

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0427S.01I
 Bill No.: SJR 46
 Subject: Taxation and Revenue - Property; Veterans
 Type: Original
 Date: February 11, 2025

Bill Summary: This proposal authorizes a property tax exemption for disabled veterans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	\$0 or (More than \$8,000,000)*		\$0 or Unknown, could exceed \$1,593,602
Total Estimated Net Effect on General Revenue	\$0 or (More than \$8,000,000)	\$0	\$0 or Unknown, could exceed \$1,593,602

*The potential fiscal impact of “(More than \$8,000,000)” would be realized only if a special election were called by the Governor to submit this joint resolution to voters. All other impacts to state funds would be realized only if the joint resolution is approved by voters.

**Oversight notes the potential savings to the General Revenue Fund are from reduced Senior Property tax credits issued if qualifying veterans paying reduced/no longer paying property tax.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Blind Pension Fund (0621)			\$0 or (Unknown, could exceed \$122,091)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 or (Unknown, could exceed \$122,091)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government**	\$0*	\$0	\$0 or (Unknown, could exceed \$26,819,223)

*Potential costs and state reimbursements net to zero in FY 2026 if a special election is called.

**Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue of disabled veterans resulting from this proposal.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would go to public vote in November 2026. For the purpose of this fiscal note, B&P assumes that the tax exemption would begin January 1, 2027 if voter approved. B&P notes that while this would be effective for tax year 2027, property taxes are due annually in December of each year. Therefore, this will begin impacting state and local revenues in FY28.

This proposal would exempt, upon voter approval, veterans with total service-connected disability from real property taxation. Current law only exempts former prisoners of war (POW) with total service-connected disabilities.

B&P notes that the term “total service-connected disability” is not defined by either federal or state law. B&P further notes that other provisions relying on that term have been interpreted to only include veterans who are 100% disabled or all veterans with a disability that is wholly related to their service. For the purpose of this fiscal note, B&P will show two estimates; a low estimate where only 100% disabled veterans receive the property tax exemption and a high estimate where all veterans with a service related disability receive the exemption.

General Revenue

During tax year 2023, there were 2,205 veterans that claimed the PTC as a disabled veteran, for total PTC claims of \$1,529,397. Under this proposal, some of these veterans would no longer be subject to real personal property taxes and thus would no longer claim the PTC beginning with tax year 2025. B&P notes that some veterans aged 65 and older may have elected to claim the PTC as a senior rather than as a disabled veteran, and would no longer claim the PTC under this proposal. Therefore, B&P estimates that this proposal could increase GR by up to \$1,529,397 annually beginning in FY28.

Blind Pension Trust Fund

Low Estimate

For the purpose of these estimates, B&P assumes that only veterans who are 100% disabled will receive the property tax exemption.

Based on previous data from the Missouri Veterans Commission and current data published by the U.S. Census Bureau, B&P estimates that there were 17,141 veterans with a 100% service-connected disability rating from the VA during 2023, the most recent complete year available.

Additionally, based on data from the U.S. Census bureau, the average median housing value in Missouri was \$215,600 and the average median real estate taxes paid was \$1,887 in 2023. B&P notes however, that based on Section 137.115, RSMo, the assessed value for real property is 19% of the market value. Therefore, based on a market value of \$215,600, B&P estimates that the assessed value would be \$40,964.

B&P notes that the Blind Pension Trust Fund has a property tax levy of \$0.03 per \$100 valuation. Based on the U.S. Census Bureau data, B&P estimates that the Blind Pension Trust Fund receives a median of \$12.29 per real property within Missouri (\$40,964 median assessed value x 0.0003 Blind Pension levy). Therefore, B&P estimates that this proposal could reduce funding to the Blind Pension Trust fund by up to \$210,649 (\$12.29 x 17,414 veterans).

Median Value		\$215,600
Assessed %	x	19%
Assessed Value		\$40,964
Blind Pension Trust Fund levy	x	(0.03/100)
Median Blind Pension Tax		\$12.29
Qualifying veterans	x	17,141
Loss to Blind Pension Trust Fund		(\$210,649)

High Estimate

For the purpose of these estimates, B&P assumes that all veterans with a disability wholly related to their service will receive the property tax exemption.

Based on data from the U.S. Census Bureau, there were 92,336 veterans with a service-connected disability in Missouri during 2023.

Using the housing and tax levy data above, B&P estimates that this proposal could reduce funding to the Blind Pension Trust fund by up to \$1,134,736 (\$12.29 x 92,336 veterans).

Median Value		\$215,600
Assessed %	x	19%
Assessed Value		\$40,964
Blind Pension Trust Fund levy	x	(0.03/100)
Median Blind Pension Tax		\$12.29
Qualifying veterans	x	92,336
Loss to Blind Pension Trust Fund		(\$1,004,396)

Local Property Tax Collections

Low Estimate

For the purpose of these estimates, B&P assumes that only veterans who are 100% disabled will receive the property tax exemption.

Based on previous data from the Missouri Veterans Commission and current data published by the U.S. Census Bureau, B&P estimates that there were 17,141 veterans with a 100% service-connected disability rating from the VA during 2023, the most recent complete year available.

Based on data from the U.S. Census bureau, the average median housing value in Missouri was \$215,600 and the average median real estate taxes paid was \$1,887 in 2023. Using this data, B&P estimates that the median property tax levy in Missouri is \$0.90 per \$100 market value. Subtracting the \$0.03 per \$100 valuation levy for the Blind Pension Trust Fund, B&P estimates that the median local real property tax levy is \$0.87 per \$100 market value. Therefore, B&P estimates that this provision could reduce local real property tax revenues by up to \$32,134,418 (\$215,600 median home value x \$0.87/\$100 x 17,141 veterans).

Median Home Value	\$215,600
Median Local Real Property Tax Levy	x (0.87/100)
Median Local Real Property Tax	1,874.71
	x
Qualifying veterans	17,141
Local Real Estate Taxes Lost	(\$32,134,418)

High Estimate

For the purpose of these estimates, B&P assumes that all veterans with a disability wholly related to their service will receive the property tax exemption.

Based on data from the U.S. Census Bureau, there were 92,336 veterans with a service-connected disability in Missouri during 2023.

Using the housing and tax levy data above, B&P estimates that this provision could reduce local real property tax revenues by up to \$173,103,296 (\$215,600 median home value x \$0.87/\$100 x 92,336 veterans).

Median Home Value	\$215,600
Median Local Real Property Tax Levy	x (0.87/100)
Median Local Real Property Tax	1,874.71
	x
Qualifying veterans	92,336
Local Real Estate Taxes Lost	(\$173,103,296)

Summary

B&P estimates that this proposal may increase GR by an amount up to \$1,529,397 annually beginning in FY28.

In addition, depending on how the term “total service-connected disability” is implemented this proposal could reduce funding to the Blind Pension Trust Fund by up to \$210,649 to \$1,134,736 annually beginning in FY28.

This proposal may also reduce local tax collections by up to \$32,134,418 to \$173,103,296 annually beginning in FY28.

Officials from the **Department of Revenue (DOR)** note if approved by voters at the November 2026, general election or at a special election called for this purpose, this proposal would allow for an exemption of real property tax for 100% disabled veterans. If this is not adopted by the voters, there will be no fiscal impact. If adopted, it is assumed that based on the certification date of this proposal, it would become effective January 1, 2027.

This proposal defines the eligible disabled veteran as a person with a total service-connected which DOR assumes they must be 100% disabled. Per the U.S. Census Bureau’s 2023 ACS 5-year report there are 37,687 disabled veterans in Missouri with a rating of 70% or higher. Per past information from the Missouri Veterans Commission about 45% of the reported veterans are 100% disabled (16,959). For fiscal note purposes, DOR will assume these are the only veterans who may qualify for this exemption.

The Department is unable to determine the actual number of veterans that would own their own property. For fiscal notes purposes, DOR will assume all of these veterans own their own dwelling. According to information from the U.S. Census Bureau the average amount of property tax paid in Missouri for 2023 was \$1,629. According to information from the State Tax Commission there was \$7,966,864,617 collected from real property in 2023 with 2,688,014 real property parcels. The average amount of property tax paid in Missouri for 2023 was \$2,964. The Department notes that some veterans may have a property tax amount that is lower than this amount. This would exempt from state and local real property tax of \$27,626,211 (\$1,629 per person x 16,959 veterans) to \$50,266,476 (\$2,964 per person x 16,959 veterans).

The Missouri Blind Pension fund receives \$.03 for each \$100 valuation of taxable property in the state of Missouri. The Department is unable to determine the actual valuation of the taxable property owned by Missouri veterans, as there are no publications specifying assessed value of property owned by Missouri veterans.

The Department estimates that the Missouri Blind Pension Fund could decrease by a minimum to substantial amount, but DOR defers to the Department of Social Services for the calculation of the amount.

Additionally, DOR notes that if a military disabled veteran is exempt from paying real property tax, they would no longer be eligible to claim the Senior Property Tax Credit. Currently a person can claim the Senior Property Tax Credit if:

- A. They are 65 years or older
- B. 100% Disabled Veteran as a result of military service
- C. 100% Disabled or
- D. 60 years of age or older and receiving surviving spouse benefits

In TY 2022 - 2,390 taxpayers checked the disabled veteran box on the PTC form. They claimed 1,657,806 in property tax credits.

In TY 2023 – 2,205 taxpayers checked the disabled veteran box on the PTC form. They claimed \$1,529,397 in property tax credits.

Two-year average claimed by disabled veterans is \$1,593,602.

DOR notes that if a disabled veteran is also over the age of 65 years of age they may have just checked the 65+ box instead of the Veterans box so the amount that could be exempt could be higher.

DOR assumes this would result in a savings to General Revenue that Could Exceed \$1,593,602 annually from military veterans no longer owing real property tax and being ineligible for the property tax credit.

Given the election for this proposal is November 2026 (FY 2027) and the bill starts with property taxes on January 1, 2027; this proposal will have an impact starting in FY 2028 due to the filing deadline for the taxes being 12/31/2027 (FY 2028).

FY 2026	\$0
FY 2027	\$0
FY 2028	\$1,593,602 savings to GR and an Unknown loss to Blind Pension fund

This proposal will not have an administrative fiscal impact on the Department.

Officials from the **State Tax Commission** have reviewed this proposal and determined an unknown fiscal impact. The U.S. Census Survey (2018) states the number of veterans in Missouri is 479,828 of which over 80,000 have service-related disabilities.

The Agency does not possess the specific data to determine the number of qualifying, eligible individuals or the real property held by said individuals under the proposed criteria which states: “all real property used as a homestead as defined by law of any citizen of this state who is a military veteran and who has a [total] one hundred percent disability.”

The **County Employees’ Retirement Fund (CERF)** has reviewed SJR 46 (0427S.011). There is insufficient data to quantify its exact impact. SJR 46 may result in an unknown fiscal impact to the County Employees’ Retirement Fund.

Officials from the **Callaway County SB 40 Board** assume a fiscal impact of an indeterminate amount.

Officials from the **Ferguson Municipal Public Library** assume a fiscal impact of an indeterminate amount.

Oversight notes, per information on the State Tax Commission's [website](#), an applicant must meet the following requirements to qualify for the property tax exemption as it exists in current law:

- be a former prisoner of war; and
- a veteran of any branch of the armed forces of the United States or this state who became one hundred percent disabled as a result of his or her military service; and
- must own and occupy the homestead as a primary residence.

Oversight notes the phrase “total service connected disability” exists in current law and for purposes of this fiscal note assumes it has the same meaning as noted above by the State Tax Commission.

Based on information provided by B&P, Oversight notes there were 17,141 veterans with a total (100%) service-connected disability in Missouri in 2023.

Based on estimates from the [Housing Assistance Council](#), **Oversight** notes the homeownership rate for veterans is 78.1% with a median house value of \$160,000. Assuming a similar homeownership rate for veterans with a total (100%) service-connected disability, Oversight assumes approximately 13,387 veterans may qualify for the property tax exemption ($17,141 * .781$).

Oversight notes property tax levies differ based on the location of the property and the varying taxing entities. Based on information from the State Tax Commissions website, Oversight estimated the effective local residential property tax rate at 6.59% (using the total residential assessed value, \$81,710,151,058, divided by the total residential property revenue, \$5,384,565,106).

Using the median value of \$160,000 and a tax levy of 6.59 per \$100 of assessed value, **Oversight** estimates a local loss of revenue of \$2,003 per veteran ($((\$160,000 * .19 = \$30,400 \text{ in assessed value}) / 100 = \$304) * 6.59$). Oversight estimates the total revenue loss to local political subdivisions at \$26,819,223 ($13,387 \text{ home-owning veterans} * \$2,003 \text{ revenue loss per veteran}$). Because tax rates vary by location, Oversight assumes the loss to local political subdivisions could exceed \$26,819,223.

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 ($(\text{Total Assessed Value}/100)*.03$). Oversight estimates a reduction in residential real property tax revenue to the Blind Pension

Fund at \$9.12 per veteran ($\$160,000 * .19 = \$30,400$ in assessed value / 100 = $\$304 * .03$) for an estimated total of \$122,091 ($13,387 * \9.12).

Oversight notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters AND/OR the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from disabled veterans) or could exceed the figures estimated above to the Blind Pension Fund and local political subdivisions beginning in FY 2028.

Oversight notes property tax revenues are designed to be 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. 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.

Oversight assumes this could reduce claims for the Property Tax Credit for individuals qualifying for the exemption. Oversight will show the savings to General Revenue provided by the Department of Revenue.

Officials from the **Kansas City Police Dept., Rolling Hills Consolidated Library, Department of Social Services, Department of Public Safety - Veterans Commission, Newton County Health Department,** and the **St. Louis County Police Dept** 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.

Officials from **Office of the Secretary of State** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$8 million based on the cost of the 2022 primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri

Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY26 petitions cycle, the SOS estimates publication costs at \$60,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2026. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide general election is in November 2026 (FY 2027). It is assumed the subject within this proposal could be on this ballot; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2026.

Officials from the **City of Kansas City** note this proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Lincoln County Assessor** assume it looks like there is a mechanism that recoups the revenue lost from the exemption - it could be troublesome in that it may need some software updates to implement the process - hence some unfunded mandates to offices that may have funding issues

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Potential Revenue Gain</u> – DOR – Veterans no longer claiming the Senior Property Tax Credit if approved by voters - p. (7)	\$0	\$0	\$0 or Unknown, could exceed \$1,593,602
<u>Transfer Out</u> - SOS - reimbursement of local election authority election costs if a special election is called by the Governor	\$0 or (More than \$8,000,000)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or (More than \$8,000,000)</u>	<u>\$0</u>	<u>\$0 or Unknown, could exceed \$1,593,602</u>
BLIND PENSION FUND			
<u>Potential Revenue Loss</u> - no real property tax collected from veterans with a total service-connected disability if approved by voters	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown, could exceed \$122,091)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown, could exceed \$122,091)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – to implement and monitor if approved by voters	\$0	\$0	\$0 or (Unknown)
<u>Potential Revenue Loss</u> - reduced/no real property tax collected from veterans with a total service-connected disability* if approved by voters	\$0	\$0	\$0 or (Unknown, could exceed <u>\$26,819,223</u>)
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$8,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election if called for by the Governor	\$0 or (More than <u>\$8,000,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS*	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown, could exceed \$26,819,223)</u>

***Oversight** notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue of disabled veterans resulting from this proposal.

FISCAL IMPACT – Small Business

Oversight assumes taxing jurisdictions may be able to increase the levy to all other property owners to make up for the lost revenue from this property tax exemption.

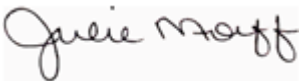
FISCAL DESCRIPTION

Current law provides a property tax exemption for all real property used as a homestead by former prisoners of war with a total service-connected disability. This constitutional amendment, if approved by the voters, extends such property tax exemption to all veterans of the Armed Forces of the United States who have a total service-connected disability.

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 Revenue
Department of Public Safety - Missouri Veterans Commission
Department of Social Services
Office of the Secretary of State
State Tax Commission
Office of the State Auditor
City of Kansas City
Newton County Health Department
Lincoln County Assessor's Office
Phelps County Sheriff's Office
Kansas City Police Department
St. Louis Police Department
County Employees Retirement Fund
Callaway County SB 40 Board
Ferguson Municipal Public Library
Mid-Continent Public Library
Rolling Hills Consolidated Library



Julie Morff
Director
February 11, 2025



Jessica Harris
Assistant Director
February 11, 2025