

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0455H.05C
Bill No.: HCS for SB 2
Subject: Children and Minors; County Government; Property, Real and Personal; Revenue, Department Of; Newspapers and Publications; Transportation; Boards, Commissions, Committees, and Councils; Political Subdivisions; Taxation and Revenue - Property; Education, Elementary and Secondary
Type: Original
Date: May 1, 2025

Bill Summary: This proposal modifies provisions governing political subdivisions.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|---|---|---|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| General Revenue* | (Unknown, more or less than \$3,879,266) | (Unknown, more or less than \$200,000) | (Unknown, more or less than \$200,000) |
| | | | |
| Total Estimated Net Effect on General Revenue | (Unknown, more or less than \$3,879,266) | (Unknown, more or less than \$200,000) | (Unknown, more or less than \$200,000) |

*Part of the fiscal impact to the state is the potential loss of the Department of Revenue's 2% collection fee. Oversight has ranged the impact from \$0 (debt is already considered uncollectible and DOR would not have received the 2% fee even without this proposal) to \$3,679,266 (which represents if DOR would have collected 100% of the \$184 million of outstanding debt allowed to be reduced by this proposal). **Oversight assumes the actual loss to the state for these provisions is on the very low end of this range.**

* **Oversight** assumes under §137.115 a cost of more or less than \$200,000 from STC to secure the publication data, as the actual cost may vary based upon contract negotiations and the publication selected.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|-----------------------|-----------------------------|-----------------------------|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| Blind Pension Fund (0621)* | \$0 | (Unknown) | (Unknown) |
| Legal Expense Fund (0692) | \$0 | \$0 | \$0 |
| County Assessment Noncompliance Trust Fund* | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 to Unknown | Unknown to (Unknown) | Unknown to (Unknown) |

*Oversight assumes the fiscal impact to the Blind Pension Fund could exceed (\$250,000). threshold.

*Oversight assumes the State will keep the interest earned on the withheld funds released under this proposal if not found to be erroneously withheld. Other withheld payments/interest earned and then returned net to zero.

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** | <u>*Unknown, more or less than \$3,779,266</u> | <u>Unknown to (Unknown)</u> | <u>Unknown to (Unknown)</u> |

*(§105.145) Part of the net fiscal impact to the local political subdivision is the DOR 2% fee (\$3,679,266) that they would no longer be required to pay (which represents if DOR would have collected 100% of the \$184 million of outstanding debt allowed to be reduced by this proposal).

Oversight assumes the **actual** impact is on the very low end of this range.

**Oversight cannot estimate the net effect to local political subdivisions in future years.

FISCAL ANALYSIS

ASSUMPTION

§§50.815 & 50.820 – County Financial Statements

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** stated these provisions modify the requirements associated with the publishing of political subdivision financial statements. B&P defers to the county governments for the fiscal impact of these provisions.

In response to similar legislation from 2020, HB 1814, officials at **Henry County** assumed a savings of \$1,800 annually in publication costs from this proposal.

Oversight inquired with Henry County regarding this proposal. The County currently submits a 14 page document to the newspaper which lists out every dollar by vendor. Since this proposal requires a summary of data to be published in the newspaper, Henry County's publishing costs would be reduced as the number of pages would be reduced that would be submitted to the newspaper.

In response to similar legislation from 2020, HB 1814, officials at **Lincoln County** assumed a savings of \$2,000 annually in publication costs from this proposal.

In response to similar legislation from 2020, HB 1814, officials at **Livingston County** assumed a savings of \$2,500 annually in publication costs from this proposal.

Oversight assumes using the counties above as an example, if the average savings of the three counties publication costs is \$2,100 and 96 counties (2nd, 3rd and 4th class counties) in Missouri published their financials in the newspaper, the potential savings could be up to \$201,600 (\$2,100 * 96) per year. Therefore, Oversight will reflect a potential savings in publication costs for counties to post their financials through a newspaper of general circulation in their county that could exceed \$100,000 annually from this proposal.

§§67.010 & 67.020 – Annual Budgets of Political Subdivisions

In response to similar legislation from this year, HB 749, officials from **Kansas City** and **O'Fallon** each assumed 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.

§ 67.1754 - County Sales Taxes for Park Purposes

Officials from the **Department of Revenue (DOR)** notes this proposal modifies the use of funding received from a sales tax for a metropolitan park and recreational district. DOR notes

that all sales tax received is deposited into the metropolitan park and recreational district fund and then distributed for specific purposes. This proposal modifies the distribution by the district for specific purposes. This will not impact DOR as the district itself handles distribution for the specific purposes.

Oversight notes this proposal modifies the use of funds for sales tax for a metropolitan park and recreational district. Oversight assumes this provision will have no fiscal impact.

Oversight notes that the above-mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this section.

§71.948 - Requirements for Physical Copies of a Municipal Code

In response to a similar proposal this year, (HB 802), officials from **Kansas City** and the **City of O'Fallon** 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.

§105.145 – Financial Statements of Political Subdivisions

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** stated this proposal excludes the fine for failure to submit annual financial statements for political subdivisions with gross revenues of less than \$5,000, or for political subdivisions that have not levied or collected sales or use taxes in the fiscal year. This may result in a revenue loss for both the state and schools.

It also provides grace from fines if the failure to timely submit the annual financial statement is the result of fraud or other illegal conduct and allows a refund by DOR of any fines already paid under these circumstances. The 90% downward adjustment DOR is allowed to make on outstanding fine or penalty balances after January 1, 2023 results in the amount of collections being reduced for both the state and DOR collection fees. A similar downward adjustment may be made by DOR if the outstanding fines are deemed uncollectable. These downward adjustments will likewise result in a revenue loss for both the state and schools.

Based on information from DOR, the department started imposing this fine in August 2017. B&P defers to DOR for more specific estimates of fines and actual collection costs. B&P also states §§50.800 and 50.810 of the proposal associated with the publishing of political subdivision financial statements are repealed.

Officials from the **Department of Revenue (DOR)** state currently local political subdivisions are required to file annual financial statements with the State Auditor's Office. Failure to file those statements results in the political subdivision being assessed a fine of \$500 per day per statutes, which is deposited into local school district funds. DOR notes that the DOR started

imposing this fine in August 2017. DOR receives notice from the State Auditor's Office if a political subdivision does not file their annual financial statement. At that time, the DOR sends a notice to the political subdivision and thirty days later the fee starts to accumulate.

The DOR collects the fine by offsetting any sales or use tax distributions due to the political subdivision. In essence the DOR only gets to collect the fee if the political subdivision has a sales or use tax. Most of these political subdivisions do not have a sales or use tax for the DOR to collect, so the DOR assumes much of what is owed is uncollectable. This is not state money but local political subdivision funds.

Currently, a transportation development district that has gross revenues of less than \$5,000 in a fiscal year is not subject to this fine. This provision will be expanded to any political subdivisions that does not levy or collect tax will be exempt from the penalty.

The DOR notes that per statute DOR is allowed to retain 2% of the amount collected for administration. Since the program began, DOR has collected \$137,337 which has been deposited into General Revenue. All DOR collection fees are deposited into General Revenue and are not retained by the DOR.

In regard to the \$500 per day fine, this proposal would not allow for the assessment of the fine if a district does not have gross revenue over \$5,000 or has not levied or collected taxes.

Current records of the DOR show total fines of \$211,266,525 as of 11/30/2024 and that \$6,862,850 has been collected. DOR is unable to estimate the number of political subdivisions that would qualify for this tax exemption. The DOR is showing the assessment of the fines by the political subdivision type and by the county in which the district that owes the fine is located.

| County | Sum of Total Fine Imposed | Sum of Total Fine Collected |
|---------------|----------------------------------|------------------------------------|
| Adair | \$1,948,500 | \$1,500 |
| Andrew | \$622,500 | \$0 |
| Atchison | \$1,374,000 | \$0 |
| Audrain | \$1,154,500 | \$0 |
| Barry | \$3,522,000 | \$19,993 |
| Barton | \$0 | \$0 |
| Bates | \$1,458,000 | \$35,935 |
| Benton | \$1,045,500 | \$0 |
| Bollinger | \$3,589,000 | \$0 |
| Boone | \$259,000 | \$38,825 |
| Buchanan | \$3,106,500 | \$113,953 |
| Butler | \$3,429,500 | \$53,829 |

| | | |
|----------------|-------------|-----------|
| Caldwell | \$168,000 | \$25,254 |
| Callaway | \$1,077,500 | \$4,652 |
| Camden | \$3,761,025 | \$71,588 |
| Cape Girardeau | \$1,532,000 | \$0 |
| Carroll | \$6,309,000 | \$0 |
| Carter | \$4,206,000 | \$330,094 |
| Cass | \$8,278,000 | \$17,261 |
| Cedar | \$755,000 | \$49,500 |
| Chariton | \$1,216,500 | \$41,500 |
| Christian | \$3,890,000 | \$0 |
| Clark | \$1,238,000 | \$37,500 |
| Clay | \$2,505,500 | \$80,000 |
| Clinton | \$1,895,500 | \$27,500 |
| Cole | \$1,166,000 | \$9,153 |
| Cooper | \$2,118,500 | \$17,500 |
| Crawford | \$2,383,000 | \$38,359 |
| Dade | \$332,500 | \$0 |
| Dallas | \$1,816,000 | \$0 |
| Daviess | \$1,464,500 | \$0 |
| Dekalb | \$1,310,000 | \$0 |
| Dent | \$342,000 | \$0 |
| Douglas | \$0 | \$0 |
| Dunklin | \$2,852,000 | \$35,240 |
| Franklin | \$2,284,000 | \$131,846 |
| Gasconade | \$65,500 | \$6,944 |
| Gentry | \$2,072,000 | \$0 |
| Greene | \$1,257,500 | \$23,147 |
| Grundy | \$1,541,500 | \$0 |
| Harrison | \$1,306,500 | \$0 |
| Henry | \$1,741,000 | \$77,967 |
| Hickory | \$1,147,000 | \$0 |
| Holt | \$3,646,000 | \$11,948 |
| Howard | \$1,779,500 | \$147,500 |
| Howell | \$1,145,000 | \$11,000 |
| Iron | \$96,000 | \$54,000 |
| Jackson | \$3,879,500 | \$531,928 |
| Jasper | \$3,101,500 | \$86,711 |
| Jefferson | \$2,317,500 | \$25,945 |

| | | |
|-------------|-------------|-----------|
| Johnson | \$1,216,500 | \$12,000 |
| Knox | \$2,221,000 | \$0 |
| Laclede | \$423,000 | \$12,000 |
| Lafayette | \$938,500 | \$42,292 |
| Lawrence | \$4,979,000 | \$0 |
| Lewis | \$3,116,000 | \$0 |
| Lincoln | \$2,197,000 | \$42,500 |
| Linn | \$2,005,000 | \$15,000 |
| Livingston | \$3,275,500 | \$0 |
| Macon | \$504,000 | \$0 |
| Madison | \$2,464,000 | \$271,799 |
| Maries | \$733,500 | \$41,500 |
| Marion | \$347,500 | \$0 |
| McDonald | \$200,000 | \$14,147 |
| Mercer | \$637,000 | \$0 |
| Miller | \$1,094,500 | \$10,331 |
| Mississippi | \$1,663,500 | \$72,633 |
| Moniteau | \$0 | \$0 |
| Monroe | \$47,000 | \$10,000 |
| Montgomery | \$865,500 | \$4,204 |
| Morgan | \$0 | \$0 |
| New Madrid | \$2,906,500 | \$157,690 |
| Newton | \$1,076,500 | \$34,726 |
| Nodaway | \$5,047,500 | \$23,500 |
| Oregon | \$137,500 | \$136,500 |
| Osage | \$1,610,500 | \$19,822 |
| Ozark | \$43,000 | \$43,000 |
| Pemiscot | \$3,752,000 | \$7,059 |
| Perry | \$2,729,500 | \$0 |
| Pettis | \$1,232,000 | \$15,500 |
| Phelps | \$966,000 | \$63,761 |
| Pike | \$202,500 | \$127,500 |
| Platte | \$1,978,500 | \$300,023 |
| Polk | \$867,500 | \$43,621 |
| Pulaski | \$2,914,500 | \$17,431 |
| Putnam | \$52,000 | \$24,500 |
| Ralls | \$255,500 | \$53,598 |
| Randolph | \$2,328,000 | \$13,358 |

| | | |
|--------------------|----------------------|--------------------|
| Ray | \$5,074,000 | \$0 |
| Reynolds | \$1,136,500 | \$10,821 |
| Ripley | \$224,500 | \$0 |
| Saline | \$1,889,500 | \$35 |
| Schuyler | \$453,500 | \$18,500 |
| Scotland | \$1,655,000 | \$0 |
| Scott | \$3,469,000 | \$47,957 |
| Shannon | \$287,000 | \$172,986 |
| Shelby | \$15,500 | \$15,500 |
| St. Charles | \$2,917,000 | \$142,395 |
| St. Clair | \$3,601,500 | \$376 |
| St. Francois | \$478,500 | \$36,220 |
| St. Louis | \$6,796,500 | \$1,957,273 |
| St. Louis City | \$9,565,000 | \$251,298 |
| Ste. Genevieve | \$0 | \$0 |
| Stoddard | \$2,402,500 | \$154,500 |
| Stone | \$1,485,500 | \$88,500 |
| Sullivan | \$1,198,000 | \$0 |
| Taney | \$3,484,500 | \$36,500 |
| Texas | \$1,689,500 | \$42,500 |
| Vernon | \$3,236,500 | \$12,000 |
| Warren | \$10,500 | \$10,500 |
| Washington | \$856,500 | \$12,000 |
| Wayne | \$1,454,000 | \$1,661 |
| Webster | \$733,500 | \$0 |
| Worth | \$300,500 | \$0 |
| Wright | \$0 | \$0 |
| (blank) | \$319,000 | \$63,262 |
| Grand Total | \$211,266,525 | \$6,862,850 |

DOR assumes this proposal would result in fewer future fines being assessed. As stated previously, many of these current political subdivisions do not have any sales or use tax collected, so they may be able to avoid the current large penalties.

This proposal also allows for a one-time reduction of a political subdivision's current outstanding balance. Should a political subdivision file its reports by August 28, 2025, they will be entitled to a one-time downward adjustment of their existing fine by 90%.

The current outstanding balance is \$204,403,675 (\$211,266,525 owed - \$6,862,950 collected). This is money the DOR notes is owed, but most likely uncollectable. Should it be collected, it would be forwarded to the local school district funds. If all the fine money is eligible for the one-time reduction this would result in \$183,963,308 ($\$204,403,675 * .90$) no longer being owed.

Oversight notes if all political subdivisions file their report and receive the reduction, it would be a loss of \$180,284,042 to the local school districts from not receiving the fine money, a loss to the state of \$3,679,266 in collection fees and a gain to the local political subdivisions of \$183,963,308 ($\$204,403,675 * 90\%$).

Reducing the future fines would help save the local political subdivisions money, however; due to the un-collectability of most of this money the DOR assumes no additional impact to the state.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a potential loss of fine revenue stated by DOR to the General Revenue Fund for this proposal. Also, Oversight notes that because of the new language for certain local political subdivisions who have gross revenues of less than \$5,000 or who have not levied or collected a sales and use tax in the fiscal year or if the failure to file a financial statement is the result of fraud or illegal conduct by an employee or officer of the political subdivision and the political subdivision complies with filing the financial statement within thirty days of the discovery of the fraud or illegal conduct, then the fine shall not be assessed and could result in a savings to local political subdivisions on fine fees. Therefore, Oversight will also reflect a savings to local political subdivisions of \$0 to unknown for this proposal.

DOR states their computer programs would require updating at a cost of \$1,832. **Oversight** assumes DOR is provided with core funding to handle a certain amount of computer updating each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight also notes this proposal is allowing a political subdivision that files its financial statement before August 28, 2025 to receive a one-time 90% reduction of their outstanding balance of their fines owed.

Oversight also notes that the loss in fine revenue collected by DOR would result in a savings to the local political subdivisions who would no longer need to pay the fine revenue. It would also result in a loss of revenue to School Districts from these fines no longer being collected. Therefore, Oversight will reflect a savings to local political subdivisions on the fines no longer being collected and a loss of 98% of the fine revenue no longer going to the school districts for this proposal. Oversight notes that the DOR is allowed to retain two percent of the fine revenue collected (per §105.145.11). Oversight assumes a large majority of the \$204,403,675 of outstanding fines to be uncollectible. Therefore, Oversight will range the fiscal impact from this proposal from \$0 to DOR's estimates.

§137.016 - Classification of Certain Residential Real Property

In response to similar legislation from this year, HB 1086, officials from the **Office of Administration - Budget and 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 **County Employees' Retirement Fund** assume an unknown fiscal impact from this section of the proposal.

Officials at the **State Tax Commission (STC)** 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 from this year, HB 1086, officials from the **Adair County SB 40 Board** assumed a reduction in funding from personal property and/or real property taxes would have significant consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Adair County SB40 Developmental Disability Board assess local needs and nurture a strong network of high-quality services that are essential to over 465 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

Officials from the **Callaway County SB 40 Board** assume a reduction in funding from personal property and/or real property taxes would have significant consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Callaway County Special Services, Callaway County, assess local needs and nurture a strong network of high-quality services that are essential to over 201 people with IDD and their families. These services, supported by personal property and/or real property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

In response to similar legislation from this year, HB 1086, officials from the **Lawrence County SB 40 Board** 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 the following assessment value rates by subclass per the State Tax Commission manual:

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

Oversight assumes the reclassification of single family short-term rental properties from 32% to 19% could result in a reduction in assessed values and subsequent tax revenues; therefore, Oversight will show an unknown negative impact to the Blind Pension Fund and local political subdivisions.

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.

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

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 $((\text{Total Assessed Value}/100) \times .03)$.

Oversight notes to reach a revenue impact of \$250,000 on the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. Based on information from the State Tax Commission's [website](#), Oversight notes the following assessed values by category:

| Subclass | Assessed Value |
|-------------|------------------|
| Residential | \$81,710,151,058 |
| Commercial | \$30,214,171,778 |

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 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.

§137.115 - Motor Vehicle Assessment Valuations

In response to similar legislation from this year, HB 816, officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal will not impact: - TSR - The calculation under Article X, Section 18(e).

Officials from the **State Tax Commission (STC)** note that an appropriation up to \$200,000 will be needed for the commission to provide the vehicle price guide to assessors.

Oversight notes this proposal allows assessors to use a nationally recognized automotive trade publication such as the NADA, Kelley Blue Book, Edmunds, or other similar publication.

Oversight notes this proposal requires the STC to select, secure, and make available to all assessors which publication shall be used. Oversight will note a cost to general revenue greater than or less than the \$200,000 estimated by the STC to secure the publication data, as the actual cost may vary based upon contract negotiations and the publication selected.

In response to similar legislation from this year, HB 816, officials from the **Jefferson County Assessor** noted this bill will save county government budgets from having to purchase data from J.D. Power and Associates, which have increased their cost significantly since 2022. Jefferson County was quoted by J.D. Power and Associates \$60,700 for personal property vehicle valuation data. This is a 13% increase from 2024, and a 25% increase from the cost incurred in 2023 for the same data. Similar data from Price Digest has been quoted to Jefferson County at \$13,040 for 2025. This is a \$47,660 decrease from the J.D. Power quote. For Third-Class Counties, the savings from having another vendor provide the data would assist with the hiring of staff necessary to meet their statutory obligations.

Oversight assumes if every county experienced a savings from being able to use an alternative automotive trade publication similar to the one referenced by the Jefferson County Assessor, the savings is estimated at \$5,480,900 (\$47,660 x 115). Oversight will reflect an unknown savings for county assessors beginning in FY 2026.

In response to similar legislation from this year, HB 816, officials from the **City of O'Fallon** noted the last certified totals for Class IV vehicles for O'Fallon was \$16,616,935.20. The Finance Director took the assessed value % 100 x .4400 (which is the city's most recent property tax rate) x 5%. This was multiplied by 5% as the city is estimating the average difference in cost between a vehicle in good condition and a vehicle's actual condition. The Finance Director believes 5% might be reasonable.

Using this calculation, the potential loss in property taxes might be \$73,115.

In response to similar legislation from this year, HB 816, officials from the **Washington County Assessor** assumed using the trade in value would really cost small counties because that's a huge difference. For Example:

2015 Jeep Grand Cherokee
MSRP - \$31,5959
Finance - \$12,047
Retail - \$16,063
Wholesale - \$13,332

In response to similar legislation from this year, HB 816, officials from the **Rolling Hills Consolidated Library** assumed while this change may impact the amount of revenue received as a public library taxing district, it is impossible to determine the dollar value or estimate what this change might be. It is acceptable to the library to standardize the publication used to determine motor vehicle values, and that motor vehicle values should not increase in subsequent years if proper assessment was made.

Officials from the **County Employees' Retirement Fund (CERF)** assume this proposal may result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how changes to motor vehicle assessments would impact contribution revenue but CERF assumes there may be a negative impact.

In response to similar legislation from this year, HB 816, officials from the **Green Forest R-II School District** noted any law that threatens to lessen the assessed valuation of the district real or personal property will have a negative impact on revenues received. The district assessed valuation is \$26,405,350. Of that total, nearly 30% is personal property, \$7,728,630. It is impossible to know the impact that the new statute would have on individual vehicles and overall value in the district. At least impossible for the district to know.

However, based on the district's levy of \$2.75 a \$50,000 reduction to the personal property assessed valuation would result in a loss of \$1,375 to the district. Obviously, it would only increase from there.

In response to similar legislation from this year, HB 816, officials from the **Springfield Police Department** and the **Mid-Continent Public Library** each assumed 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 received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Oversight notes this proposal allows assessors to use a nationally recognized automotive trade publication such as the NADA, Kelley Blue Book, Edmunds, or other similar publication.

Oversight notes this proposal states the assessor cannot assess a motor vehicle for an amount greater than the motor vehicle was assessed the previous year.

Oversight notes, in recent years, prices for used vehicles have increased due to low inventory from supply chain disruptions. Therefore, Oversight assumes this proposal could impact the Blind Pension Fund and 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 $((\text{Total Assessed Value}/100) \times .03)$.

Oversight assumes this proposal limits the assessed value portion of this equation; therefore, the Blind Pension Fund may experience a decrease in revenue relative to what it would have received under current law.

Oversight notes per the State Tax Commission [website](#), the total assessed value for vehicles in 2023 was \$20,892,140,604, therefore Oversight estimates about \$6,267,642 $((\$20,892,140,604/100) \times 0.03)$ in property tax revenue was collected from motor vehicles for the Blind Pension Fund.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$833,000,000 which is approximately a 4% change in the assessed value of motor vehicles. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension Fund by an amount that could exceed the \$250,000 threshold.

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 real property owners (as personal property assessed values decrease).

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum and some 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 assumes this proposal limits the assessed value of personal property over time. Therefore, Oversight will show an unknown loss in property tax revenue to local political subdivisions beginning in FY 2027.

§138.425 - State Tax Commission's Enforcement Authority

Officials from the **Department of Revenue (DOR)** assume this proposal establishes a compliance program for counties. In Section 138.425.2 this proposal states that if a county fails to comply with the State Tax Commission directive, they will be considered to have violated the law. If a violation occurs the State Tax Commission is to notify the Department of Revenue (DOR). DOR is to withhold any and all local distributions of the county's sales and use tax up to 100% of their violation, until notified the county is in compliance again.

DOR notes this would be a manual process completed by the department's tax team. They would need to manually key records during the time distributions are stopped. It should be noted that once DOR is notified that a distribution can restart, the release of funds would not be until the following month during the distribution period. The Department assumes the department can absorb this requirement with existing staff. Should the number of holds on distribution become justified to need new FTE, then DOR will seek them through the appropriations process.

DOR notes that should the State Tax Commission error in the calculation of the withhold, this proposal indicates interest would be owed. DOR assumes the State Tax Commission will be responsible for applying to the state legal expense fund for payment of the interest as they are responsible for all calculations and notices.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined that it could have a negative impact on the legal expense fund if the judiciary ruled in the county's favor and required the commission to pay interest on any sales taxes withheld. The STC believes that any cost associated to promulgate rules can be absorbed under its current budget.

Oversight notes that Section 138.425. 6., denotes if the court upon determination, as to the amount of local sales tax proceeds withheld or failure to comply is in error, the court shall return the amount in error to the county and the judgment, when entered, shall include interest on the amounts wrongfully withheld. Oversight notes this would first be interest gained by the State and then returned if the amounts were wrongfully withheld.

Oversight notes this fiscal impact would only occur should the State Tax Commission error in the calculation of the proposed withholding of local sales/use tax.

Oversight notes this proposal allows the DOR to withhold local sales and use tax proceeds in an amount equal to one hundred percent of moneys the county would otherwise be entitled to from local sales/use tax and retain the interest earned (if not wrongfully withheld).

Oversight notes the fiscal impact would be entirely dependent on the number of violations and the amount of sales/use tax withheld and interest retained; therefore, the impact is ultimately unknown. For simplicity, Oversight assumes any funds withheld would be repaid within the same fiscal year. Oversight assumes the net impact to the State would be the interest earned and retained (if not wrongfully withheld) and the net impact to locals would be a loss of the interest retained by the State (if funds were not wrongfully withheld).

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

In response to similar legislation from this year, HCS for HB 999, officials from the **Office of Administration** 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.

In response to similar legislation from this year, HCS for HB 999, officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal will not impact:

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

§139.035 - Totaled Motor Vehicle Property Tax Proration Program

In response to a previous version (HB 708), officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal would allow counties or other political subdivisions that levy a property tax to offer a tax credit offsetting a portion of personal property tax owed if a motor vehicle is totaled during the tax year.

B&P notes that a county assessor handles property taxes assessments and billings. However, within that county may be multiple different property tax levy districts with multiple different boundaries. It is unclear whether this proposal would impact sub-county level districts if the proration program was approved at the county level.

In addition, the Blind Pension Trust Fund levies a tax of \$0.03 per \$100 on all property in Missouri. It is unclear whether the property tax credit would also be applied to the statewide levy. Therefore, this proposal may reduce TSR and revenues to the Blind Pension Fund by an unknown amount.

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

In response to a previous version (HB 708), officials from the **Lawrence County SB 40 Board**, considered a political subdivision, utilizes a portion of the property taxes collected each year to provide services and opportunities for individuals with Intellectual Disabilities and Developmental Disabilities within Lawrence County. The money is used for grants, funding (with other entities) of the local Sheltered Workshop, Transportation assistance through OATS transportation, a community center for this population, handicap accessible playground equipment in some city parks, etc. Any reduction in property taxes takes away funds that can help one of the most vulnerable populations, the intellectually and developmentally disabled.

Officials from the **County Employees' Retirement Fund (CERF)** assume this proposal may result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how taxing entities' adoption of a totaled motor vehicle personal property tax proration program would impact contribution revenue but CERF assumes there may be a negative impact.

In response to similar legislation from this year, HCS for HB 708, officials from the **State Tax Commission** 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.

In response to a previous version (HB 708), officials from the **Mid-Continent Public Library** 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.

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 ($(\text{Total Assessed Value}/100) \times .03$). Because this proposal does not appear to impact the assessed value portion of this equation, Oversight assumes the Blind Pension Fund will not be impacted under this proposal. If this assumption is incorrect, this would alter the fiscal impact as presented in this fiscal note.

Oversight notes under current law, a vehicle is considered a total loss if damage exceeds 80% of the fair market value.

Oversight notes according to [LexisNexis Risk Solutions' latest Auto Insurance Trends report](#), 27% of collision claims were total losses for 2022.

Oversight notes the proposed personal property tax proration program is optional, therefore Oversight assumes local taxing entities that choose to implement the proposed personal property tax credit would have a negative fiscal impact. Oversight is unable to determine which local taxing entities will participate and subsequently how much personal property tax would be credited back to taxpayers.

Therefore, **Oversight** will show a range of \$0 (no local taxing entities implement the proposed program) to an unknown negative amount.

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 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 received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§139.053 – Payments of Real and Personal Property Taxes

Oversight assumes this legislation allows townships the option to pass an order or ordinance to allow taxpayers the option to pay any part of their real and personal property taxes on an annual, semiannual, or quarterly basis. Oversight assumes no fiscal impact from this proposal.

Responses regarding the proposed legislation as a whole

Officials from the **Office of Administration - Budget and Planning (B&P)** defer to the local and county governments for the fiscal impact of the various provisions in this request. Changes to property tax collections may impact the Blind Pension Fund. The downward adjustments for uncollectable fine revenue by DOR from political subdivisions will likewise result in a revenue loss for both the state and schools. B&P defers to DOR for more specific estimates of actual costs.

Officials from the **Department of Corrections**, the **Missouri Highway Patrol**, the **Department of Social Services**, the **Missouri Department of Transportation**, the **Platte County Board of Elections**, the **St. Louis County Board of Elections**, the **Newton County Health Department**, the **Clay County Auditor's Office**, the **Phelps County Sheriff's Office**, the **Branson Police Department**, the **Kansas City Police Department**, the **St. Louis County Police Department**, the **Hume R-VIII School District**, the **Metropolitan St. Louis Sewer District**, the **South River Drainage District**, the **St. Charles County PWSD #2**, the **Office of the State Auditor** and the **Joint Committee on Administrative Rules** 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.

In response to a previous version, officials from the **City of O'Fallon**, **Jackson County Board of Elections** and the **St. Louis City 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.

In response to similar legislation from 2024, SB 1362, officials from the **Christian County Auditor's Office** assumed the proposal will have no fiscal impact on their organization.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

| <u>FISCAL IMPACT – State Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|--|--|--|--|
| GENERAL REVENUE | | | |
| <u>Loss</u> – DOR – 2% of fee on future potential fines no longer assessed because LPS no longer required to file (§105.145) p. 10 | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| <u>Loss</u> – DOR – 2% collection fee that may have been collected if not for the one-time decrease of 90% of the outstanding balance from the LPS if they submit a timely financial statement by 1/01/23 (§105.145) p. 10 | \$0 or up to (\$3,679,266) | \$0 | \$0 |
| <u>Transfer Out</u> – to Legal Expense Fund §138.425 p.16-17 | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| <u>Cost</u> – STC – to secure nationally recognized automotive trade publication data §137.115 p. 13 | <u>More or less</u> <u>than (\$200,000)</u> | <u>More or less</u> <u>than (\$200,000)</u> | <u>More or less</u> <u>than (\$200,000)</u> |
| | | | |
| | | | |
| | | | |

| <u>FISCAL IMPACT – State Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|---|--|--|--|
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(Unknown, more or less than \$3,879,266)</u> | <u>(Unknown, more or less than \$200,000)</u> | <u>(Unknown, more or less than \$200,000)</u> |
| | | | |
| BLIND PENSION FUND (0621) | | | |
| | | | |
| <u>Revenue Reduction</u> - §137.016 – Loss of tax revenue from the reclassification of single family short-term rental properties p. 12 | \$0 | (Unknown) | (Unknown) |
| | | | |
| <u>Revenue Loss</u> - §137.115 - Limit on assessed value of vehicles to value from previous year p. 13-15 | \$0 | \$0 or (Unknown) | \$0 or (Unknown) |
| | | | |
| ESTIMATED NET EFFECT ON THE BLIND PENSION FUND | <u>\$0</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| | | | |
| LEGAL EXPENSE FUND (0692) | | | |
| | | | |
| <u>Transfer In</u> – from General Revenue | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
| | | | |
| <u>Costs</u> - §138.425 – repayment of interest on amounts wrongfully withheld p. 16-17 | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| | | | |
| ESTIMATED NET EFFECT TO LEGAL EXPENSE FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |
| COUNTY ASSESSMENT NONCOMPLIANCE TRUST FUND | | | |
| | | | |
| <u>Potential Revenue Gain</u> - §138.425 potential withholding of local sales/use tax, if noncompliant plus interest earned p. 16 | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
| | | | |

| <u>FISCAL IMPACT – State Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Potential Revenue Loss - §138.425 - repayment of withholding of local sales/use tax, if compliance is achieved p. 16 | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> |
| ESTIMATED NET EFFECT TO COUNTY ASSESSMENT NONCOMPLIANCE TRUST FUND* | <u>\$0 to Unknown</u> | <u>\$0 to Unknown</u> | <u>\$0 to Unknown</u> |

***Oversight** assumes the State will keep the interest earned on the withheld funds released under this proposal if not found to be erroneously withheld. Other withheld payments/interest earned and then returned net to zero.

| <u>FISCAL IMPACT – Local Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|--|---------------------------------|---------------------------|---------------------------|
| LOCAL POLITICAL SUBDIVISION | | | |
| <u>Savings</u> – in publication costs on financials posted in a newspaper of general circulation (§§50.815 & 50.820) p. 3 | Could exceed \$100,000 | Could exceed \$100,000 | Could exceed \$100,000 |
| <u>Savings</u> – on potential fines for certain LPS (§105.145) p. 10 | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
| <u>Loss</u> – School districts receiving less fine revenue (from savings above) (§105.145) p. 10 | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| <u>Savings</u> – on fine revenue that is reduced with a one-time reduction of 90% on the outstanding balance due if they submit a timely financial statement by 8/28/25 (§105.145) p. 10 | \$0 or up to \$183,963,308 | \$0 | \$0 |
| <u>Loss</u> – School Districts – reduction in fine revenue from one-time adjustment of fine revenue (§105.145) p. 10 | \$0 or up to (\$180,284,042) | \$0 | \$0 |

| <u>FISCAL IMPACT – Local Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|--|--|--|--|
| | | | |
| <u>Potential Revenue Loss</u> - §138.425 potential withholding of local sales/use tax, if noncompliant plus interest lost p. 16-17* | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| | | | |
| <u>Potential Revenue Gain</u> - §138.425 repayment of withholding of local sales/use tax, if compliance is achieved p. 16-17* | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
| | | | |
| <u>Potential Revenue Gain</u> - §138.425 – interest returned on amounts wrongfully withheld p. 16-17* | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
| | | | |
| <u>Savings</u> - §137.115 - County Assessors - Changes to selection process for trade- in value publications p. 13 | Unknown | Unknown | Unknown |
| | | | |
| <u>Revenue Reduction</u> - §137.016 – Loss of tax revenue from the reclassification of single family short-term rental properties p. 12 | \$0 | (Unknown) | (Unknown) |
| | | | |
| <u>Revenue Loss</u> - §137.115 - Limit on assessed value of vehicles to value from previous year p. 13-15 | \$0 | \$0 or (Unknown) | \$0 or (Unknown) |
| | | | |
| <u>Potential Revenue Reduction</u> – §139.035 - Totaled Motor Vehicle Property Tax Proration Program if county chooses to implement program p. 19 | \$0 | \$0 or (Unknown) | \$0 or (Unknown) |
| | | | |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>Unknown, more or less than \$3,779,266</u> | <u>Unknown to (Unknown)</u> | <u>Unknown to (Unknown)</u> |

***Oversight** assumes the Locals will lose the interest earned on the withheld funds released under this proposal if not found to be erroneously withheld. Other withheld payments/interest earned and then returned net to zero.

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value. §137.016

Small businesses that own personal property could see a reduction in property taxes. Conversely, taxing jurisdictions may be able to increase the levy to all other property owners to make up for the lost revenue. §137.115

FISCAL DESCRIPTION


This proposal modifies provisions governing political subdivisions.

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
 Office of the Commissioner
Henry County
Lincoln County
Livingston County
Department of Revenue
Department of Corrections
Missouri Highway Patrol
Missouri Department of Transportation
Kansas City
City of O’Fallon
Jackson County Board of Elections
Platte County Board of Elections
St. Louis City Board of Elections
St. Louis County Board of Elections
Christian County Auditor’s Office
Clay County Auditor’s Office
Phelps County Sheriff’s Office
Office of the State Auditor
Joint Committee on Administrative Rules
Office of the Secretary of State
Metropolitan St. Louis Sewer Districts
South River Drainage District
St. Charles County PWSD #2

Department of Social Services
State Tax Commission
Newton County Health Department
Kansas City Police Department
St Louis County Police Dept.
Callaway County SB 40 Board
Lawrence County SB 40 Board
Mid-Continent Public Library
County Employees' Retirement Fund
Branson Police Department
Adair County SB 40 Board
Jefferson County Assessor
Washington County Assessor
Rolling Hills Consolidated Library
Green Forest R-II School District
Springfield Police Department
St. Louis County Police Department
Hume R-VIII School District



Julie Morff
Director
May 1, 2025



Jessica Harris
Assistant Director
May 1, 2025