COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1373S.02C
Bill No.: SCS for SB 87
Subject: Political Subdivisions; Taxation and Revenue - Property
Type: Original
Date: February 25, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2041)
General Revenue	$0	$354,088	$354,088	$2,833,696
Total Estimated Net Effect on General Revenue	**$0**	**$354,088**	**$354,088**	**$2,833,696**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2041)
Blind Pension Fund (0621)	$0	($322,543)	($322,543)	($2,580,346)
Total Estimated Net Effect on Other State Funds	**$0**	**($322,543)**	**($322,543)**	**($2,580,346)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2041)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2041)
Total Estimated Net Effect on FTE	**0**	**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	Fully Implemented (FY 2041)
Local Government*	**$0**	**($73,162,423)**	**($73,162,423)**	**($585,299,389)**

*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), , 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	Decrease by one-fourth of one percent of true value every two years until January 1, 2040
For all calendar years beginning on or after January 1, 2040	Seventeen percent of true value

BP is funded from 0.03% (3 cents) 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.

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 (.03% of each $100 assessed)	Reduction in Collections for the BP Fund
2026	$430,057,693,211	19.00%	$81,710,961,710	$24,513,289	$0
2027	$430,057,693,211	18.75%	$80,638,817,477	$24,190,745	$322,543
2028	$430,057,693,211	18.75%	$80,638,817,477	$24,190,745	$322,543
2029	$430,057,693,211	18.50%	$79,560,673,244	$23,868,202	$645,087
2030	$430,057,693,211	18.50%	$79,560,673,244	$23,868,202	$645,087

2031	$430,057,693,211	18.25%	$78,485,529,011	$23,545,659	$967,630
2032	$430,057,693,211	18.25%	$78,485,529,011	$23,545,659	$967,630
2033	$430,057,693,211	18.00%	$77,410,384,778	$23,223,115	$1,290,173
2034	$430,057,693,211	18.00%	$77,410,384,778	$23,223,115	$1,290,173
2035	$430,057,693,211	17.75%	$76,335,240,545	$22,900,572	$1,612,716
2036	$430,057,693,211	17.75%	$76,335,240,545	$22,900,572	$1,612,716
2037	$430,057,693,211	17.50%	$75,260,096,312	$22,578,029	$1,935,260
2038	$430,057,693,211	17.50%	$75,260,096,312	$22,578,029	$1,935,260
2039	$430,057,693,211	17.25%	$74,184,952,079	$22,255,486	$2,257,803
2040	$430,057,693,211	17.25%	$74,184,952,079	$22,255,486	$2,257,803
2041	$430,057,693,211	17.00%	$73,109,807,846	$21,932,942	$2,580,346

Therefore, FSD estimates that the fiscal impact to the BP fund would be $322,543 in SFY27 and SFY28; $645,087 in SFY29 and SFY30; $967,630 in SFY31 and SFY32; $1,290,173 in SFY33 and SFY34; $1,612,716 in SFY35 and SFY36; $1,935,260 in SFY37 and SFY38, $2,257,803 in SFY 39 and SFY 40; $2,580,346 for SFY 41 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 X .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 * .5263= $5,384,565,106). Dropping the assessed valuation percentage to 18.75% from 19% would drop the assessed valuation to $80,635,017,491 ([81,710,151,058/.19] *.1875). The tax collections from the reduced valuation would equal $5,313,715,565 ([$80,635,017,491 * $5,384,565,106]/$81,710,151,058). The resulting reduction in taxes statewide would be $70,849,541 ($5,384,565,106-$5,313,715,565) spread across all the taxing jurisdictions across the state reliant on property taxes for funding. Using the same mathematical methodology, each additional ¼% reduction will result in an additional $70,849,541 reduction in tax revenues bringing the total in 2027 to $141,699,082 and the reduction in 2028 to $212,548,623.

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 over a period of time 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 <u>$354,088</u> in FY 2027 and FY 2028 ($26,910,694 x (1 – (.1875/.19))) and <u>$2,833,696</u> ($26,910,694 x (1 – (.17/.19))) once fully implemented.

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 residential real property. The assessment percentage shall be reduced 0.25% every two years, until residential real property is assessed at 17% of market value starting tax year 2024. Table 1 shows the current and proposed assessment rates.

Table 1: Assessment Percentage by Year

Tax Year	Assessment %
Current	19%
2026	18.75%
2028	18.50%
2030	18.25%
2032	18.00%
2034	17.75%
2036	17.50%
2038	17.25%
2040	17.00%

Based on the 2024 Assessed Valuations Report provide by STC, total assessed value for residential real property was $82,776,475,688 in 2024. B&P estimates that every 0.25% reduction in the assessed percentage reduces total assessed values by $1,089,164,154. Therefore, B&P estimates that this proposal could reduce the total assessed value by $8,713,313,230 annually once fully implemented. Table 2 shows the current and proposed assessed values.

Table 2: Estimated Assessment by Year

Tax Year	Est. Assessment	Difference
Current	$82,776,475,688	
2026	$81,687,311,534	($1,089,164,154)
2028	$80,598,147,380	($2,178,328,308)
2030	$79,508,983,227	($3,267,492,461)
2032	$78,419,819,073	($4,356,656,615)
2034	$77,330,654,919	($5,445,820,769)
2036	$76,241,490,765	($6,534,984,923)
2038	$75,152,326,611	($7,624,149,077)
2040	$74,063,162,458	($8,713,313,230)

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 $326,750 in FY27 and FY28. This proposal could also reduce local property tax revenues by $73,162,423 during FY27 and FY28. Once fully implemented, this proposal may reduce revenues to the Blind Pension Trust Fund by $2,613,994 and local revenues by $585,299,389 annually. Table 3 shows the estimated impact by fund.

Table 3: Estimated Revenue Impact

Tax Year	Fiscal Year	Blind Pension	Local Revenues
2026	2027	($326,750)	($73,162,423)
2027	2028	($326,750)	($73,162,423)
2028	2029	($653,499)	($146,324,847)
2029	2030	($653,499)	($146,324,847)
2030	2031	($980,248)	($219,487,271)
2031	2032	($980,248)	($219,487,271)
2032	2033	($1,306,997)	($292,649,694)
2033	2034	($1,306,997)	($292,649,694)
2034	2035	($1,633,747)	($365,812,118)
2035	2036	($1,633,747)	($365,812,118)
2036	2037	($1,960,496)	($438,974,542)
2037	2038	($1,960,496)	($438,974,542)
2038	2039	($2,287,245)	($512,136,966)
2039	2040	($2,287,245)	($512,136,966)
2040	2041	($2,613,994)	($585,299,389)

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 ((Total Assessed Value/100)*.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.

In response to a previous version (SB 87), 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.

In response to a previous version (SB 87), 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 iin 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

Officials from the **Lafayette Co. C-1 School District** assume this decrease is real property assessment values will decrease the district's overall assessed valuation by $5,773,000, just shy of 6 million. The revenue lost from that will be $263,490. That revenue covers the costs of over 4 teachers. So this bill will force the district to either cut those staff members or raise the local levy an additional .30 to cover the cost.

In response to a previous version (SB 87), 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.

In response to a previous version (SB 87), officials 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.

In response to a previous version (SB 87), 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

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.

In response to a previous version (SB 87), 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 the district's Debt Service Revenue by (-$1,707,161).

In response to a previous version (SB 87), officials from the **Oak Grove R6 Schools** state they will see a $964,966 loss of revenue with this proposal.

In response to a previous version (SB 87), 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

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

In response to a previous version (SB 87), 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 the district's 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 the district's 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 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. Beyond supporting individuals with IDD, these programs enrich lives and strengthen the overall fabric of the community, fostering a more equitable and inclusive society.

The broader implications for individuals, families, and the community must be carefully considered before any changes to the funding mechanisms are implemented. If reductions in personal property and/or real property taxes are pursued, it is imperative to establish a sustainable and equitable mechanism to replace this funding. Doing so will ensure that Senate Bill 40 organizations can continue fulfilling their critical mission of supporting individuals with IDD and their families, while preserving the broader community benefits these services provide.

In response to a previous version (SB 87), 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.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2041)
GENERAL REVENUE				
Revenue Savings - §137.115 - Reduced Property Tax Credit Claims - p. (6)	$0	$354,088	$354,088	$2,833,696
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**$354,088**	**$354,088**	**$2,833,696**

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2041)
BLIND PENSION FUND				
Revenue Reduction - §137.115 - Reduction of assessment percentage rate for residential real property	$0	($322,543)	($322,543)	($2,580,346)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**($322,543)**	**($322,543)**	**($2,580,346)**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2041)
LOCAL POLITICAL SUBDIVISIONS				
Revenue Reduction - §137.115 - Reduction of assessment percentage rate for residential real property	$0	($73,162,423)	($73,162,423)	($585,299,389)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS*	**$0**	**($73,162,423)**	**($73,162,423)**	**($585,299,389)**

*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
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
February 25, 2025

Jessica Harris
Assistant Director
February 25, 2025