

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5339S.03I
 Bill No.: SJR 73
 Subject: Constitutional Amendments; Taxation and Revenue - Property
 Type: Original
 Date: February 10, 2026

Bill Summary: This proposal establishes the Missouri Homestead Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|---------------------------------------|----------------------------------|----------------------------------|
| General Revenue* | \$0 or (More than \$9,000,000) | \$0 or up to \$23,093,854 | \$0 or up to \$23,093,854 |
| Total Estimated Net Effect on General Revenue | \$0 or (More than \$9,000,000) | \$0 or up to \$23,093,854 | \$0 or up to \$23,093,854 |

*The potential fiscal impact of “(More than \$9,000,000)” would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|---|------------|-----------------------------|-----------------------------|
| Blind Pension Fund (1621) | \$0 | \$0 or (\$7,861,785) | \$0 or (\$7,861,785) |
| Homestead Preservation Fund | \$0 | \$0* | \$0* |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 or (\$7,861,785) | \$0 or (\$7,861,785) |

*Transfer out and transfer in net to zero **if** approved by voters.
 Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|----------|----------|----------|
| | | | |
| | | | |
| 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 2027 | FY 2028 | FY 2029 |
|-------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| | | | |
| | | | |
| Local Government | \$0 or up to \$69,924,106 | \$0 or up to (\$996,502,996) | \$0 or up to (\$996,502,996) |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning** note this proposal would go to public vote in November 2026. If voter approved, the property tax exemption would begin January 1, 2027. B&P notes that property taxes are due December 31st of each tax year. Therefore, while this will begin for tax year 2027, it will not impact revenues until FY28 (December 31, 2027).

This proposal will exempt homeowners from residential property tax if they own their home without a mortgage, are not delinquent on state and local taxes, and have already paid at least five years' worth of property taxes on the residential property.

This proposal would also create a statewide 0.1% sales tax, with revenue to be deposited into the newly created "Homestead Preservation Fund". Monies in the fund will be used to offset local property tax revenue losses that result from this proposal.

Property Tax Impact

Based on data published by the U.S. Census Bureau there are 680,674 homes owned in Missouri that do not have a mortgage. The median value of these homes was \$202,600 in 2024 and the median property tax paid on these homes was \$1,681 in 2024.

Based on Section 137.115, RSMo, the assessed value for real property is 19% of the market value. Therefore, based on a market value of \$202,600, B&P estimates that the median assessed value would be \$38,494.

B&P notes that the Blind Pension Trust Fund has a property tax levy of \$0.03 per \$100 valuation. Based on the U.S. Census Bureau data, B&P estimates that the Blind Pension Trust Fund receives a median of \$11.55 per qualifying real property within Missouri (\$38,494 median assessed value x 0.0003 Blind Pension levy).

Therefore, B&P estimates that this proposal could reduce funding to the Blind Pension Trust fund by \$7,861,785 ($\$11.55 \times 680,674$ homes) annually.

Using the above data, B&P estimates that this provision could reduce local real property tax revenues by \$1,136,351,209 annually.

PTC Claims Impact

During tax year 2024, there were 39,972 homeowners that claimed the PTC for total claims of \$23,093,854. B&P notes that some of these owners may have mortgages on their homes and would not qualify for this exemption. Therefore, this proposal could increase GR by up to \$23,093,854 annually.

Sales Tax Impact

This proposal would create an additional 0.1% sales tax on all taxable goods and services in Missouri. In FY25, the DNR sales tax (also 0.1%) generated \$139,848,213 in revenue. Therefore, B&P assumes that this sales tax would generate a similar amount for the Homestead Preservation Fund.

Summary

Beginning FY28, this proposal could increase state revenues by up to \$15,232,069. This proposal could also reduce local revenues by \$996,502,996 annually.

Table 1: Estimated Impact by Fund

| <u>State Fund</u> | <u>FY 2028 +</u> |
|------------------------------------|------------------------|
| General Revenue | up to \$23,093,854 |
| Blind Pension Trust Fund | (\$7,861,785) |
| <u>Homestead Preservation Fund</u> | |
| Sales Tax | \$139,848,213 |
| Local Payments | <u>(\$139,848,213)</u> |
| | \$0 |
| Total State Impact | Up to \$15,232,069 |

Table 1: Estimated Impact by Fund cont.

| <u>Local Fund</u> | <u>FY 2028 +</u> |
|------------------------|----------------------|
| Property Tax Exemption | (\$1,136,351,209) |
| State Payment | <u>\$139,848,213</u> |
| Total Local Impact | (\$996,502,996) |

Officials at the **State Tax Commission (STC)** have reviewed this proposal and determined this proposal may have a negative impact. The proposal gives a homestead exemption to those who meet certain qualifications and have paid the five-year property tax liability. STC has no way to quantify how many people would be eligible for the exemption due to qualifying factors, such as the number who don't currently have a mortgage or owe back taxes. The lost revenue would likely be to the state because of the reimbursement provision in the bill.

Officials from the **Department of Revenue (DOR)** note this is a constitutional amendment that would go to the voters at the November 2026 general election. If the amendment fails to be adopted, it will not have any fiscal impact. If adopted, it would grant qualifying homeowners a real property tax exemption. It would also allow the counties to apply to be reimbursed for their loss from these real property tax exemptions.

This proposal creates a process whereby a taxpayer can apply to get an exemption of their real property tax owed. The taxpayer would apply to the county who would implement the

exemption. Then the county would apply to the state for reimbursement. Property tax is handled by the State Tax Commission and the County Assessors. DOR defers to them for the fiscal impact from the real property tax exemptions.

This proposal would also create a new state sales tax equal to one-tenth of one percent to reimburse the counties for the lost revenue from the exemption. For informational purposes only, DOR notes that in FY2025 there was taxable tax of \$139,848,213,000. Assuming the same amount of sales, it would result in approximately \$139,848,213 being collected for this newly created reimbursement fund.

DOR notes that should this proposal pass, DOR would need to update the department's 4-sales tax collection and distribution programs. This costs \$1,887 per program.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the 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.

Oversight does not have information to the contrary and therefore, Oversight will show the fiscal impact as \$0 (not approved by voters) or up to the estimates as provided by the Department of Revenue for the proposed 0.1% state sales tax.

Officials from the **Department of Social Services (DSS)** note this constitutional amendment establishes the "Missouri Homestead Act".

For all tax years beginning on or after January 1, 2027, this constitutional amendment, if approved by the voters, authorizes a taxpayer to claim an exemption from real property taxes imposed on the taxpayer's homestead, as such terms are defined in the amendment. To be eligible for a tax exemption, the homestead shall not be encumbered by a mortgage lien, the taxpayer shall not be delinquent on any state or local taxes, and the taxpayer shall prospectively pay five years' worth of property taxes owed on the homestead. Upon filing the notice and providing evidence that the taxpayer satisfies all requirements, the homestead shall be exempt from property taxation for as long as the taxpayer owns the homestead.

The amendment imposes a state sales tax at a rate of 0.1%, with the revenues deposited in the "Homestead Preservation Fund", which is established by the amendment. Moneys in the fund shall stand appropriated and shall be used solely to reimburse taxing jurisdictions for revenue lost as a result of tax exemptions authorized by the amendment, as described in the amendment. RSMo Section 137.016 defines residential property as all real property improved by a structure which is used or intended to be used for residential living by human occupants, vacant land in connection with an airport, land used as a golf course, manufactured home parks, bed and breakfast inns in which the owner resides and uses as a primary residence with six or fewer rooms for rent, and certain time-share units. Due to the lack of a detailed breakdown of

residential property types, FSD assumes that all residential properties contain at least one housing unit for the purposes of this fiscal note.

Blind Pension (BP) is funded from 0.03% (\$0.03) of each \$100 assessed valuation of taxable property. Allowing taxpayers to claim exemptions from real property taxes will result in a decrease in taxes paid for the Blind Pension fund.

According to the [2024 Tax Commission Annual Report Recapitulation Table](#), \$82,776,475,688 of the \$151,673,672,937 Total Assessed Valuation for the State of Missouri comes from residential property. The U.S. Census Bureau QuickFacts: Missouri states that out of the 2,844,346 housing units, 67.9% of them are owner-occupied. Therefore, the assessed valuation of owner-occupied residential property is \$56,205,226,992 ($\$82,776,475,688 * .679 = \$56,205,226,992.15$, rounded down) and owner-occupied residential property comprises 37% ($\$56,205,226,992 / \$151,673,672,937 = .3705$, rounded down) of the total taxable property in Missouri.

Property tax income for the BP fund in SFY 2025 was \$47,653,469.78 or approximately \$47.7 million (rounded up). Of this total, 37% is owner-occupied residential property. Therefore, the revenue generated from *owner-occupied* residential properties for the BP fund is \$17,631,784 ($\$47,653,469.78 * 0.37 = \$17,631,783.82$, rounded up).

Family Support Division (FSD) is unable to determine the number of owner-occupied residential properties that are not subject to a mortgage lien and the number of taxpayers in this category who are current on their taxes. Additionally, FSD does not have data to determine how many of these taxpayers would be able to pay five years' worth of taxes all at once. To estimate how the BP fund will be impacted by this legislation, FSD assumed that the total taxes collected from owner-occupied residential property in Missouri could be impacted. Therefore, FSD estimates that the potential impact if the constitutional amendment is passed and approved by voters, the potential impact on the BP fund is a decrease in the amount collected up to \$17,631,784. Therefore, the fiscal impact to FSD would be a decrease of \$0 - \$17,631,784 beginning in SFY 28.

Officials from the **St Louis City Assessor** note while the legislation appears to be intended to replace any local loss to local jurisdictions through State appropriations via additional sales tax. The fiscal impact of the legislation is unknown.

Article X, Section 3 of the MO Constitution requires, "Taxes may be levied...and shall be uniform upon the same class or subclass of subjects..." This legislation would result in the taxes on subjects within the same class or subclass to be non-uniform and, thus, may be unconstitutional. Subject's with mortgages would be taxed differently than those who do not have a mortgage. There will likely be substantial administrative and programming costs to implement the legislation, the amount of which is unknown.

Officials from the **Sedalia 200 School District** note while there is no good way to estimate how many people would qualify for the Homestead Act it has the potential to have a very significant impact on local funding. Residential real estate represents half of the district's assessed valuation

Officials from the **Adair County SB 40 DD Board** assume 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 the proposed Missouri Homestead Act would reduce real property tax revenues by permanently exempting qualifying primary residences from local taxation. Senate Bill 40 organizations, such as Callaway County Special Services (CCSS), rely on property tax levy funding to assess community needs and sustain essential supports for more than 230 individuals with intellectual and developmental disabilities (IDD) and their families.

While the resolution establishes a state-funded reimbursement mechanism to offset lost revenue, this approach shifts CCSS from a stable local tax base to a state-managed replacement fund dependent on sales tax collections and annual reimbursement processes. This introduces potential revenue timing gaps, administrative burden, and long-term funding uncertainty.

Oversight does not have information to the contrary and therefore, Oversight will show the fiscal impact as \$0 (not approved by voters) or the estimates provided by the Office of Administration - Budget and Planning for the loss of real property tax revenue to the Blind Pension Fund and local political subdivisions and the savings from decreased PTC claims.

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 ($((\text{Total Assessed Value}/100)*.03)$). 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 notes 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. Property tax rates will be impacted by this proposal.

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.

Officials from the **Office of the Secretary of the State (SOS)** 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 a special election has been estimated to be \$9 million based on the cost of past 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 FY27 publication cycle, the SOS estimates publication costs at \$515,000 per ballot measure. This amount is an average and will be subject to change based on the number of petitions received, length of those petitions, and rates charged by newspaper publishers. In a year where many lengthy measures must be published, the Secretary of State's Office may need to budget up to \$10,000,000 to ensure sufficient funding is available to meet its constitutional obligations for the election cycle.

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 their 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 2027. 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. Per the SOS, the cost is estimated at \$9 million based on past costs as well as the anticipation of significant increases in future election-related expenses. 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 2027.

Officials from the **Office of the State Treasurer, Missouri Department of Conservation, Department of Natural Resources, Platte County Board of Elections, Newton County Health Department, St. Louis County Police Department, City of Kansas City, St. Louis City Board of Elections, St. Louis County Board of Elections, Kansas City Police Dept., Perryville Police Dept., County Employees Retirement Fund, and the Joint Committee on Public Employee Retirement** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

| <u>FISCAL IMPACT – State Government</u> | FY 2027 (6 Mo.) | FY 2028 | FY 2029 |
|--|---------------------------------------|----------------------------------|----------------------------------|
| GENERAL REVENUE | | | |
| <u>Transfer Out - SOS</u> Reimbursement of local election authority election costs if a special election is called by the Governor p.6 | \$0 or (More than \$9,000,000) | \$0 | \$0 |
| <u>Savings – DOR – Decrease in PTC credits claimed, if approved by voters p.5</u> | \$0 | \$0 or Up to \$23,093,854 | \$0 or Up to \$23,093,854 |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | \$0 or (More than \$9,000,000) | \$0 or Up to \$23,093,854 | \$0 or Up to \$23,093,854 |
| BLIND PENSION FUND (1621) | | | |
| <u>Revenue Loss – Residential property tax exemption, if approved by voters p.4</u> | \$0 | \$0 or (\$7,861,785) | \$0 or (\$7,861,785) |
| ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621) | \$0 | \$0 or (\$7,861,785) | \$0 or (\$7,861,785) |
| | | | |
| | | | |

| <u>FISCAL IMPACT – State Government</u> | FY 2027 (6 Mo.) | FY 2028 | FY 2029 |
|---|--------------------|---------------------------------|---------------------------------|
| HOMESTEAD PRESERVATION FUND | | | |
| <u>Revenue Gain – 0.1% sales tax, if approved by voters p.3</u> | \$0 | \$0 or Up to \$139,848,213 | \$0 or Up to \$139,848,213 |
| <u>Transfer Out – Reimbursement to local taxing jurisdictions for revenue lost from tax exemptions, if approved by voters p.4</u> | \$0 | \$0 or (Up to \$139,848,213) | \$0 or (Up to \$139,848,213) |
| ESTIMATED NET EFFECT ON HOMESTEAD PRESERVATION FUND | \$0 | \$0 | \$0 |

| <u>FISCAL IMPACT – Local Government</u> | FY 2027 (6 Mo.) | FY 2028 | FY 2029 |
|---|-----------------------------------|---|---|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Transfer In - Local Election Authorities Reimbursement of election costs by the State for a special election p.6</u> | \$0 or More than \$9,000,000 | \$0 | \$0 |
| <u>Cost - Local Election Authorities - cost of a special election if called for by the Governor p.6</u> | \$0 or (More than \$9,000,000) | \$0 | \$0 |
| <u>Revenue Loss - Residential property tax exemption, if approved by voters p.5</u> | \$0 | \$0 or (\$1,136,351,209) | \$0 or (\$1,136,351,209) |
| <u>Transfer In - Reimbursement from Homestead Preservation Fund for revenue lost from tax exemptions, if approved by voters p.4</u> | \$0 | \$0 or Up to \$139,848,213 | \$0 or Up to \$139,848,213 |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | \$0 | \$0 or Up to (\$996,502,996) | \$0 or Up to (\$996,502,996) |

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This constitutional amendment establishes the "Missouri Homestead Act".

For all tax years beginning on or after January 1, 2027, this constitutional amendment, if approved by the voters, authorizes a taxpayer to claim an exemption from real property taxes imposed on the taxpayer's homestead, as such terms are defined in the amendment. To be eligible for a tax exemption, the homestead shall not be encumbered by a mortgage lien, the taxpayer shall not be delinquent on any state or local taxes, and the taxpayer shall prospectively pay five year's worth of property taxes owed on the homestead.

To claim an exemption, the taxpayer shall provide notice to the collector by September 1. Upon filing the notice and providing evidence that the taxpayer satisfies all requirements, the homestead shall be exempt from property taxation for as long as the taxpayer owns the homestead.

An exemption shall be void if the taxpayer sells or otherwise disposes of the property such that it no longer qualifies as a homestead, or by the taxpayer notifying the collector that the taxpayer wishes to void the exemption.

The amendment imposes a state sales tax at a rate of 0.1%, with the revenues deposited in the "Homestead Preservation Fund", which is established by the amendment. Moneys in the fund shall stand appropriated and shall be used solely to reimburse taxing jurisdictions for revenue lost as a result of tax exemptions authorized by the amendment, as described in the amendment.

The amendment provides for further rights to taxpayers owning a homestead and receiving a property tax exemption pursuant to the amendment, including the right to possess the homestead, to exclude others from the homestead, to enjoy the fruits and profits of the homestead, and to convey the homestead, as described in the amendment.

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
State Tax Commission
Department of Revenue

Department of Social Services
Office of the State Treasurer
Office of the Secretary of State
Missouri Department of Conservation
Department of Natural Resources
Platte County Board of Elections
Newton County Health Department
St. Louis County Police Department
City of Kansas City
St Louis City Assessor
St. Louis City Board of Elections
St. Louis County Board of Elections
Kansas City Police Dept.
Joint Committee on Public Employee Retirement
Perryville Police Dept.
County Employees Retirement Fund
Sedalia 200 School District
Adair County SB 40 DD Board
Callaway County SB 40 Board



Julie Morff
Director
February 10, 2026



Jessica Harris
Assistant Director
February 10, 2026