

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4335S.04P
 Bill No.: Perfected SS for SCS for SB Nos. 1066 & 1088
 Subject: Counties; Taxation and Revenue - Property
 Type: Original
 Date: March 24, 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
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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	\$0	(Unknown)	(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.

§137.016 – Reclassification of Certain Real Property

In response to a previous version, officials from the **Office of Administration – Budget & Planning (B&P)** noted 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.

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.

In response to a previous version, officials from the **St Louis City Assessor** 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

In response to a previous version, officials from the **County Employees' Retirement Fund** assumed 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.

In response to a previous version, officials from the **Callaway County SB 40 Board** assumed 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.

Officials from the **City of Kansas City** assume 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.

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

In response to a previous version, officials from the **City of O'Fallon** each assumed 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.

Oversight notes this proposal 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other 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.

Senate Amendment 1 (SA 1) §137.016 – Reclassifying Real Property

Oversight notes this provision states an assessor shall not reclassify any real property without first conducting an in-person consultation with the owner of record of such property.

Oversight assumes county assessors may incur costs to conduct in person consultations as a result of this proposal. Oversight will show an unknown cost to local political subdivisions beginning in FY 2028.

Oversight received a limited number of responses from county assessors 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.

Senate Amendment 2 (SA 2) §137.016 – Property Owned by Corporations

Oversight notes the provisions of §137.016.1(g) shall not be construed to authorize the classification of any real property owned by a corporation as residential property.

Oversight does not anticipate an additional impact from this provision.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
BLIND PENSION FUND (1621)			
<u>Revenue Loss</u> - (§137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.4	\$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>Cost</u> – County Assessors - (§137.016) To conduct in person consultations prior to reclassifying certain residential property	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> - (§137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.4	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown)	(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 act modifies the definition of "residential property" for the purposes of the taxation of real property by providing that such definition shall include single family homes that are owned by a sole proprietor, individual, partnership, or limited liability company and leased, in whole or in part, for a term of less than thirty consecutive days, provided that such provision may not apply

to any such property in excess of fifteen such properties owned by the same individual or business.

This act also prohibits an assessor from reclassifying real property without first conducting an in-person consultation with the owner of record of such property. An assessor shall be deemed to be in compliance with this provision if the assessor can document a good-faith effort to contact the owner of record, as described in the act.

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

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Social Services
State Tax Commission
City of Kansas City
County Employees Retirement Fund
High Point R-III School District
City of O'Fallon
St Louis City Assessor
Adair County SB 40 DD Board
Callaway County SB 40 Board



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March 24, 2026



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