citizen Property Tax Credit Participants

Officials from the **Department of Health and Senior Services** assume this provision requires the Department of Health and Senior Services to establish and maintain an electronic portal for county designees to determine if senior citizen property tax credit participant is deceased.

Based on past experience implementing IT web services, the Department believes the cost to develop and implement a system would be up to \$100,000. Additional staff time would be required to maintain listings on the electronic portal, estimated to be 115 hours of staff time per year. It is assumed that the Department can absorb the costs (for staff time) of this bill with current resources. However, if the workload significantly increased or other legislation was enacted, additional resources would be requested through the appropriation process.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimated fiscal impact as provided by the Department of Health and Senior Services.

§137.1055 – Property Tax Credit Limit

Officials from the **County Employees' Retirement Fund (CERF)** note this section would have a negative fiscal impact to CERF of an indeterminate amount.

Oversight assumes this proposal adds clarifying language for eligibility requirements and implementation measures for the property tax credit established in SB 3 (2025).

Oversight does not anticipate a fiscal impact from this provision. However, Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

§163.021 – Operating Levy Floor

In response to similar legislation, Re-perfected HCS No. 2 for HB 2780 (2026), officials from the **Department of Elementary and Secondary Education (DESE)** noted this bill has the potential for a minor impact to the Foundation Formula (School Finance) application/calculations. DESE is unsure if these modifications would be able to be handled appropriately by the current/existing application in place today. DESE assumes the Foundation Formula (School Finance) is where these changes would be needed in order to provide proper funding per provisions for the proposal.

DESE is a consolidated agency under OA-ITSD. It is assumed that all new IT projects/systems will be bid out because all ITSD resources are at full capacity. DESE also assumed these changes/modifications are able to be programmed into the existing Foundation Formula (School Finance) application/code. DESE notes OA-ITSD services will be required at a cost of \$146,286 in FY 2027 (1,393.20 hours x \$105 per hour), \$29,989 in FY 2028, and \$30,739 in FY 2029.

No additional impact on DESE as the foundation formula is based on a performance levy of \$3.43 (see attached <https://dese.mo.gov/media/pdf/missouri-school-funding-formula>). The performance levy is set and does not change no matter the local property taxes of a district. Because of this, the proposed legislation will not have an impact on DESE outside of some modifications to the Foundation Formula application. However, this could have significant impact on LEAs.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the impact as estimated by DESE in the fiscal note for their agency.

In response to similar legislation, HB 2780 (2026), officials from the **Department of Revenue (DOR)** noted this provision changes one of the calculations used determining what portion of the state adequacy target school districts would receive. This will not impact DOR.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Responses regarding the proposed legislation as a whole

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

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

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – DHSS (\$137.1050) Creation of portal for senior tax credit participants p.10</u>	Up to (\$100,000)	\$0	\$0
<u>Cost – DESE/ITSD (\$163.021) Programming changes to foundation formula p.11</u>	(\$146,286)	(\$29,989)	(\$30,739)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Up to (\$246,286)	(\$29,989)	(\$30,739)
BLIND PENSION FUND (1621)			
<u>Revenue Loss - (\$137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.3-6</u>	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> - (§137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.3-6	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> – (§137.039) Levy decrease for localities receiving tax abatement p.6-7	\$0	(Unknown)	(Unknown)
<u>Revenue Loss/Gain</u> – (§137.073) Subclass levy changes p.7	\$0	(Unknown) to Unknown	(Unknown) to Unknown
<u>Cost</u> – Counties (§137.115) for additional requirements for valuation of subclass (3) real property p.8	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Loss/Gain</u> - (§137.115) Repeal of opt-out provisions from HB 1150 (2002) & SB 960 p.9	\$0	(Unknown) to Unknown	(Unknown) to Unknown
<u>Cost</u> – Counties (§137.1050) To implement and track property tax credit participants p.9-10	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Unknown)	(Unknown) to Unknown	(Unknown) to Unknown

FISCAL IMPACT – Small Business

There could be a fiscal impact on small businesses if tax rates/taxes are adjusted relative to changes in assessed values.

FISCAL DESCRIPTION

This proposal modifies provisions relating to the classification of certain real property.

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

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
State Tax Commission
Department of Social Services
Department of Health and Senior Services
Department of Elementary and Secondary Education
County Employees Retirement Fund
Department of Social Services
City of Kansas City
Adair County SB 40 DD Board
Callaway County SB 40 Board
High Point R-III School District
St Louis City Assessor
Metro St. Louis Sewer District Employees Pension Plan
Platte County Board of Elections
St. Louis County Board of Elections



Julie Morff
Director
April 20, 2026



Jessica Harris
Assistant Director
April 20, 2026