COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3295S.08T
Bill No.: Truly Agreed To and Finally Passed SS No. 2 for SCS for SB 3
Subject: Economic Development; Entertainment, Sports and Amusements; Tax Credits; Taxation and Revenue - General; Taxation and Revenue - Income
Type: Original
Date: June 27, 2025

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	$0 up to ($111,236,338)	$0 to Could exceed ($106,301,281)	$0 to Could exceed ($107,311,691)
Total Estimated Net Effect on General Revenue	**$0 up to ($111,236,338)**	**$0 to Could exceed ($106,301,281)**	**$0 to Could exceed ($107,311,691)**

*§67.3000 reflects the potential increase in the tax credit cap from $3 million to $6 million beginning in FY 2026.
§§67.3000 & 67.3005 both extend the sunsets to August 28, 2032. Oversight reflects the average redemption costs beginning in FY 2028.
§100.240 reflects an appropriation for potential economic incentives for MLB and NFL teams in Missouri and tax credits under the Show-Me Sports Investment Act.
§135.445 reflects a cost of $0 or $90 million in FY 2026 and up to $45 million thereafter for the Homestead Disaster Tax Credit.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

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 All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	Up to 20 FTE	Up to 20 FTE	Up to 20 FTE
Total Estimated Net Effect on FTE	**Up to 20 FTE**	**Up to 20 FTE**	**Up to 20 FTE**

☒ 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, Could be substantial)**	**$0 or (Unknown Could be substantial)**

*§137.1120 – Potential loss of revenue from property tax credits and cost to implement and track credits, **if** approved by ordinance/voters.

FISCAL ANALYSIS

ASSUMPTION

§67.3000 - Tax Credit for Sporting Events - Tickets

Officials from the **Department of Revenue (DOR)** note this section is modifying the Sporting Events tax credit program that awards tax credits based on tickets sold to an event. The current program awards a credit of $5 per ticket sold or $10 per registered participant. The credit is refundable and administered by the Department of Economic Development (DED). No more than $2.7 million of the current $3 million cap is available for events held in St. Louis or Kansas City.

For informational purposes, DOR has provided the authorizations, issuances and redemptions since it was created in 2013.

Year	Authorized	Issued	Total Redeemed
FY 2024	$1,420,800.00	$2,169,547.16	$1,420,037.00
FY 2023	$446,618.79	$369,986.65	$1,011,839.85
FY 2022	$886,980.00	$1,599,747.12	$886,432.00
FY 2021	$7,799,425.00	$404,970.00	$128,770.00
FY 2020	$1,185,000.00	$1,132,640.00	$1,391,995.00
FY 2019	$1,265,000.00	$293,810.00	$1,420,500.00
FY 2018	$1,335,000.00	$1,584,090.00	$1,276,180.00
FY 2017	$5,296,200.00	$2,175,700.00	$1,316,815.00
FY 2016	$942,800.00	$7,800.00	$564,723.30
FY 2015	$728,708.00	$585,735.00	$38,610.00

This proposal increases the amount of credit from $5 per ticket sold to $6 per ticket sold. It is also increasing the credit from $10 for every person registered to $12 per person. Additionally, this proposal extends the sunset on this program. DOR assumes no impact from these changes due to program having a cap.

This proposal is also increasing the cap on the program from $3 million to $6 million and increasing the amount that Kansas City and St. Louis can receive from $2.7 million of the cap to $5.5 million of the cap. The increase in the cap to $6 million will result in an additional loss to general revenue of $3 million annually.

Currently, this tax credit is a refundable credit. Applicants for the credit must submit an application with DED to be approved for the credits. Then upon receipt of a tax credit certificate the taxpayer files a tax return with the tax credit certificate to receive the credit. This proposal adds language requiring DOR to issue those refunds upon presentation of the applicant's submission of a valid tax credit certificate. This proposal implies that an applicant for the tax credit will not have to file a tax return but just submit their tax certificate and DOR should refund the credit.

This proposal does add language that will no longer allow the credit to be transferred, sold or assigned. This change is not expected to result in any additional cost or savings to the state.

Overall, these changes will result in an additional loss of general revenue of $3,000,000 (from the cap increase) and require DOR to modify the Department's computer programs at a cost of $1,832 and the forms at a cost of $2,200.

Oversight assumes the DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the administrative 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 **Office of Administration – Budget & Planning (B&P)** note:

Section 67.3000 contains the amateur sporting event ticket contribution tax credit. This credit is due to sunset on August 28, 2025. This proposal would extend the sunset to August 28, 2032.

This proposal states that a refundable tax credit is issued to the applicant for either $6 for every admission ticket sold to such event or $12 for every registered participant if such event was participated-based. The current program is the least of: One hundred percent of eligible costs incurred by the applicant; an amount equal to $5 for every admission ticket sold to such event; or an amount equal to $10 for every paid participant registration if such event was participant-based and did not sell admission tickets. Removing the cost reimbursement for the ticket sales credit may change the current utilization rates of the program.

Additionally, it requires any participant of the program who has been awarded a refund and the Department of Revenue determines the participant still owed taxes that were not paid in the year the tax credit was applied shall repay the tax credit paid to the participant.

Officials from the **Department of Economic Development (DED)** assume §67.3000 removes eligible costs from the definitions and as a requirement to submit with their application after a sporting event so that the ticket sales tax credit is only based on ticket sales or number of registered participants. The language increases the amount of tax credit issued from $5 for every admission ticket sold to such event to $6 for every admission ticket sold. The language also increases the amount of tax credit issued from $10 for every registered participant to $12 for every registered participant. (The tax credit for either tickets sold or registered participants, not both.) The tax credit is no longer authorized to be transferred, sold, or assigned and the tax credits may be refunded at any point after issuance. The tax credit fiscal year cap increased from $3M to $6M. The language extends the sunset date from August 28, 2025, to August 28, 2032.

Oversight notes due to the high authorization of tax credits under this Section in FY 2017 and 2021, and anticipation of various Missouri sporting events in the future (i.e. Kansas City Chiefs repeated Super Bowl appearances, Kansas City hosting the Soccer World Cup in 2026, etc.) it is reasonable to expect tax credit issuances up to the maximum cap of $6 million annually.

Oversight notes §67.3000.5 increases the cap on the program from $3 million to $6 million effective August 28, 2025 (FY 2026). Therefore, Oversight will reflect the increase in the cap as an additional loss to general revenue of $3 million annually, beginning FY 2026.

Oversight notes that the average total tax credits redeemed from 2020 to 2024 were $967,815.

Oversight notes this provision extends the sunset on the tax credit from August 28, 2025, to August 28, 2032. Therefore, for purpose of this fiscal note, Oversight will show the average redemption totals from 2020 to 2024 ($967,815) as a continuance of the costs of this program in addition to the $3 million maximum cap, as an ongoing cost in FY 2028 and thereafter.

<u>§67.3005 - Sporting Event Prepay Tax Credit Program</u>

Officials from **DOR** noted this section modifies provisions of the Amateur Sporting Events Prepay tax credit program. The Prepay tax credit program gives a tax credit to donors who help sponsor these types of events. The current credit is equal to 50% of the donation collected. The current program does not allow this credit to be refunded, and it has a $10 million annual cap.

For informational purposes, DOR has provided the issuances and redemptions since the program was created in 2013.

Year	Authorized	Total Redeemed
FY 2023	$31,060.00	$15,000
FY 2022	$21,700.00	$22,500
FY 2021	$25,000.00	$27,500
FY 2020	$25,000.00	$22,500
FY 2019	$28,549.22	$18,549
FY 2018	$22,500.00	$20,000
FY 2017	$18,750.00	$12,500
FY 2016	$23,000.00	$0
FY 2015	$14,000.00	$0

This proposal lowers the cap on the program from $10 million to $500,000 annually. It also extends the sunset date on the program from 2019 to six years after 2026.

This provision is expected to result in savings to the state and general revenue of $9.5 million annually. Additionally, this provision will result in DOR needing to modify the Department's MO-TC form ($2,200), computer programs ($1,832) and website. These changes are estimated to cost $4,032.

Oversight assumes the 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 provision with existing staff and resources. Therefore, Oversight will reflect a zero impact in the fiscal note for DOR.

Oversight notes §67.3005.3, lowers the current cap of $10 million to $500,000 annually beginning August 28, 2025 (FY 2026).

Oversight notes in recent years the data shows that on average there was $26,262 in Authorizations, $15,710 in Issuances, and $21,210 in Redemptions respectively. Therefore, Oversight will not reflect any potential savings from reducing the cap.

Oversight notes this provision extends the sunset on the tax credit from August 28, 2025, to August 28, 2032. Therefore, Oversight, for purpose of this fiscal note, will reflect the average redemption totals from 2019 to 2023 in the amount of $21,210, as a continuance cost of this program in FY 2028 and annually thereafter.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume section 67.3000.5 would increase the annual issuance limit from $3 million to $6 million per year.

Section 67.3005 contains the amateur sporting event contribution tax credit. This provision would lower the annual issuance limit from $10 million to $500,000.

Therefore, B&P estimates that these provisions could increase GR by $6.5 million starting FY26.

Officials from the **DED** assume **§**67.3005 decreases the fiscal year cap from $10M to $500,000 and extends the sunset date six years from August 28, 2019, to six years from August 28, 2026.

<u>§100.240 - Show-Me Sports Investment Act</u>

Officials from the **Department of Revenue (DOR)** assumed this proposal in Section 100.240.4 & .5 would allow an athletic and entertainment facility to apply to the Department of Economic Development (DED) to receive an appropriation to help fund the athletic and entertainment facility. The facility would complete an application providing information necessary for DED to determine the facilities' baseline year state tax revenue. DOR notes this would allow the appropriation of no greater than the facilities' baseline year state tax revenue. This is an appropriation of existing general revenue and therefore is not expected to impact total state revenue.

This proposal states that DOR is charged with verifying that the information provided by the facility matches information on file with DOR or not. DED would need to collect a copy of the tax returns and a statement authorizing DOR to review the tax records from the facility in order for DOR to verify the information provided by the teams was accurate. DOR assumes due to the limited number of requests this can be done with existing resources.

This proposal in Section 100.240.6 would allow a taxpayer to receive a tax credit for contributions to the MDFB Infrastructure Fund (100.286) in an amount equal to 50% of their contribution. The tax credits would be allowed to be carried forward up to 5 years. The amount of tax credits under this provision are capped at $50 million. This provision allows the $50 million to be distributed over three fiscal years. For the purposes of the fiscal note, DOR will show the entire $50 million in the first fiscal year.

This provision will require DOR to update the Department's computer programs at a cost of $1,832 and the tax credit form at a cost of $2,200.

In response to a similar proposal, SS for SCS for SB 80 (2025), officials from **DOR** stated: Under Section 32.057, the Department does not disclose the number of tax returns or amounts claimed if the number is so low it could identify the taxpayers and therefore, DOR is not able to provide the amount of general revenue generated from these listed sources. DOR notes, however, that this proposal does require appropriation and therefore, the general assembly can determine the amount of the appropriation annually. DOR notes this would result in a loss of revenue from $0 (no appropriation is made) to an Unknown negative (the amount of the appropriation) amount annually.

Officials from the **Office of Administration (OA)** assume per §100.240, there would be a potential fiscal impact, however, because OA has no way to determine how much would be appropriated for aiding and cooperating in the planning, undertaking, financing, or carrying out of the facility project, the fiscal impact is indeterminable.

Officials from the **Office of Administration – Budget & Planning** assume this provision would allow for an annual appropriation to assist in an "athletic and entertainment facility" project. The annual appropriation cannot last longer than 30 years and is limited to a facility's "baseline year state tax revenue". B&P does not have enough information to estimate the amount of annual appropriations that may be made under this provision.

B&P notes that per subdivision 100.240.3(1) the sports and entertainment venue must have a seating capacity of over 30,000. There are currently only three such stadiums in Missouri: Arrowhead Stadium, the Dome at America's Center, Faurot Field, Bush Stadium, and Kauffman Stadium.

Subsection 100.240.5 indicates that only a professional sports team may qualify under this provision. (Subdivision 100.240.3(9) defines professional sports team as either MLB or NFL.

Therefore, under this language only Arrowhead and Kauffman stadiums in Kansas City and Busch Stadium in St. Louis City would qualify for any appropriations or tax credits.

In addition to the annual appropriations, up to $50 million in tax credits may be authorized for private donations to the facility project. The tax credits shall be 50% of the money or property donated to the Infrastructure Development Fund. The tax credits are non-refundable but may be carried forward for up to five years. The total amount of tax credits may be issued over a maximum of three years.

Therefore, B&P estimates that this proposal could reduce general revenue by up to $50 million. For the purpose of this fiscal note, B&P will reflect the full $50 million loss as occurring in FY27.

Officials from the **Department of Economic Development (DED)** assume §100.240 creates the Show-Me Sports Investment Act, a program administered by the Department of Economic Development. This program, subject to appropriation, is created to aid and cooperate in the planning, undertaking, financing, or carrying out of an athletic and entertainment facility project for which application is made to the Department.

The annual expenditure by the state in connection with an athletic and entertainment facility project is subject to annual appropriation and cannot exceed the baseline year state tax revenues (sum of GR portion of state sales tax revenues received (with some exclusions), state income tax withheld on behalf of employees by an employer, and the nonresident professional athletes and entertainers state income tax revenues that were derived directly from the operations of the athletic and entertainment facility of the professional sports franchise, including vendors and tenants located in the facility during the baseline year). The baseline year is the calendar year prior to submission of the application to the Department. The Department is unable to estimate the fiscal impact for the baseline year state tax revenues.

State appropriations shall not exceed 30 years. If the athletic and entertainment facility project receives funds and the owners of the applicable professional sports franchise relocate to another state during the term of the agreement, it will be construed as a default event, and the owners of the professional sports franchise shall repay to the state GR fund the amount of funds expended by the state through the date of the default, the total debt service remaining for any outstanding bond indebtedness for the project, and the amount of tax credits issued.

Missouri Development Finance Board, for the purpose of funding an athletic and entertainment facility project, may in addition to the above, may authorize a tax credit in the amount of 50% of any amount contributed in money or property by the taxpayer to the infrastructure development fund, provided that the tax credits awarded for the project do not exceed 10% of the amount of private investment in the project or $50M, whichever is less, and the total of such tax credits may be issued over a maximum of 3 calendar years. The fiscal note assumes two projects receiving max $50M issued over three years.

First Incentive – State Aid Appropriation

Oversight notes, for informational purposes, according to the annual report for the Jackson County Sports Complex Authority (Truman Sports Complex – Arrowhead Stadium and Kauffman Stadium) remitted $40,249,475 in tax revenue to Missouri, for 2024 tax year, as follows:

Withholding	$23,319,611
Sales Tax	$16,681,932
Use Tax	$243,680
Entertainers Tax	$4,252
Total	**$40,249,475**

(Source: Jackson County Sports Complex Authority, 2024 Annual Report, page 20 - https://www.jcsca.org/legaldocuments)

Oversight assumes it is possible that more than one organization will be able to obtain proposed incentive. Therefore, Oversight will reflect a range of revenue loss of zero (no state aid was appropriated for purpose of the project) to could exceed $40,249,475 million, beginning FY 2027.

Second Incentive – Tax Credit

Oversight notes that §100.240.6 allows for any organization that contributes money or property towards an athletic and entertainment facility project up to 10%, or up to $50 million in tax credits, whichever is lesser, over three calendar years.

Additionally, §100.240.6 (2) stipulates that the portion of tax credits which exceed the taxpayer's tax liability may be carried forward up to five years following the issuance year.

For simplicity, Oversight will reflect a cost ranging from zero (no tax credits were issued) up to $16,666,667 (rounded to nearest dollar amount) in tax credits per year, beginning in FY 2026 to FY 2028, but notes that this tax credit could potentially continue to FY 2033, due to the carry forward provision in §100.240.6 (2).

Lastly, Oversight notes §100.240.8 contributions received by any committee may be used for any reasonable legal fees incurred in defense of a legal proceeding arising out of the official duties conducted pursuant to this provision.

Upon further inquiry, **DOR** stated the credit is capped at $50 million and if more than one facility is involved, they would split the $50M.

§135.445 - Homestead Disaster Tax Credit

Officials from the **Department of Revenue** assume starting January 1, 2025, this provision would allow a tax credit of $5,000 per homeowner or renter whose homestead received damage from a disaster that requires the Governor to submit a presidential disaster declaration.

Information obtained from the Missouri State Emergency Management Agency show the following number of presidential disaster declarations in the past years:

Calendar Year	Number of Disasters
2022	1
2023	1
2024	1
2025 so far	2

Of the 2 disasters that the presidential disaster declarations have been filed in 2025, only 1 has sought individual assistance for damage sustained by individuals and households. That disaster sought assistance for citizens in 18 counties and the City of St. Louis. Information provided by the Department of Insurance shows that 489,129 properties had either dwelling fire or homeowner's insurance policies which would cover part if not all of the damage sustained in the disaster, and which could result in an insurance deductible. According to the Census Bureau data there are at least 654,285 occupied dwellings in those areas.

This proposal would allow a homeowner or renter who has an insurance deductible to be eligible for the tax credit. The tax credit is not refundable and must be offset against taxpayer income tax liability. DOR is unable to determine which of those properties are owned or rented by taxpayers with a state income tax liability that once the tax rate is applied would still owe liability that could be offset by this tax credit.

DOR will need to create a form for the residents to use to verify they have insurance and were in the declared disaster area. DOR assumes the creation of the form would cost $10,000.

DOR notes this proposal caps the amount of tax credits that can be redeemed in FY 2026 to $90 million. DOR notes there is language that would cap the credit at $45 million in future fiscal years. Therefor the fiscal impact is limited by the cap annually.

DOR notes that additional disasters could be added to the list that qualify for this credit. DOR notes that the tax credit staff can handle 3,000 returns annually. Given this could result in an additional 269,032 to 432,972 tax credit filers, DOR assumes the Department will need as many as twenty additional Associate Customer Service Representatives ($37,020) to handle the processing and verification of this credit. Additionally, computer programming of up to $175,000 may be needed to keep track of the first come first serve cap.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by DOR, for up to the 20 FTE – Associate Customer Service representatives (at $37,020 annually and E&E), and one time cost for the ITSD – computer programing $175,000.

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

Officials from the **Office of Administration - Budget and Planning** state this provision would grant a tax credit of up to $5,000 for the out-of-pocket costs incurred by a taxpayer for damages directly related to a natural disaster during 2025. A taxpayer may only claim one credit for 2025.

This tax credit would be the lesser of the out-of-pocket deduction or $5,000. In addition, the credit is non-refundable but may be sold and can be carried forward up to 29 years.

To qualify a taxpayer must reside in an area where the governor has requested a presidential disaster declaration. B&P notes that this provision does not require the presidential disaster declaration be made, only that it is requested.

A taxpayer must also have homeowner's or renter's insurance, incur a deductible, and have a homestead with damage directly related to a natural disaster that occurred during 2025. As of June 5, 2025, Missouri has requested two presidential disaster declarations. One for severe weather on March 14 – 15 and one for severe weather on May 21.

For FY26, no more than $90 million in tax credits may be redeemed. From FY27 through FY55, no more than $45 million in tax credits may be redeemed per year.

Therefore, B&P estimates that this proposal may reduce GR by up to $90 million in FY26. For each fiscal year from FY27 through FY55, this proposal may reduce revenues up to $45 million per year. B&P notes that this provision will not impact GR beyond FY55.

Oversight notes that this proposal allows for redemption up to $90 million in tax credits before July 1, 2026. Therefore, Oversight will reflect up to the maximum allotted cap, as per proposal, in FY 2026.

Oversight notes that taxpayers will be able to redeem up to $45 million after July 1,2026 (FY 2027 till FY 2056).

Oversight is unable to determine how many taxpayers would be eligible for the homestead tax credit, as defined by the proposal in FY 2026 and thereafter. Therefore, Oversight will reflect a zero (no disaster declarations) or the allotted maximum cap (as per proposal) to the general revenue in the fiscal note.

<u>§137.1120 – Property Tax</u>

Officials from the **Office of Administration - Budget and Planning** state this proposal would limit property tax liability to grow by 5% or inflation, whichever is greater in certain counties, while allowing the property tax liability to be frozen in other counties.

Property taxes may be increased above the limits for: improvements, new construction voter approved increased tax levy, and annexation of property. If a taxpayer's property tax liability decreases in a future year, that lower amount shall become the taxpayer's new base credit year.

Counties must request voter approval for the property tax limit no later than April 2026.

A county cannot include any lost revenues as a result of the property tax limit when setting the annual property tax levies. B&P notes that normally when revenues decline, property tax districts are able to increase their property tax levy to recoup some or all of the lost revenue. This provision would prevent that "roll-up" from occurring.

The property tax freeze shall apply to and impact all property tax districts within a county that has received voter approval.

No taxpayer may claim this property tax freeze and the senior property tax freeze granted under Section 137.1050.

B&P notes that while this provision does not impact the assessed valuation for property. Therefore, it will not impact revenues to the Blind Pension Trust Fund.

Officials from the **Department of Revenue (DOR)** assume this proposal modifies how residential property tax will be calculated in the future. Property tax is handled by the county assessors and the State Tax Commission and not DOR therefore this will not have a fiscal impact on DOR.

In response to a previous version, officials from the **City of O'Fallon** assumed that for this calculation the City used FY 2023 as the year to calculate the tax credit and FY 2022 as the base year. The City had a 21.01% increase in real property that year. Residential property is equal to 81.93% of all real property so the Finance Director used the final real estate figure and calculated 81.93% of that to come up with the residential portion. The Finance Director then calculated the difference between the increase in property (21.01%) and the allowed CPI inflation to the base year (5%) which totaled a net 16.1% tax credit. The City's general tax rate was .2909. The calculation is as follows:

2,389,825,970 | all real property (commercial, residential, agricultural)
X .8193 | residential %

1,957,984,417
X .1601 | to calculate assessed value for tax credit
313,473,305
% 100
X .2909 | tax rate
$911,894 Lost tax revenue

This calculation is so complicated that the city is not sure how a municipality is going to be able to project revenues. Future years would be even more revenue lost because this would be a cumulative loss. The City's Finance Director also agrees with the idea of limiting the assessed value increase to the cost of living but thinks the current year calculation should be based on the revised valuation and the residents should not get a tax credit for it. This is the only way to ensure that entities are able to keep up with inflation.

Officials from **Boone County** assume the General Assembly has in effect authorized the release in whole, or in part, the real property tax obligation of a taxpayer. The county does not have the option of putting the issue on the ballot. The language says they shall put the measure on the ballot no later than April of 2026.

That article gives the General Assembly the power to authorize tax credits or rebates on real property tax, but it also says "but any such law shall further provide for restitution to the respective political subdivisions of revenues lost, if any, by reason of the exemption". The statute granting authority to a county to offer a 5% or /0% tax credit does not mention tax district restitution anywhere.

X Section 6(a) - Homestead exemption authorized. — The general assembly may provide that a portion of the assessed valuation of real property actually occupied by the owner or owners thereof as a homestead, be exempted from the payment of taxes thereon, in such amounts and upon such conditions as may be determined by law, and the general assembly may provide for certain tax credits or rebates in lieu of or in addition to such an exemption, but any such law shall further provide for restitution to the respective political subdivisions of revenues lost, if any, by reason of the exemption, and any such law may also provide for comparable financial relief to persons who are not the owners of homesteads but who occupy rental property as their homes.

Officials from the **Howell County** assume §137.1120 section of this bill will result in costs to counties for implementation, defense and management of this program could reach or exceed $100,000,000.

Officials from the **Jasper County SB 40 Board** note the Board serves over 1,225 individuals in the county who have developmental disabilities. They rely on property tax revenues to help fund resources and supports for the people served. 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) by limiting access to critical resources.

These services, supported by personal property taxes, include employment opportunities, inclusive community programs, therapies 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 overall 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 like the Board 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, officials from the **Polk County Clerk's Office** stated with limiting assessment increases to 5% or less there would be substantial and potentially detrimental revenue losses for all political subdivisions located within Polk County. It is estimated that Polk County could see a revenue loss of at least $214,707.00 for 2026 and that loss would rise year over year. The estimated revenue loss for all political subdivisions within Polk County could be at least $2,243,260 for 2026 and that loss would only rise year over year.

The forced election could be an additional cost of at least $45,000 for Polk County. The updating of equipment, software, additional staff, training, storage, supplies and attorney fees would be an additional cost of at least $150,000 for fiscal year 2026 alone. There would be estimated costs of $60,000 every year after that and increasing annually as salaries and supplies rise in cost.

Officials from the **Wentzville School District** project a loss of property tax revenue in FY27 of $5.6 million, in FY28 of $9.8 million and $13.1 million in FY29.

In response to a previous version, officials from the **Concordia R-II School District** assumed the District would lose approximately $66,000 per year from the property tax credit on all residential real property. That is equivalent to 1 teacher and 1 classified staff member. Another way to measure the fiscal impact is in comparison to SB727. The District is increasing teacher salaries by approximately $130,000 for the 25-26 school year and the same amount for the next 2 fiscal years. This tax credit accounts for over 50% of that increase and will affect the number of staff the district employs in the future.

In response to a previous version, officials from the **Warren Co. R-III School District** assumed this proposal will cost millions to the 0% districts over time.

Oversight notes qualifying counties may grant this property tax credit by county ordinance or voter approval. For the purpose of this fiscal note, Oversight notes the counties must submit the proposal to voters no later than April 2026. In addition, property taxes are due annually by

December 31. Therefore, Oversight assumes that this proposal will not begin affecting local revenues until at least FY2027 (for tax year 2026 payments).

Oversight is uncertain how many taxing districts would approve the tax credits. Therefore, Oversight will show a range of impact of $0 (not commission-approved nor voter-approved) to an unknown loss in revenue to local political subdivisions beginning in FY 2027. Oversight assumes this cost could be substantial.

Oversight assumes there could be costs to implement and monitor individual credits for local taxing entities to approve property tax credits. Oversight will show a range of impact of $0 (no subdivision ordinance or voter approval) to an unknown cost to local political subdivisions for implementation. Oversight assumes this cost could be substantial.

Officials from the **County Employees' Retirement Fund Response (CERF)** notes section 137.1120 would have a negative fiscal impact to CERF. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. CERF's actuary assumes that such revenues will increase by 2% annually. Section 137.1120 applies to 96 counties that are covered by CERF. Section 137.1120 requires the counties included in the bill to place on the ballot no later than April 2026 a question of whether to grant a property tax credit for the primary residence to eligible taxpayers residing in such county. CERF assumes that all such counties would choose to approve the proposed property tax credit. The impact of such a tax credit on CERF would likely occur beginning January 1, 2027.

CERF works with an independent actuarial firm. The actuary reviewed Section 137.1120, the State Tax Commission's 2024 Annual Report and made certain assumptions as to the amount of CERF's revenues that are associated with a "homestead" property as defined in Section 137.1120. The actuary estimates that if Section 137.1120 is in effect for calendar year 2027, it would reduce CERF's receipts by about $0.9 million in that year. Over the following calendar years, the actuary estimates there would be an increasing dollar amount of lost revenue each year in the future as property taxes generally increase. The actuary analyzed Section 137.1120's impact on CERF over a 25-year period from January 1, 2027 through January 1, 2052. During this time, it is estimated that a total of $79 million in contribution revenue would be lost. The present value of those lost contributions at January 1, 2027 is $29 million. In addition, the accumulated value of the lost contributions at the end of the 25 years (December 31, 2051) is $165 million. This would result in an increase in the unfunded actuarial accrued liability of $165 million compared to the current revenue structure.

The Actuary has commented that the proposed changes in section 137.1120 are <u>expected to result in a deterioration of CERF's funding over time</u> compared to the current revenue structure. Section 137.1120 would reduce CERF's revenue stream to about 96% of the current level. While the value of benefits earned in each year could be fully funded, there would be fewer contributions remaining to pay off the existing unfunded actuarial accrued liability and any increases from actual experience that is different than expected.

Oversight notes a certain portion of the money used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Oversight assumes the proposed tax credits for the increases in property taxes could result in reductions in contribution revenue to CERF of an unknown amount annually. For the purpose of this fiscal note, Oversight will include this impact in the overall impact to all local political subdivisions.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume the JCPER's review of this legislation indicates this legislation would constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the full fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

<u>Responses regarding the proposed legislation as a whole</u>

Officials from the **Department of Social Services**, **State Tax Commission**, and **Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, the Oversight Division can absorb the cost with the current budget authority.

Officials from the **Department of Commerce and Insurance (DCI)** assume Sections 67.3000 and 67.3005 - A potential unknown decrease of premium tax revenues (up to the tax credit limits established in the bill) in FY2027 and FY2028 as a result of modifications to tax credits for certain sporting events. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the modified tax credit.

Oversight notes, for purposes of this fiscal note, the fiscal note does not reflect the possibility that some of the tax credits could be utilized against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

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

Officials from the **Callaway County SB 40 Board** note that the Callaway County Special Services (CCSS) recognizes the economic intent behind SS#2 SCS SB 3, which expands state tax credits and funding authority for professional sporting events and venues.

SB 40 organizations, like CCSS, are funded through local tax levies to assess needs and support individuals with intellectual and developmental disabilities (IDD). In Callaway County, the organization serve over 200 individuals with IDD, and the effects of the services reach far beyond the individuals served, impacting families, caregivers, educators, and employers across the community.

While SS#2 SCS SB 3 does not directly alter property tax structures or SB40 revenue, it reflects a shift in state priorities. The bill caps donation-based tax credits at $500,000 statewide, reducing incentives that may otherwise support local nonprofits and disability service providers. This may unintentionally reduce charitable giving to essential, community-based programs.

<u>Rule Promulgation</u>

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

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.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
Costs – §67.3000.5 - Tax Credit increase p.5	Up to ($3,000,000)	Up to ($3,000,000)	Up to ($3,000,000)
Costs – §67.3005.5 – Extension of sunset from 8/28/2025 to 8/28/2032) p.5	$0	$0	Could Exceed ($967,815)
Costs - §67.3005.5 - Extension of sunset from 8/28/2025 to 8/28/2032) p.6	$0	$0	Could Exceed ($21,210)
Revenue loss – §100.240.5 - Appropriation for potential economic incentives for MLB and NFL teams in Missouri p.9	$0	$0 to Could exceed ($40,249,475)	$0 to Could exceed ($40,249,475)
Costs- §100.240.6 - Tax Credits p.9	$0 up to ($16,666,667)	$0 up to ($16,666,667)	$0 up to ($16,666,667)
Costs – §135.445 - Homestead Disaster Tax Credit p.11	$0 up to ($90,000,000)	$0 up to ($45,000,000)	$0 up to ($45,000,000)
Costs - §135.445 DOR	Up to…	Up to…	Up to…
Personal Service	($617,000)	($755,208)	($770,312)
Fringe Benefits	($510,494)	($618,527)	($624,581)
Expense & Equipment	($267,177)	($11,404)	($11,631)
Total Costs - DOR	($1,394,671)	($1,385,139)	($1,406,524)
FTE Change – DOR p.10-11	Up to 20 FTE	Up to 20 FTE	Up to 20 FTE
Costs - §135.445 DOR – ITSD Computer updates disaster p.10-11	($175,000)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 up to ($111,236,338)**	**$0 to Could exceed ($106,301,281)**	**$0 to Could exceed ($107,311,691)**
Estimated Net FTE Change on General Revenue	Up to 20 FTE	Up to 20 FTE	Up to 20 FTE

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
Potential Costs – §137.1120 – cost to implement and track tax credits, **if** approved by ordinance/voters (0% or 5% Group) p.15	$0	$0 or (Unknown, Could be substantial)	$0 or (Unknown Could be substantial)
Revenue Loss - §137.1120 – loss of tax revenue from property tax credits, **if** approved by ordinance/voters (0% or 5% Group) p.15	$0	$0 or (Unknown, Could be substantial)	$0 or (Unknown Could be substantial)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**$0 or (Unknown, Could be substantial)**	**$0 or (Unknown Could be substantial)**

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal where small business entities will be able to take advantage in the continuation of the tax credits beyond August 28, 2025.

FISCAL DESCRIPTION

TAX CREDITS FOR CERTAIN SPORTING EVENTS (Sections 67.3000 and 67.3005)

Current law authorizes a tax credit for costs incurred relating to the conduct of amateur and collegiate sporting events. This act modifies such tax credit by requiring certified sponsors to be active members of the Sports Events and Tourism Association rather than of the National Association of Sports Commissions.

This act also removes the definition of "eligible costs" and bases the amount of the tax credit on either the number of admission tickets sold or the number of registered participants.
The act requires an applicant to submit a ticket sales or box office statement, or a list of registered participants, rather than documentation of eligible costs.

The amount of the tax credit shall be equal to either $6 for every admission ticket sold, rather than $5, or $12 for every registered participant, rather than $10. The Department of Revenue shall issue a refund of the tax credit within 90 days of the applicant's submission of a valid tax credit certificate, even prior to the close of the tax year for which the tax credits are issued.

Current law limits the total annual amount of tax credits to $3 million, with a limit of $2.7 million for events held in Jackson County or St. Louis City. This act increases such limits to $6 million and $5.5 million, respectively.

This act extends the sunset on the tax credit from August 28, 2025, to August 28, 2032. (Section 67.3000)

Current law also authorizes a tax credit in the amount of 50% of an eligible donation made to a certified sponsor or local organizing committee, with the total annual amount of such tax credits limited to $10 million. This act reduces such allowable annual amount of tax credits to $500,000. This act also extends the sunset on such tax credit from August 28, 2025, to August 28, 2032. (Section 67.3005)

Certain provisions of this act shall become effective on July 1, 2026.

SHOW-ME SPORTS INVESTMENT ACT (Section 100.240)

This act creates the "Show-Me Sports Investment Act".

The Office of Administration and the Department of Economic Development are authorized to expend funds for the purpose of aiding and cooperating in the planning, undertaking, financing, or carrying out of an athletic and entertainment facility project.

Applicants must submit an application to the Department containing all information required by the Department, including the applicant's baseline year state tax revenues, as defined in the act. The Director of the Department and the Commissioner of Administration may enter into an agreement with the applicant, provided the agreement meets all provisions of this act.

An annual expenditure by the state shall be subject to appropriation and shall be no greater than an amount equal to the baseline year state tax revenues for the applicable professional sports franchise's athletic and entertainment facility. The term of state appropriations under such an agreement shall not exceed thirty years and the annual amount of appropriation for the project shall not exceed an amount equal to the baseline year state tax revenues for the athletic and entertainment facility of the professional sports franchise for any fiscal year. Further, the net bond proceeds of any bond supported by annual expenditures by the state shall not exceed fifty percent of the total costs of the project. The Director and the Commissioner must be satisfied that there is sufficient public investment made by units of local government to support infrastructure or other needs generated by the project. If the owners of the professional sports franchise relocate any of the franchise or its facilities during the term of the agreement, then it shall be considered a default and the owners of the franchise shall repay the state the amount of funds expended by the state under the agreement and the total debt service remaining for any outstanding bond indebtedness, as described in the act.

The Missouri Development Finance Board may authorize any taxpayer to receive a tax credit in the amount of fifty percent of the amount contributed to the infrastructure development fund, provided that tax credits awarded under this act for a project shall not exceed ten percent of the amount of private investment in the project or fifty million dollars, whichever is less. The total of such tax credits may be issued over a maximum of three calendar years. Tax credits may be carried forward up to five years, and may be transferred or sold. If the owners of the franchise default on the agreement, then the amount of tax credits issued shall be repaid, as described in the act.

TAX CREDIT FOR HOMESTEAD DAMAGE (Section 135.445)

For all tax years beginning on or after January 1, 2025, this act authorizes a taxpayer to claim a tax credit in an amount not to exceed $5,000 for the insurance deductible incurred by the taxpayer during the 2025 calendar year as a direct result of a disaster for which a request for a presidential disaster declaration has been made by the Governor.

Tax credits authorized by the act shall not be refundable but may be transferred, sold, or assigned. Tax credits may be carried forward to any of the taxpayer's twenty-nine subsequent tax years or until the full amount of the tax credit is redeemed, whichever is earlier. For the 2026 fiscal year, the Department of Revenue shall not redeem tax credits in an amount that exceeds $90 million. For all subsequent fiscal years ending with the 2055 fiscal year, the Department of Revenue shall not redeem tax credits authorized by this section in an amount that exceeds $45 million in any given year. Any taxpayer that is unable to redeem a tax credit in any tax year may carry forward such tax credit to a subsequent tax year.

No new tax credits shall be authorized after December 31, 2025.

PROPERTY TAX CREDIT

This act requires certain counties to place on the ballot by no later than the April 2026 general election a question of whether to grant a property tax credit to eligible taxpayers residing in such county. Eligible taxpayers are defined as residents who: 1) are the owner of record of or have a legal or equitable interest in a homestead; and 2) are liable for the payment of real property taxes on such homestead.

The amount of the property tax credit shall be equal to the difference between the real property tax liability on the homestead in a given year minus the real property tax liability on such homestead in the year in which the taxpayer became an eligible taxpayer, provided that, for five percent counties, the real property tax liability on an eligible taxpayer's homestead as determined in the taxpayer's initial credit year may be increased by no more than five percent per year or the percent increase in the Consumer Price Index, whichever is greater, and, for zero percent counties, the real property tax liability on an eligible taxpayer's homestead shall not be increased above the liability incurred during the initial credit year.

A credit granted pursuant to this act shall be applied when calculating the eligible taxpayer's property tax liability for the tax year. The amount of the credit shall be noted on the statement of tax due sent to the eligible taxpayer by the county collector.

The amount of property tax credits authorized by a county pursuant to this act shall be considered tax revenue actually received by the county for the purposes of calculating property tax levies. (Section 137.1120)

SEVERABILITY CLAUSE

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
Department of Economic Development
Department of Commerce and Insurance
Office of Administration – Budget & Planning
Joint Committee on Administrative Rules
Department of Social Services
Office of the State Treasurer
Oversight Division
Office of the Secretary of State
County of Callaway SB 40
County of Boone
County Employees' Retirement Fund

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Director
June 27, 2025

Jessica Harris
Assistant Director
June 27, 2025

BB:LR:OD