

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1441S.02I
 Bill No.: SJR 50
 Subject: Constitutional Amendments; Taxation and Revenue - Property
 Type: Original
 Date: February 18, 2025

Bill Summary: This resolution modifies provisions relating to property tax assessments.

FISCAL SUMMARY

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

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

****Oversight** notes the potential savings to the General Revenue Fund is from reduced Senior Property tax credits issued if the proposed changes in the base year result in lower property tax bills for qualifying seniors in the future (pending voter approval). Oversight assumes the potential savings will not reach the \$250,000 threshold in the next three years because the change in the base years will be relatively small until future years.

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

*Oversight assumes the potential loss will not reach the \$250,000 threshold in the next three years because the change in the base years will be relatively small until future years.

Numbers within parentheses: () indicate costs or losses.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0*	\$0 or (Unknown)	\$0 or (Unknown)

*Transfers and costs net to zero if the Governor calls a special election.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** note this is a constitutional amendment that would go to a vote of the people in November 2026. If the people do not adopt it, then it will have no fiscal impact. If adopted, it would modify how residential property assessment values will be calculated in the future.

DOR is not directly impacted by this proposal as the County Assessors and State Tax Commission do property tax assessment and collection. However, should seniors that currently receive the Senior Property Tax Credit (PTC) pay less or more in property tax under this proposal, that could change the amount of the PTC credit they receive. In FY 2023, there were 55,626 senior that claimed \$30,436,735 in PTC credits. The impact is unknown.

Officials from the **State Tax Commission** have determined that this bill proposes residential real property be valued at the most recent assessed value, or the fair market value for said property be determined at the most recent sale. This proposal has an unknown fiscal impact on the State Tax Commission, however the limitation on assessment growth may negatively impact revenues for school districts, counties, cities, fire districts and other local taxing jurisdictions supported by property tax revenues.

Additionally, restrictions on assessment growth may create disparities and inequities over time among residential properties and categories of homeowners, potentially shifting a greater share of the tax burden from one class of homeowner to another. A newer home's true market value used for assessment may increase far more than an older home or vice versa depending on market conditions. An assessment limit may impact assessment growth and over time potentially create a large disparity.

Officials from the **County Employees Retirement Fund (CERF)** note this joint resolution would indicate that it 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 real property assessments under SJR 50 would impact contribution revenue but CERF assumes there would be a negative impact.

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 **City of Liberty** assume the proposed bill will have a significant negative fiscal impact on the City of Liberty by restricting future revenue growth from increases to

property values. This will limit revenue needed to keep pace with inflation and the increasing cost of public services. With a substantial portion of the residential property tax base locked in at artificially low levels, local governments will be at risk of budget shortfalls which could force program cuts, deferred infrastructure improvements and more.

Officials from the **Howell County Assessor** note this has some of California's Proposition 13 requirements that has devastated their property tax system and will violate Article X section 3 of the Missouri Constitution which states "Taxes may be levied and collected for public purposes only, and shall be uniform upon the same class or subclass of subjects within the territorial limits of the authority levying the tax." This is known as the uniformity provision of the constitution and is the basis for property assessment appeals labeled as discriminatory and discrimination in assessment uniformity was the decision handed down by the Missouri Supreme Court in the 1979 *Cassilly v. Riney* 576 S.W2d 325 (1979) case that ordered the state to reassess all property under a system in conformity with acceptable assessment practices that require assessments conform to the law. This legislation may place the assessment process in violation of the Constitution and this case law. It does not detail how the assessor is to handle the valuation of the property when ownership changes.

This is not a solution to the property tax problem in this state and will only cause another shift in the tax burden to those who have recently purchased a home. This will stall or eliminate the ability for people to buy their own home, a dream of millions, as the new owners will be paying a higher tax bill than the neighbor that has owned their home for many years. This will also cause levies to increase which will cause even higher taxes on all real and personal property.

Officials from the **Mid-Continent Public Library** assume freezing the value of residential property into perpetuity save the sale of the property would have catastrophic impacts on the Library's primary source of revenue.

Officials from the **Cape Girardeau County Assessor** utilized the consumer price index to estimate the anticipated change in the residential real estate market values for 2025. The estimated change if 2.25% is based on the median change per year over the past 10 years (See Data Below).

- 2024 Total Residential Market Value = \$4,211,688,816
- Estimated 2025 Total Residential Market Value = \$4,306,451,814
- Estimated 2026 Total Residential Market Value = \$4,403,346,980
- Total Estimated Loss in Market Value After Freeze to 2025 Values = \$96,895,166
- Total Estimated Loss in Assessed Value After Freeze to 2025 Values = \$18,410,728

The study revealed a reduction, or cap, of the assessed values in the reassessment process would result in an annual loss of \$1,000,000 to \$2,000,000 per year based on the average tax levies within the county. The impact of this amendment across the State of Missouri, could result in a statewide reduction in revenue of tens of millions, or more.

Currently the state of Missouri is one of 12 states that are considered “nondisclosure” states where buyers / sellers are not required to report the sales prices of real estate, except for St. Louis city, St. Louis County, Jackson County, & St. Charles County. For the assessor to appraise real property at or near the actual sales price the State of Missouri would need to be change to a mandatory disclosure state since Cape Girardeau County is not included in the four political subdivisions that require sales prices be disclosed.

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

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

The Secretary of State’s office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

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

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

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

Officials from the **Office of Administration - Budget and Planning, Department of Social Services, Newton County Health Department, Phelps County Sheriff, Kansas City Police Dept., Branson Police Dept, 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 property tax revenues are designed to be revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to other property owners.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law) rather it would result in a loss of revenue.

Oversight 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 reduces (or limits growth) the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law.

Oversight assumes the magnitude of the impact to the Blind Pension Fund would depend on prevailing market conditions.

Oversight assumes there could be a saving to General Revenue from a reduction the amount of Senior Citizen Property Tax Credits claimed. Oversight will show a range of impact of \$0 (no reduction) to an unknown savings.

Oversight notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters) to an unknown loss in revenue to the Blind Pension Fund and local political subdivisions beginning in FY 2028.

Oversight assumes there could be costs for implementation and computer programming. Oversight will show an unknown cost to county assessors to implement this proposal beginning in FY 2027.

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 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Transfer Out - SOS - reimbursement of local election authority election costs if a special election is called by the Governor</u>	\$0 or (More than \$8,000,000)	\$0	\$0
<u>Cost Avoidance – possible reduction in the amount of Senior Property Tax Credit claims</u>	\$0	\$0	\$0 or Unknown
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or (More than \$8,000,000)</u>	<u>\$0</u>	<u>\$0 or Unknown</u>
BLIND PENSION FUND			
<u>Revenue Loss - Reduction of real property tax collected*, if approved by voters</u>	\$0	\$0	\$0 or Unknown
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> - County Assessors - computer programing, administrative costs, and implementation and monitoring of assessed value increase exemptions on certain properties	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Loss</u> - Reduction of real property tax collected*, if approved by voters	\$0	\$0	\$0 or (Unknown)
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$8,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election if called for by the Governor	\$0 or (More than \$8,000,000)	\$0	\$0
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0 or (Unknown)	\$0 or (Unknown)

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

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.

FISCAL DESCRIPTION

This constitutional amendment, if approved by the voters, provides that, beginning January 1, 2027, the assessed value of residential real property shall be the most recent assessment. For all subsequent reassessments of such residential real property, the assessed value shall not increase while the owner or owners continue to own such property. Residential real property that is purchased, newly constructed, or undergoes a change in ownership shall be reassessed at its true

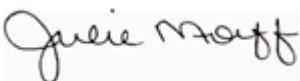
value in money as provided by law, after which the assessed value of such property shall not increase while the new owner or owners continue to own such property.

The assessed value of residential real property shall reflect the value added to the property as a result of new construction or improvements, as described in the act.

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

SOURCES OF INFORMATION

Department of Revenue
State Tax Commission
Office of the Secretary of State
Office of Administration - Budget and Planning
Department of Social Services
County Employees Retirement Fund (CERF)
City of Kansas City
Callaway County SB 40 Board
City of Liberty
Howell County Assessor
Mid-Continent Public Library
Newton County Health Department
Phelps County Sheriff
Kansas City Police Dept.
Branson Police Dept
St. Louis County Police Dept
Cape Girardeau County Assessor



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