

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4427S.01I  
Bill No.: SB 1088  
Subject: Counties; Taxation and Revenue - Property  
Type: Original  
Date: February 6, 2026

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Bill Summary: This proposal modifies provisions relating to the classification of certain residential real property.

**FISCAL SUMMARY**

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)	\$0	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\*Oversight assumes the fiscal impact could exceed the \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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 2027	FY 2028	FY 2029
<b>Local Government</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §137.016 – Reclassification of Certain Real Property

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would classify single family short-term rental property as residential real property. B&P notes that such property is currently assessed as either commercial or mixed-use (residential and commercial). Residential real property is assessed at 19% of true market value, while commercial real property is assessed at 32% of true market value.

B&P notes that in addition to local property taxes, the Blind Pension Trust fund levies a statewide property tax of \$0.03 per \$100 value. Therefore, assessing such property as only residential real property will likely result in lower state and local property tax collections by an unknown amount.

Officials from the **State Tax Commission** have reviewed this proposal and determined this proposal may have a negative impact on the taxing jurisdictions relying on property taxes as a source of revenue. Current statute allows assessors to assess single family homes as commercial properties if they are regular rented out for time periods less than a month, and this proposal would require assessors to assess these homes as residential property, which includes a lower rate.

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

In response to similar legislation, HB 1768 (2026), officials from the **City of Kansas City** assumed the proposed legislation has a negative fiscal impact of \$1.4 to \$1.5 million.

Officials from the **St Louis City Assessor** assume the following impact:

Commercial tax	Residential tax	Diff in taxes
\$2,006,106	\$999,916	(\$1,006,189)

(\$1,006,189) Loss to all taxing jurisdictions  
(\$201,238) Loss to City of St. Louis  
(\$15,093) Loss to Collector of Revenue Fund  
(\$6,289) Loss to Assessment Fund

Officials from the **County Employees' Retirement Fund** have reviewed SB 1088 (4427S.01I). There is insufficient data to quantify SB 1088's exact impact. SB 1088 may have an unknown, possibly negative, fiscal impact to the County Employees' Retirement Fund. A

certain portion of the moneys that are used to fund CERF are tied to the collection of property taxes. CERF notes that the amount of these revenues fluctuates from year to year.

Officials from the **Adair County SB 40 DD Board** a reduction in funding from personal and/or real property taxes would have a direct and significant impact on the essential supports provided by the Adair County SB40 Developmental Disability Board. SB40 funding enables the board's local system to assess community needs and sustain a coordinated network of services that currently support approximately 465 individuals with intellectual and developmental disabilities and their families across Adair County.

Officials from the **Callaway County SB 40 Board** assume Senate Bill 1088 revises statutory definitions governing the classification of residential, agricultural, and commercial real property for property tax purposes and requires allocation of assessed value for mixed-use properties. While the bill does not alter tax rates or levy authority, changes in property classification may shift assessed valuation among subclasses with different assessment percentages.

Senate Bill 40 organizations, including Callaway County Special Services (CCSS), rely on levy-based property tax revenue to sustain essential community-based services for individuals with intellectual and developmental disabilities (IDD) and their families. Reclassification of property from higher-assessed commercial or industrial categories to lower-assessed residential or agricultural categories may reduce effective taxable value and slow revenue growth for local taxing entities.

Increased valuation variability and appeal activity related to mixed-use allocations may further affect revenue predictability. Although the bill allows certain levy adjustments to mitigate losses, those adjustments are subject to constitutional limits and may not fully offset long-term valuation shifts.

Absent mitigation, SB 1088 may create structural fiscal pressure on levy-dependent SB40 boards by constraining revenue growth needed to keep pace with rising service demand and operational costs.

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

**Oversight** notes this proposal reclassifies single family short-term rental properties as residential property.

Oversight notes according to the [Property Reassessment and Taxation Manual](#) on the MO State Tax Commission website, Real Property is currently assessed as follows:

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

Oversight notes the reduction of assessment percentage from 32% to 19%, (approximately a 41% proportional decrease) for qualifying properties will result in a decrease in assessed value relative to current law.

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

Oversight notes the Blind Pension Fund (1621) is calculated as an annual tax of three cents on each one hundred dollars of assessed valuation of taxable property ((Total Assessed Value/100)\*.03). Because this proposal reduces 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 does not have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2028.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. This would be approximately a 1.0% change in the assessed value of all residential property.

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. 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 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 only reflects the responses that we have received from state agencies and political subdivisions; however, other political subdivisions were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to

publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>BLIND PENSION FUND (1621)</b>			
<u>Revenue Loss</u> - (§137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.4	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Loss</u> - (§137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.4	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

FISCAL IMPACT – Small Business

There could be a fiscal impact on small businesses if tax rates/taxes are adjusted relative to changes in assessed values.

FISCAL DESCRIPTION

This act modifies the definition of "residential property" for the purposes of the taxation of real property by providing that such definition shall include single family homes that are owned by a sole proprietor, individual, partnership, or limited liability company and leased, in whole or in part, for a term of less than thirty consecutive days.

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

SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
Department of Social Services  
State Tax Commission  
City of Kansas City  
City of O'Fallon  
County Employees Retirement Fund (CERF)  
St Louis City Assessor  
Adair County SB 40 DD Board  
Callaway County SB 40 Board

Julie Morff  
Director



Jessica Harris  
Assistant Director  
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