

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1373S.01I
Bill No.: SB 87
Subject: Political Subdivisions; Taxation and Revenue - Property
Type: Original
Date: January 28, 2025

Bill Summary: This proposal reduces the assessment percentage for real property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	\$0	More or less than \$2,833,696	More or less than \$2,833,696
Total Estimated Net Effect on General Revenue	\$0	More or less than \$2,833,696	More or less than \$2,833,696

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Blind Pension Fund (0621)	\$0	(\$3,354,968)	(\$3,354,968)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$3,354,968)	(\$3,354,968)

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	More or less than (\$741,937,926)	More or less than (\$741,937,926)

*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. Some taxing entities will be able to increase the tax rate levied on other property to make-up for the lost revenue from reduced assessments for residential property.

FISCAL ANALYSIS

ASSUMPTION

Section 137.115 - Reduction of Assessment Percentage For Real Property

Officials from the **Department of Social Services (DSS)** note Section 137.115 is amended to change the residential real property (subclass 1), agricultural and horticultural property (subclass 2) utility real property, industrial real property, commercial real property, railroad real property (subclass 3), as defined by [137.016 RSMo](#), tax rates and as follows:

Residential real property (subclass 1)	
For all calendar years ending on or before December 31, 2025	Nineteen percent of true value
For all calendar years beginning on or after January 1, 2026	Seventeen percent of true value

Agricultural and horticultural property (subclass 2)	
For all calendar years ending on or before December 31, 2025	Twelve percent of true value
For all calendar years beginning on or after January 1, 2026	Ten percent of true value

Commercial real property (subclass 3)	
For all calendar years ending on or before December 31, 2025	Thirty-two percent of true value
For all calendar years beginning on or after January 1, 2026	Thirty percent of true value

BP is funded from 0.03% of each \$100 assessed valuation of taxable property. Reducing taxes on residential real property could impact the amount collected for the BP fund.

According to the [State Tax Commission Annual Report](#), in 2023, the total assessed valuation for all residential real property in the State of Missouri is \$81,710,961,710 and are currently assessed at 19% of true value in money. The total assessed valuation for agricultural and horticultural property is \$2,006,709,105 and are currently assessed at 12% of true money value. The total assessed valuation for all utility real property, industrial real property, commercial real property, and railroad real property is \$32,689,652,599 and are currently assessed at 32% of true value in money.

This proposed legislation will affect the BP fund as follows:

Calendar Year	True Value of Residential Real Property Assessed at Current Rate of 19%	Assessment Rate, as Amended Per Year	Amended Assessed Value of Real Residential Property	Residential Real Property Tax Collections for the BP Fund (0.03% of each \$100 assessed)	Reduction in Collections for the BP Fund
2025	\$430,057,693,211	19%	\$81,710,961,710	\$24,513,289	\$0
2027	\$430,057,693,211	17%	\$73,109,807,846	\$21,932,942	\$2,580,346

Calendar Year	True Value of Agricultural and Horticultural Real Property Assessed at Current Rate of 12%	Assessment Rate, as Amended Per Year	Amended Assessed Value of Agricultural and Horticultural Property	Agricultural and Horticultural Real Property Tax Collections for the BP Fund (0.03% of each \$100 assessed)	Reduction in Collections for the BP Fund
2025	\$16,722,575,875	12%	\$2,006,709,105	\$602,013	\$0
2027	\$16,722,575,875	10%	\$1,672,257,588	\$501,677	\$100,335

Calendar Year	True Value of Utility, Industrial, Commercial, and Railroad Assessed at Current Rate of 32%	Assessment Rate, as Amended Per Year	Amended Assessed Value of Utility, Industrial, Commercial, Railroad, and All Other Real Property	Utility, Industrial, Commercial, and Railroad Property Tax Collections for the BP Fund (0.03% of each \$100 assessed)	Reduction in Collections for BP Fund
2025	\$116,372,181,459	32%	\$35,961,929,756	\$10,788,579	\$0
2027	\$116,372,181,459	30%	\$33,714,309,146	\$10,114,293	\$674,286

Therefore, FSD estimates that the fiscal impact to the BP fund would be \$2,580,346 for residential real property, \$100,335 for agricultural and horticultural property, and \$674,286 for utility, industrial, commercial, and railroad real property. FSD estimates that the total fiscal impact to the BP fund would be \$3,354,968 beginning SFY 27 and ongoing.

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it will have a negative fiscal impact on school districts and other local taxing jurisdictions (cities, counties and fire districts) who rely on property tax as a source of revenue.

Based on the State Tax Commission 2023 Annual Report, 54.52% of assessed valuation is attributed to subclass 1 residential property ($\$149,871,883,818 \times .5452 = \$81,710,151,058$ assessed valuation) and 52.63% of property taxes collected were attributed to subclass 1 residential property ($\$10,230,980,631 \times .5263 = \$5,384,565,106$). Dropping the assessed valuation percentage to 17% from 19% would drop the assessed valuation to $\$73,109,082,526$ ($[\$81,710,151,058 / .19] \times .17$). The tax collections from the reduced valuation would equal $\$4,817,768,779$ ($[\$73,109,082,526 \times \$5,384,565,106] / \$81,710,151,058$). The resulting reduction in taxes statewide would be $\$566,796,324$ ($\$5,384,565,106 - \$4,817,768,779$) spread across all the taxing jurisdictions across the state reliant on property taxes for funding.

For subclass 2 agriculture property, the assessed value was 1.34% of total assessed value in 2023 or $\$2,008,283,243$ ($\$149,871,883,818 \times .0134$) and 1.29% of property taxes collected or $\$131,979,650$ ($\$10,230,980,631 \times .0129$). Dropping the assessed valuation percentage to 10% from 12% would drop the assessed valuation to $\$1,673,569,369$ ($[\$2,008,283,243 / .12] \times .10$). The tax collections from the reduced valuation would equal $\$109,983,042$ ($[\$1,673,569,369 \times \$131,979,650] / \$2,008,283,243$). The resulting reduction in taxes statewide would be $\$21,996,608$ ($\$131,979,650 - \$109,983,042$).

For subclass 3 commercial property, the assessed value was 24.8% of total assessed value in 2023 or $\$37,168,227,187$ ($\$149,871,883,818 \times .248$) and 23.95% of property taxes collected or $\$2,450,319,861$ ($\$10,230,980,631 \times .2395$). Dropping the assessed valuation percentage to 30% from 32% would drop the assessed valuation to $\$34,845,212,988$ ($[\$37,168,227,187 / .32] \times .30$). The tax collections from the reduced valuation would equal $\$2,297,174,870$ ($[\$34,845,212,988 \times \$2,450,319,861] / \$37,168,227,187$). The resulting reduction in taxes statewide would be $\$153,144,991$ ($\$2,450,319,861 - \$2,297,174,870$).

The total cost for the bill across all three subclasses is $\$741,937,926$ spread across all the taxing jurisdictions across the state reliant on property taxes for funding.

Officials from the **Department of Revenue (DOR)** note currently residential property is assessed at a rate of 19% of appraised value, to determine its assessed value, which is used to calculate how much property tax is owed. This proposal starting January 1, 2026, would lower the rate from 19% to 17% for residential property, which would result in a reduction of the assessed value of the property. This could result in less property tax being owed by taxpayers. The County Assessors and the State Tax Commission handle the assessment of real property. DOR will defer to them for the fiscal impact of this provision on the counties.

The Department notes that the constitutionally created Blind Pension Fund (Article III, Section 38(b)) receives \$.03 for each \$100 valuation of taxable property in the state of Missouri.

Reducing the assessed rate will decrease the amount they receive. DOR defers to the Department of Social Services for the estimated loss of funding to the Blind Pension Fund.

The Department of Revenue administers the Senior Property tax credit (PTC) that gives seniors a tax credit for the amount of residential property tax paid or the amount of property tax paid as part of their rent.

Here is the amount claimed each of the last three years.

Tax Year	Number of Filers	Amount Claimed
2021	131,235	\$79,049,535
2022	127,132	\$73,974,469
2023	104,723	\$60,042,965

If the assessment rate on the property goes down, then the amount of property tax paid goes down and the amount of the Senior Property Tax Credit that can be claimed would go down.

Since the renter's credit is based on the total amount of rent paid, and this proposal does not require rents to decrease, DOR assumes this will not impact the renters claiming the credit.

This proposal is assumed to mostly impact the homeowners. When the homeowner's residential property tax is reduced as outlined by this proposal, this would result in a reduction of the amount of credits being issued. DOR notes the PTC credit is not only based on the amount of property tax paid but also the income of the taxpayer. Due to how the credit is awarded, DOR is not able to determine exactly how much this will reduce what can be claimed due to the income limits on the tax credits. In FY 2023, 46,135 homeowners claimed \$26,910,694 in credits.

Given this proposal starts on January 1, 2026, the first assessment period at the lower rate would be in December of 2026 and the first time the PTC credits would be claimed for that period is January 2027. Therefore, this will not result in an impact to general revenue until FY 2027.

Oversight assumes the estimated savings would be a proportional reduction in the Senior Property tax credit for homeowners similar to the proportional reduction in the residential assessed value. The proportional reduction is estimated at \$2,833,696 ($\$26,910,694 \times (1 - (.17/.19))$).

Officials from the **Office of Administration - Budget and Planning (B&P)** note beginning with tax year 2026, this proposal would reduce the assessment rate for all real property. Table 1 shows the current and proposed assessment rates.

Table 1: Real Property

Subclass	Title	Current Assessment Rate	Proposed Assessment Rate
1	Residential	19%	17%
2	Agricultural or Horticultural	12%	10%
3	Utility, Industrial, Commercial, Railroad, Other	32%	30%

Based on the 2024 Assessed Valuations Report provide by STC, total assessed value for all real property was \$121,251,714,758 in 2024. However, under this proposal the total assessed value would have been \$109,922,991,906. Therefore, B&P estimates that this proposal would reduce the total assessed value by \$10,952,105,430 annually. Table 2 shows the current and proposed assessed values.

Table 2: Real Property Assessment

Subclass	Current Assessed Value	Proposed Assessed Value	Difference
(1) Residential	\$82,776,475,688	\$74,063,162,458	(\$8,713,313,230)
(2) Agricultural or Horticultural	\$2,022,788,931	\$1,685,657,443	(\$337,131,489)
(3) Utility, Industrial, Commercial, Railroad, Other	\$36,452,450,139	\$34,174,172,006	(\$1,901,660,711)
Total	\$121,251,714,758	\$109,922,991,906	(\$10,952,105,430)

Using the 2024 property tax rate report published by the State Auditor’s Office, B&P estimates that the average local property tax rate is 6.7173%. In addition, the Blind Pension Trust Fund levies a statewide property tax of \$0.03 per \$100 value.

B&P notes that while this proposal could become effective for tax year 2026, property taxes are not due until December 31st of each tax year. Therefore, this proposal will not begin impacting revenues until FY27.

B&P estimates that this proposal could reduce revenues to the Blind Pension Trust by \$3,398,617 ($\$10,952,105,430 \times \$0.03/\100) beginning with FY27. This proposal could also reduce local property tax revenues by \$760,984,300 ($(\$10,952,105,430 \times 6.7173\%)$) annually beginning FY27. Table 3 shows the estimated impact by fund.

Table 3: Estimated Revenue Impact

Subclass	Blind Pension Trust Fund	Local Property Tax Funds
(1) Residential	(\$2,613,994)	(\$585,299,389)
(2) Agricultural or Horticultural	(\$101,139)	(\$22,646,134)
(3) Utility, Industrial, Commercial, Railroad, Other	(\$683,484)	(\$153,038,777)
Total	(\$3,398,617)	(\$760,984,300)

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.

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 notes the proposed reduction in the assessment rate at which real property is assessed could impact the maximum allowed revenue growth (relative to current law) which could impact all taxing entities. Oversight will show STC’s estimated impact for all local political subdivisions on the fiscal note.

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 the Department of Social Services assumes this proposal could reduce revenues to the Blind Pension Trust Fund beginning in FY 2027. Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DSS to show the loss in property tax revenue to the Blind Pension Fund.

Oversight notes the Department of Revenue assumes this proposal could reduce claims for the Property Tax Credit for qualifying individuals. Oversight does not have information to the contrary. Therefore, Oversight will show a savings to General Revenue of approximately \$2,833,696.

Officials from the **County Employees’ Retirement Fund (CERF)** has reviewed this proposal. Their review indicates that it would 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 the impact of changes to assessments in this proposal on contribution revenue but CERF assumes the impact would be negative.

Officials from the **Ste Genevieve County Assessor's Office** state, based on the 2024 Certified values for Ste Genevieve County, changing the ratio percentages as proposed in SB 87 and using the average tax rate in Ste Genevieve County, I have calculated the following loss in annual assessed value (see below per subclass) which corresponds to a loss in total tax dollars of \$3,422,500 for taxing entities.

- Residential assessed value loss \$24,635,730
- Agriculture assessed value loss \$ 2,281,730
- Commercial assessed value loss \$35,423,550

Officials from **Cole County R-V School District** assume if this bill were to have been in place for this fiscal year, it would result in a negative impact of revenue in the amount of \$283,702. This amount equates to 6.6% loss in local revenue.

Officials from the **Concordia R-II School District** assume the total impact of this bill would be a loss in revenue of approximately \$207,818.74 in the first year. That is an approximately 9% decrease in local revenue. The Concordia R-2 School District receives 52% of its total revenue from local property taxes. This bill will have negative fiscal impacts on the district as a whole.

Officials from **La Monte R-IV School District** state:

- Current residential AV: 11,333,990 = 10.5% loss would be 1,190,068 divided by 100, then multiplied by the tax rate of \$4.0668 results in a revenue loss of \$48,397
- Agricultural AV: 4,026,540 = 17% loss would be 684,511 divided by 100, then multiplied by the tax rate of \$4.0668 results in a revenue loss of \$27,837
- Commercial AV: 2,268,790 = 6.25% loss would be 141,799 divided by 100, then multiplied by the tax rate of \$4.0668 results in a revenue loss of \$5,766

Total district revenue loss as a result of this proposal is \$82,000. This would mean the district would have to eliminate two full-time teaching positions.

Officials from the **Ladue School District** state they are 94% locally funded through the collection of local property taxes. Changing the assessment rates as suggested in this Bill will impact their revenues drastically. Reducing the Residential Real Property percentage from 19% to 17% would have resulted in an approximate 10.5% reduction to this year's collection of revenue by (-\$4,937,897). Reducing the Commercial Property percentage from 32% to 30% would have resulted in an approximate 6.25% reduction to this year's collection of revenue by (-\$679,853). This legislation would have impacted the Ladue School District with an overall decrease to locally collected taxes by approximately (-\$5,617,750) in General Operating Revenue. Furthermore, it would have reduced our Debt Service Revenue by (-\$1,707,161).

Officials from the **Oak Grove R6 Schools** state they will see a \$964,966 loss of revenue with this proposal.

Officials from **Osage County R-I School District** state reducing the rate at which property is assessed will have the following impact on their school district revenue:

- Real Property = Revenue reduced by \$61,000
- Ag Property= Revenue reduced by \$1,700
- Commercial = Revenue reduced by \$306

Total reduction = \$63,006. This is estimated to be a 7% reduction in local revenue for the district.

Officials from **Pilot Grove C-4 School District** state if this proposal were to pass this would cause a significant budgetary impact to the Pilot Grove C-4 School District. Even just lowering the real property tax rates by 2% would cause significant loss to the District. Based on our current assessment as of July 2024, the passing of this proposal would reduce the districts total assessed value by 1,940,635 resulting in a loss of revenue for the district of between \$88,000 and \$92,000. This loss of revenue would cause the district to cut 2 teaching positions to offset the loss of revenue which is a 3% reduction in the district's total operating budget. Pilot Grove C-4 School District already relies on local revenue for 54% of their budget, so a decrease of this size would require the district to ask the voters for a tax rate increase of \$0.40. This would increase our tax levy to over \$5.00

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

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

Officials from the **Mid-Continent Public Library** assume there is insufficient data to provide a calculation of revenue loss.

Oversight received a limited number of responses from taxing entities 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 approval to publish a new fiscal note.

Officials from the **Newton County Health Department, Phelps County Sheriff, Kansas City Police Dept.**, 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Revenue Savings</u> - §137.115 - Reduced Property Tax Credit Claims - p. (6)	\$0	<u>More or less than</u> \$2,833,696	<u>More or less than</u> \$2,833,696
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	<u>More or less than</u> \$2,833,696	<u>More or less than</u> \$2,833,696
BLIND PENSION FUND			
<u>Revenue Reduction</u> - §137.115 - Reduction of assessment percentage rate for subclass 1 real property - p. (4)	\$0	(\$2,580,346)	(\$2,580,346)
<u>Revenue Reduction</u> - §137.115 - Reduction of assessment percentage rate for subclass 2 Horticultural Real Property - p. (4)	\$0	(\$100,335)	(\$100,335)
<u>Revenue Reduction</u> - §137.115 - Reduction of assessment percentage rate for subclass 3 Utility, Industrial, Commercial, and Railroad - p. (4)	\$0	(\$674,286)	(\$674,286)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	\$0	(\$3,354,968)	(\$3,354,968)

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - §137.115 - Reduction of assessment percentage rate for subclass 1 Real Property - p. (5)	\$0	<u>More or less than</u> (\$566,796,324)	<u>More or less than</u> (\$566,796,324)

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Revenue Reduction - §137.115 - Reduction of assessment percentage rate for subclass 2 Horticultural Real Property - p. (5)</u>	\$0	More or less than (\$21,996,608)	More or less than (\$21,996,608)
<u>Revenue Reduction - §137.115 - Reduction of assessment percentage rate for subclass 3 Utility, Industrial, Commercial, and Railroad - p. (5)</u>	\$0	More or less than (\$153,144,991)	More or less than (\$153,144,991)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS*	\$0	More or less than (\$741,937,926)	More or less than (\$741,937,926)

*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. Some taxing entities will be able to increase the tax rate levied on other property to make-up for the lost revenue from reduced assessments for residential property.

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Current law assesses real property at a percentage of its true value in money as follows: 19% for residential property, 12% for agricultural property, and 32% for utility, industrial, commercial, railroad, and all other property. This act reduces such percentages to 17%, 10%, and 30%, respectively.

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

SOURCES OF INFORMATION

Department of Revenue
 State Tax Commission
 Office of Administration - Budget and Planning
 City of Kansas City
 Ste Genevieve County Assessor’s Office
 County Employees Retirement Fund

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Cole County R-V

Concordia R-II

La Monte R-IV

Ladue

Oak Grove R-VI

Osage County R-I

Callaway County SB 40 Board

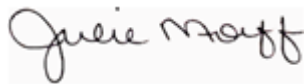
Mid-Continent Public Library

Newton County Health Department

Phelps County Sheriff

Kansas City Police Dept.,

St. Louis County Police Dept



Julie Morff

Director

January 28, 2025



Jessica Harris

Assistant Director

January 28, 2025