

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2853H.011  
 Bill No.: HB 1669  
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Motor Vehicles; Department of Revenue; State Tax Commission  
 Type: Original  
 Date: February 27, 2024

Bill Summary: This proposal modifies provisions relating to personal property taxes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2038)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2038)
Blind Pension Fund	\$0	(\$815,581) or (\$2,699,110)*	(\$1,305,419) or (\$3,070,014)*	(\$6,798,451) or (\$7,189,078)*
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>(\$815,581) or (\$2,699,110)*</b>	<b>(\$1,305,419) or (\$3,070,014)*</b>	<b>(\$6,798,451) or (\$7,189,078)*</b>

\*Oversight notes the "or" amount reflects the possible impact pending voter approval for the motor vehicle and farm machinery exemption (Section 137.102)

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2038)
<b>Total Estimated Net Effect on All Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2038)
<b>Total Estimated Net Effect on FTE</b>	<b>0</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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2038)
<b>Local Government</b>	<b>\$0</b>	<b>(\$187,130,741) or (\$609,985,502)*</b>	<b>(\$299,521,577) or (\$694,976,627)*</b>	<b>(\$1,559,869,311) or (\$1,647,763,005)*</b>

\***Oversight** notes the "or" amount reflects the possible impact pending voter approval for the motor vehicle and farm machinery exemption (Section 137.102)

## FISCAL ANALYSIS

### ASSUMPTION

#### **Section 137.102 – MV and Farm Equipment Exemption**

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this provision would allow all motor vehicles and farm equipment ten years and older to be exempt from both state and local personal property tax. B&P notes that this exemption would not become enacted unless and until voters approve a constitutional amendment. B&P further notes that the next General Election is in November 2024. Therefore, the earliest this exemption could become enacted is for calendar year 2025. B&P will reflect the potential loss from this provision as \$0 (no voter approval) or \$x.

B&P notes that the impact of this provision is directly affected by the assessment percentage rate changes that are also proposed in Section 137.115. To prevent double counting, B&P estimated the impact of this provision after the proposed impacts under Section 137.115. Therefore, the impacts of this provision will get smaller over time as the assessment percentage rate is reduced under Section 137.115.

B&P estimates that after all changes proposed in Section 137.115 have taken place this provision could result in additional reduced revenues to the Blind Pension Trust Fund of \$1,883,529 and to local funds of \$422,854,761 in FY26, if voter approved in November 2024.

Once the provisions under Section 137.115 have fully implemented, this provision could additionally reduce revenues to the Blind Pension Trust Fund by \$390,627 and to local funds by \$87,893,694. Table 1 shows the potential impact year, if voter approved, excluding impacts from lowering the assessment percentage in Section 137.115.

Table 1: Estimated Loss from MV and Farm Machinery Exemption

Tax Year / Fiscal Year	Est. Loss* to Blind Pension Fund		
	Motor Vehicles	Farm Machinery	Total
TY25 / FY26	(\$1,833,299)	(\$50,230)	(\$1,883,529)
TY26 / FY27	(\$1,714,271)	(\$50,324)	(\$1,764,595)
TY27 / FY28	(\$1,595,326)	(\$50,434)	(\$1,645,760)
TY28 / FY29	(\$1,472,968)	(\$50,447)	(\$1,523,415)
TY29 / FY30	(\$1,433,905)	(\$53,573)	(\$1,487,478)
TY30 / FY31	(\$1,232,950)	(\$50,672)	(\$1,283,622)
TY31 / FY32	(\$1,092,949)	(\$49,909)	(\$1,142,858)
TY32 / FY33	(\$971,928)	(\$49,930)	(\$1,021,858)
TY33 / FY34	(\$850,651)	(\$49,943)	(\$900,594)
TY34 / FY35	(\$727,361)	(\$24,911)	(\$752,272)
TY35 / FY36	(\$607,999)	(\$24,988)	(\$632,987)
TY36 / FY37	(\$487,971)	(\$25,068)	(\$513,039)
TY37 / FY38	(\$365,586)	(\$25,041)	(\$390,627)

*\*Loss only if exemption is voter approved prior to tax year.*

Table 1: Estimated Loss from MV and Farm Machinery Exemption

Tax Year / Fiscal Year	Est. Local Loss*		
	Motor Vehicles	Farm Machinery	Total
TY25 / FY26	(\$411,578,057)	(\$11,276,704)	(\$422,854,761)
TY26 / FY27	(\$384,177,239)	(\$11,277,811)	(\$395,455,050)
TY27 / FY28	(\$356,717,894)	(\$11,277,238)	(\$367,995,132)
TY28 / FY29	(\$329,326,847)	(\$11,278,909)	(\$340,605,756)
TY29 / FY30	(\$320,371,312)	(\$11,969,669)	(\$332,340,981)
TY30 / FY31	(\$274,370,796)	(\$11,276,105)	(\$285,646,901)
TY31 / FY32	(\$246,929,457)	(\$11,275,910)	(\$258,205,367)
TY32 / FY33	(\$219,524,772)	(\$11,277,550)	(\$230,802,322)
TY33 / FY34	(\$192,082,090)	(\$11,277,428)	(\$203,359,518)
TY34 / FY35	(\$164,681,453)	(\$5,640,072)	(\$170,321,525)
TY35 / FY36	(\$137,229,103)	(\$5,639,848)	(\$142,868,951)
TY36 / FY37	(\$109,819,743)	(\$5,641,722)	(\$115,461,465)
TY37 / FY38	(\$82,259,206)	(\$5,634,488)	(\$87,893,694)

\*Loss only if exemption is voter approved prior to tax year.

**Oversight** notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Some taxing entities will be able to increase the tax rate levied on other property to make-up for the lost revenue from exempt assessments for motor vehicles and/or farm equipment that are at least ten years old. Some may not be able to.

**Section 137.115 – Reduced Personal Property Assessment Rates**

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal reduces the personal property assessment value from its current rate of 33.33%. For calendar year, the assessment percentage declines to 33.0%, then for calendar years 2025 through 2036,

the assessment percentage is reduced by 2% from the previous year’s percentage. Beginning with calendar year 2037, personal property is to be assessed at 6% of its true value.

This proposal would also reduce the assessment percentage for livestock, poultry, and farm equipment from 12% to 6%, beginning calendar year 2034. The assessment rate for pollution control and other tools and equipment is reduced from 25% to 6% beginning calendar year 2034. Table 1 shows the reductions to the assessment percentages by tax year.

Table 2: Assessment Percentages by Year

Tax Year	Personal Property	Livestock/Poultry/ Farm Equipment	Pollution Control/Tools & Equipment
2024	33.33%	12%	25%
2025	30%	12%	25%
2026	28%	12%	25%
2027	26%	12%	25%
2028	24%	12%	25%
2029	22%	12%	25%
2030	20%	12%	25%
2031	18%	12%	25%
2032	16%	12%	25%
2033	14%	12%	25%
2034	12%	6%	6%
2035	10%	6%	6%
2036	8%	6%	6%
2037	6%	6%	6%

Based on data published by STC, B&P determined that approximately 21.9% of all property is personal property and the total personal property assessed value for 2022 was \$29,615,860,911. B&P then used the 2022 property tax levy audit report to estimate a population weighted statewide local property tax levy. In addition, B&P notes that the Blind Pension Trust Fund has a property tax levy of \$0.03 per \$100 valuation.

B&P further notes that property taxes are levied for a calendar year, with the taxes owed by December 31<sup>st</sup> of that year. Therefore, a reduction to a tax year’s assessed value will impact collections for the following fiscal year. For example: tax year 2025 reduction will impact FY26 collections.

B&P estimates that this proposal could reduce revenues to the Blind Pension Trust Fund by \$815,581 and local property tax collections by \$187,130,741 in FY26. Once fully implemented in FY38, this proposal could reduce revenues to the Blind Pension Trust Fund by \$6,798,451 and local property tax collections by \$1,559,869,311. Table 2 shows the estimated impact per year.

Table 3: Estimated Impact per Year

Tax Year / Fiscal Year	Blind Pension Fund	Local Impact
TY25 / FY26	(\$815,581)	(\$187,130,741)
TY26 / FY27	(\$1,305,419)	(\$299,521,577)
TY27/ FY28	(\$1,795,257)	(\$411,912,412)
TY28 / FY29	(\$2,285,095)	(\$524,303,248)
TY29/ FY30	(\$2,774,933)	(\$636,694,083)
TY30 / FY31	(\$3,264,772)	(\$749,084,919)
TY31 / FY32	(\$3,754,610)	(\$861,475,755)
TY32 / FY33	(\$4,244,448)	(\$973,866,590)
TY33 / FY34	(\$4,734,286)	(\$1,086,257,426)
TY34 / FY35	(\$5,328,936)	(\$1,222,696,804)
TY35 / FY36	(\$5,818,774)	(\$1,335,087,640)
TY36 / FY37	(\$6,308,613)	(\$1,447,478,475)
TY37 / FY38	(\$6,798,451)	(\$1,559,869,311)

Tables 4 and 5 show the estimated impact to state and local funds by type of personal property.

Table 4: Estimated Blind Pension Fund Loss by Property Type

Tax Year / Fiscal Year	Livestock	Farm Machinery	Motor Vehicles	Pollution / Tools	All Other TPP	Centrally Assessed	Total Impact
TY25 / FY26	\$0	\$0	(\$586,592)	\$0	(\$197,426)	(\$31,563)	(\$815,581)
TY26 / FY27	\$0	\$0	(\$938,900)	\$0	(\$315,999)	(\$50,520)	(\$1,305,419)
TY27 / FY28	\$0	\$0	(\$1,291,207)	\$0	(\$434,573)	(\$69,476)	(\$1,795,257)
TY28 / FY29	\$0	\$0	(\$1,643,515)	\$0	(\$553,147)	(\$88,433)	(\$2,285,095)
TY29 / FY30	\$0	\$0	(\$1,995,823)	\$0	(\$671,721)	(\$107,390)	(\$2,774,933)
TY30 / FY31	\$0	\$0	(\$2,348,130)	\$0	(\$790,295)	(\$126,346)	(\$3,264,772)
TY31 / FY32	\$0	\$0	(\$2,700,438)	\$0	(\$908,869)	(\$145,303)	(\$3,754,610)
TY32 / FY33	\$0	\$0	(\$3,052,746)	\$0	(\$1,027,443)	(\$164,260)	(\$4,244,448)
TY33 / FY34	\$0	\$0	(\$3,405,053)	\$0	(\$1,146,017)	(\$183,216)	(\$4,734,286)
TY34 / FY35	(\$20,786)	(\$72,396)	(\$3,757,361)	(\$11,630)	(\$1,264,590)	(\$202,173)	(\$5,328,936)
TY35 / FY36	(\$20,786)	(\$72,396)	(\$4,109,668)	(\$11,630)	(\$1,383,164)	(\$221,130)	(\$5,818,774)
TY36 / FY37	(\$20,786)	(\$72,396)	(\$4,461,976)	(\$11,630)	(\$1,501,738)	(\$240,086)	(\$6,308,613)
TY37 / FY38	(\$20,786)	(\$72,396)	(\$4,814,284)	(\$11,630)	(\$1,620,312)	(\$259,043)	(\$6,798,451)

Table 5: Estimated Local Loss by Property Type

Tax Year / Fiscal Year	Livestock	Farm Machinery	Motor Vehicles	Pollution / Tools	All Other TPP	Centrally Assessed	Total Impact
TY25 / FY26	\$0	\$0	(\$134,590,539)	\$0	(\$45,298,261)	(\$7,241,941)	(\$187,130,741)
TY26 / FY27	\$0	\$0	(\$215,425,697)	\$0	(\$72,504,424)	(\$11,591,455)	(\$299,521,577)
TY27 / FY28	\$0	\$0	(\$296,260,856)	\$0	(\$99,710,587)	(\$15,940,970)	(\$411,912,412)
TY28 / FY29	\$0	\$0	(\$377,096,014)	\$0	(\$126,916,750)	(\$20,290,484)	(\$524,303,248)
TY29 / FY30	\$0	\$0	(\$457,931,173)	\$0	(\$154,122,913)	(\$24,639,998)	(\$636,694,083)
TY30 / FY31	\$0	\$0	(\$538,766,331)	\$0	(\$181,329,076)	(\$28,989,512)	(\$749,084,919)
TY31 / FY32	\$0	\$0	(\$619,601,490)	\$0	(\$208,535,239)	(\$33,339,026)	(\$861,475,755)
TY32 / FY33	\$0	\$0	(\$700,436,648)	\$0	(\$235,741,401)	(\$37,688,541)	(\$973,866,590)
TY33 / FY34	\$0	\$0	(\$781,271,807)	\$0	(\$262,947,564)	(\$42,038,055)	(\$1,086,257,426)
TY34 / FY35	(\$4,769,158)	(\$16,610,837)	(\$862,106,965)	(\$2,668,548)	(\$290,153,727)	(\$46,387,569)	(\$1,222,696,804)
TY35 / FY36	(\$4,769,158)	(\$16,610,837)	(\$942,942,124)	(\$2,668,548)	(\$317,359,890)	(\$50,737,083)	(\$1,335,087,640)
TY36 / FY37	(\$4,769,158)	(\$16,610,837)	(\$1,023,777,282)	(\$2,668,548)	(\$344,566,053)	(\$55,086,597)	(\$1,447,478,475)
TY37 / FY38	(\$4,769,158)	(\$16,610,837)	(\$1,104,612,440)	(\$2,668,548)	(\$371,772,216)	(\$59,436,112)	(\$1,559,869,311)



Summary

B&P estimates that this proposal could reduce revenues to the Blind Pension Fund by \$815,581 or \$2,699,110 (exemptions receive voter approval) and local property tax revenues by \$187,130,741 or \$608,985,502 in FY26.

By FY38 this proposal could reduce revenues to the Blind Pension Fund by \$6,798,451 or \$7,189,078 (exemptions receive voter approval) and local property tax revenues by \$1,559,869,311 or \$1,647,763,005 annually. Table 6 shows the potential impacts by year.

Table 6: Summary of Estimated Impacts

Tax Year / Fiscal Year	Blind Pension Fund	Local Impact
TY25 / FY26	(\$815,581) or (\$2,699,110)	(\$187,130,741) or (\$609,985,502)
TY26 / FY27	(\$1,305,419) or (\$3,070,014)	(\$299,521,577) or (\$694,976,627)
TY27 / FY28	(\$1,795,257) or (\$3,441,017)	(\$411,912,412) or (\$779,907,544)
TY28 / FY29	(\$2,285,095) or (\$3,808,510)	(\$524,303,248) or (\$864,909,004)
TY29 / FY30	(\$2,774,933) or (\$4,262,411)	(\$636,694,083) or (\$969,035,064)
TY30 / FY31	(\$3,264,772) or (\$4,548,394)	(\$749,084,919) or (\$1,034,731,820)
TY31 / FY32	(\$3,754,610) or (\$4,897,468)	(\$861,475,755) or (\$1,119,681,122)
TY32 / FY33	(\$4,244,448) or (\$5,266,306)	(\$973,866,590) or (\$1,204,668,912)
TY33 / FY34	(\$4,734,286) or (\$5,634,880)	(\$1,086,257,426) or (\$1,289,616,944)
TY34 / FY35	(\$5,328,936) or (\$6,081,208)	(\$1,222,696,804) or (\$1,393,018,329)
TY35 / FY36	(\$5,818,774) or (\$6,451,761)	(\$1,335,087,640) or (\$1,477,956,591)
TY36 / FY37	(\$6,308,613) or (\$6,821,652)	(\$1,447,478,475) or (\$1,562,939,940)
TY37 / FY38	(\$6,798,451) or (\$7,189,078)	(\$1,559,869,311) or (\$1,647,763,005)

\*The "or" amount reflects voter approval for the motor vehicle and farm machinery exemption.

**Oversight** assumes this provision reduces the percentage at which personal property is assessed, effectively reducing the assessed value of personal property over time.

**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 real property owners (as personal property assessed values decrease).

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

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ( $(\text{Total Assessed Value}/100) \cdot .03$ ). Because this proposal limits 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 the proposed reduction in the percentage at which personal property is assessed could reduce the maximum allowed revenue growth (relative to current law) which could impact all taxing entities. Oversight will show B&P's estimated impact for all local political subdivisions and the Blind Pension Fund on the fiscal note.

### **Responses regarding the proposed legislation as a whole**

Officials from the **Department of Social Services** note the Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Exempting motor vehicles and farm machinery manufactured ten years or more prior to the current calendar year of assessment from taxation could impact the amount received for the BP fund.

According to the [2022 State Tax Commission Annual Report](#), \$20,659,394,897 of the \$135,215,666,531 total assessed valuation for the State of Missouri comes from vehicles including recreational vehicles. Therefore, approximately \$6,197,818 [ $(\$20,659,394,897/100) \cdot 0.03$ ] is collected in the BP fund from motor vehicle tax revenue.

Motor vehicles are currently assessed based on a recommended guide of information for determining the true value of motor vehicle and includes vehicles that were manufactured 10 years or more prior to the current calendar year. According to the State Tax Commission, the proposed change to exempt motor vehicles assessed ten years or more prior to the current calendar year for assessment could result in a reduction in tax revenue from motor vehicles of up to 25%. Therefore, FSD estimates that tax revenue from motor vehicles collected in the BP fund could decrease up to \$1,549,455 ( $\$6,197,818 \cdot 0.25$ ).

According to the [2022 State Tax Commission Annual Report](#), \$509,487,451 of the \$135,215,666,531 total assessed valuation for the State of Missouri comes from Farm Machinery. Therefore, approximately \$152,846  $[(\$509,487,451/100)*0.03]$  is collected in the BP fund from Farm Machinery tax revenue.

The State Tax Commission is unable to identify the age of farm machinery or provide an estimate on the effect of exempting farm machinery manufactured 10 years or more ago from taxation, therefore the effect is unknown. FSD assumes that it will result in a reduction in tax revenue from farm machinery of up to 25%. Therefore, FSD estimates that the tax revenue from farm machinery collected in the BP fund could decrease up to \$38,212  $(\$152,846*0.25)$ .

Section 137.115:

Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Reducing the personal property tax rate could impact the amount received for the Blind Pension fund.

According to the [2022 State Tax Commission Annual Report](#), \$27,716,731,850 of the \$135,215,666,531 total assessed valuation for the State of Missouri comes from tangible personal property that is not livestock; farm machinery; pollution control tools and equipment; grain and other agricultural crops; historic motor vehicles, historic aircraft, and aircraft built from kits.

Tangible personal property that is not livestock; farm machinery; pollution control tools and equipment; grain and other agricultural crops; and historic motor vehicles, historic aircraft, and aircraft built from kits is currently assessed at 33 1/3 percent of true value in money. Therefore, the \$27,716,731,850 in these types of tangible property tax assessments reported in 2022 is 33 1/3% of the true value of personal property, which means the true value of these types of personal property assessed was \$83,158,511,401  $(\$27,716,731,850/0.3333)$ .

The proposed reduction in assessments of tangible personal property that is not livestock; farm machinery; pollution control tools and equipment; grain and other agricultural crops; and historic motor vehicles, historic aircraft, and aircraft built from kits will affect the BP fund as follows:

Tax Collection Year	True Value of Tangible Personal Property*	Assessment Rate, as amended per year	Amended Assessed Value of Tangible Personal Property*	BP Fund Collections Tangible Personal Property*	Reduction in Collections for the BP Fund
2025	\$83,158,511,401	33 1/3%	\$27,716,731,850	\$8,315,020	\$0
2026	\$83,158,511,401	30%	\$24,947,553,420	\$7,484,266	\$830,754
2027	\$83,158,511,401	28%	\$23,284,383,192	\$6,985,315	\$1,329,705
2028	\$83,158,511,401	26%	\$21,621,212,964	\$6,486,364	\$1,828,656
2029	\$83,158,511,401	24%	\$19,958,042,736	\$5,987,413	\$2,327,607
2030	\$83,158,511,401	22%	\$18,294,872,508	\$5,488,462	\$2,826,558
2031	\$83,158,511,401	20%	\$16,631,702,280	\$4,989,511	\$3,325,509
2032	\$83,158,511,401	18%	\$14,968,532,052	\$4,490,560	\$3,824,460
2033	\$83,158,511,401	16%	\$13,305,361,824	\$3,991,609	\$4,323,411
2034	\$83,158,511,401	14%	\$11,642,191,596	\$3,492,657	\$4,822,362
2035	\$83,158,511,401	12%	\$9,979,021,368	\$2,993,706	\$5,321,313
2036	\$83,158,511,401	10%	\$8,315,851,140	\$2,494,755	\$5,820,264
2037	\$83,158,511,401	8%	\$6,652,680,912	\$1,995,804	\$6,319,215
2038	\$83,158,511,401	6%	\$4,989,510,684	\$1,496,853	\$6,818,166

\*Not Livestock, Farm Machinery, Poultry, and Pollution Control Tools and Equipment

According to the [2022 State Tax Commission Annual Report](#), \$655,767,021 of the \$135,215,666,531 total assessed valuation for the State of Missouri comes from livestock, farm machinery, and poultry.

Livestock, farm machinery, and poultry is currently assessed at 12 percent of true value in money. Therefore, the \$655,767,021 in these property tax assessments reported in 2022 is 12% of the true value of personal property, which means the true value of the personal property assessed was \$5,464,725,175 ( $\$655,767,021 / 0.12 = \$5,464,725,175$ ).

The proposed reduction in assessments of livestock, farm machinery, and poultry will affect the BP fund as follows:

Tax Collection Year	True Value of Livestock, Farm Machinery, and Poultry	Assessment Rate, as amended per year	Amended Assessed Value of Livestock, Farm Machinery, and Poultry	BP Fund Collections Livestock, Farm Machinery, and Poultry	Reduction in Collections for the BP Fund
2025	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2026	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2027	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2028	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2029	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2030	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2031	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2032	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2033	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2034	\$5,464,725,175	12%	\$655,767,021	\$196,730	\$0
2035	\$5,464,725,175	6%	\$327,883,511	\$98,365	\$98,365
2036	\$5,464,725,175	6%	\$327,883,511	\$98,365	\$98,365
2037	\$5,464,725,175	6%	\$327,883,511	\$98,365	\$98,365
2038	\$5,464,725,175	6%	\$327,883,511	\$98,365	\$98,365

According to the [2022 State Tax Commission Annual Report](#), \$53,848,481 of the \$135,215,666,531 total assessed valuation for the State of Missouri comes from pollution tools and equipment.

Pollution tools and equipment is currently assessed at 25 percent of true value in money. Therefore, the \$53,848,481 in these property tax assessments reported in 2022 is 25% of the true value of personal property, which means the true value of the personal property assessed was \$215,393,924 ( $\$53,848,481 / 0.25 = \$215,393,924$ ).

The proposed reduction in assessments of pollution tools and equipment will affect the BP fund as follows:

Tax Collection Year	True Value of Pollution Tools and Equipment	Assessment Rate, as amended per year	Amended Assessed Value of Pollution Tools and Equipment	BP Fund Collections Pollution Tools and Equipment	Reduction in Collections for the BP Fund
2025	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2026	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2027	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2028	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2029	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2030	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2031	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2032	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2033	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2034	\$215,393,924	25%	\$53,848,481	\$16,155	\$0
2035	\$215,393,924	6%	\$12,923,635	\$3,877	\$12,277
2036	\$215,393,924	6%	\$12,923,635	\$3,877	\$12,277
2037	\$215,393,924	6%	\$12,923,635	\$3,877	\$12,277
2038	\$215,393,924	6%	\$12,923,635	\$3,877	\$12,277

The fiscal impact from the provisions of 137.115 is up to \$830,754 in SFY 26; \$1,329,705 in SFY 27; \$1,828,656 in SFY 28; \$2,327,607 in SFY 29; \$2,826,558 in SFY 30; \$3,325,509 in SFY 31; \$3,824,460 in SFY 32; \$4,323,411 in SFY 33; \$4,822,362 in SFY 34; \$5,431,955 in SFY 35; \$5,930,906 in SFY 36; \$6,429,857 in SFY 37 and \$6,928,808 ongoing.

Therefore, FSD estimates that the fiscal impact to the BP fund as a result of this legislation would be \$2,418,421 in SFY 26; \$2,917,372 in SFY 27; \$3,416,323 in SFY 28; \$3,915,274 in SFY 29; \$4,414,225 in SFY 30; \$4,913,176 in SFY 31; \$5,412,127 in SFY 32; \$5,911,078 in SFY 33; \$6,410,029 in SFY 34; \$7,019,622 in SFY 35; \$7,518,573 in SFY 36; \$8,017,524 in SFY 37; and \$8,516,475 ongoing.

Officials from the **State Tax Commission** assume the proposed HB has an unknown fiscal impact on the political subdivisions. Assessment percentage reductions will impact negatively the revenue for taxing jurisdictions which are supported by property taxes. The number of motor vehicles that will be removed from assessment is approximately 50% but the number of recreational vehicles, trailers, certain aircraft, and pieces of farm equipment is not known. The reduction revenues because of the reduction in the assessment percentage is impossible to estimate because all currently assessed vehicles and equipment would be removed from assessment since the reduction happens more than 10 years from now. The bill would not reduce the work, or have any fiscal impact, on the State Tax Commission.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed the bill. The bill has no direct fiscal impact to the Joint Committee on Public Employee Retirement.

The JCPER's review of this legislation indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

Officials from the **Newton County Health Department** assume there will be a negative fiscal impact on the Newton County Health Department depending on the reduced amount of property taxes collected because of the provisions of this bill.

Officials from the **City of Kansas City** assume this legislation is projected to have a negative fiscal impact of an indeterminable amount. The City collected approximately \$35M in FY2023 in personal property taxes and the city assumes a significant portion is associated with motor vehicles and farm equipment. Additional exemptions and/or limits on revenue growth will hamper the City of Kansas City's ability to ensure that basic services such as public safety, road repair, and emergency response can continue to be provided to serve the needs of the City's growing population.

Officials from the **City of Urich** assume reducing real and personal property taxes will have an impact on their budget of about \$45,000.

Officials from the **Eureka Fire Protection District (EURE) - St. Louis** assume the reduction of personnel property tax as outlined in this bill, would be a significant impact to the budget of the Eureka Fire Protection District. Revenue from Personnel Property makes up about 18% of the Fire Districts annual budget. Currently Personnel Property generates approximately \$1.5 million in revenue. Each year the 2% value reduction would reduce the Districts operating revenue by \$100,000. Over the period of the reductions this would reduce revenues by \$5.5 million this does not included reduction to added personnel property. With increased cost on goods and services the District would likely be forced to curtail or cut services provided to the Citizens of the Fire District. This is the impact on just one same Fire District, Statewide this would significantly impact emergency services.

Officials from the **Concordia R-I School District** assume eliminating personal property tax from local tax collections will cost Concordia R-2 Schools approximately 30.5% of the district's local revenue. This is approximately \$825,000 each year in potential lost revenue. The District's annual budget is approximately \$6.4 million, so a loss of \$825,000 would be detrimental to district operations, especially instruction and meeting student needs.

Officials from the **Henry Co. R-I School District** assume this bill will have a huge impact on the finances of their school district. The district is a tax-income-driven entity. If taxes are reduced, the district's useable income will decrease as a result. This will negatively impact the school district's finances.

Officials from the **County Employees' Retirement Fund (CERF)** state HB 1669 would decrease the assessment percentage for personal property from 33.3% by a certain percentage annually until it reaches 6% in 2037. In addition, if a constitutional amendment is adopted, farm machinery and motor vehicles would be exempt from personal property tax.

CERF's review of HB 1669 would indicate it would have a negative fiscal impact to the County Employees' Retirement Fund. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. HB 1669, by reducing the assessment percentage of personal property and potentially exempting farm machinery and motor vehicles from personal property tax, would reduce the moneys that fund CERF. CERF notes that the amount of these revenues fluctuates from year to year. There is insufficient information to quantify the exact impact on CERF's revenues but CERF assumes the impact would be negative. HB 1669 presents serious implications for CERF's funding because a significant portion of the current contribution stream could ultimately be materially reduced or lost entirely. Unless the revenues are replaced with other sources of revenue, there would be severe implications for CERF's sustainability including a deterioration of CERF's funding over time and the possibility that the plan assets might be depleted, which would impair the ability of the Plan to pay benefits when due to retirees and beneficiaries.

Officials from the **Gasconade County R-1 School District** state this proposal would cost their district approximately \$6.8 million in local revenue when fully implemented. This would lead to drastic cuts in personnel and programs.

Officials from the **Department of Revenue (DOR)** assume this modifies the assessment of personal property. This will not impact DOR. The department defers to the State Tax Commission and the County Assessors for the fiscal impact.

Officials from the **Office of the State Auditor** and the **Office of Administration**, 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 **St. Louis County Police Dept**, **City of Osceola**, **Phelps County Sheriff**, and the **Kansas City 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** assumes there could be costs for county assessors to track and implement these provisions.

**Oversight** notes the Office of Administration - Budget and Planning assumes this proposal will become effective for tax year 2025, with payments due December 31, 2025 (FY 2026). B&P assumes this proposal will decrease revenue to the Blind Pension Trust Fund and to all local jurisdictions. Oversight does not have any information to the contrary and therefore, Oversight



will reflect the estimates as provided by the Office of Administration - Budget and Planning beginning in FY 2026.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2038)
<b>BLIND PENSION FUND</b>				
<u>Revenue Reduction - §137.102 - Motor Vehicle &amp; Farm Machinery Exemption (pending voter approval) - pp. (3-4)</u>	\$0	\$0 or (\$1,883,529)	\$0 or (\$1,764,595)	\$0 or (\$390,627)
<u>Revenue Reduction - §137.115 - Assessment Percentage Reduction - pp. (6-7)</u>	\$0	(\$815,581)	(\$1,305,419)	(\$6,798,451)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b>\$0</b>	<b>(\$815,581) or (\$2,699,110)</b>	<b>(\$1,305,419) or (\$3,070,014)</b>	<b>(\$6,798,451) or (\$7,189,078)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2038)
<b>LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>			
<u>Costs - Assessors - to track and implement - p. (14)</u>	\$0	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction - §137.102 - Motor Vehicle &amp; Farm Machinery</u>	\$0	\$0 or (\$422,854,761)	\$0 or (\$395,455,050)	\$0 or (\$87,893,694)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2038)
Property Tax Exemption (pending voter approval) pp. (4-5)				
<u>Revenue Reduction - §137.115 - Reduction in assessed value of motor vehicles - pp. (6-7)</u>	\$0	(\$187,130,741)	(\$299,521,577)	(\$1,559,869,311)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>(\$187,130,741) or (\$609,985,502)</b>	<b>(\$299,521,577) or (\$694,976,627)</b>	<b>(\$1,559,869,311) or (\$1,647,763,005)</b>

FISCAL IMPACT – Small Business

**Oversight** assumes there could be an impact to small businesses because taxing jurisdictions may be able to increase the levy to all other property owners to make up for the lost revenue in personal property taxes. In addition, Oversight assumes certain small businesses that own personal property could be positively impacted by this proposal.

FISCAL DESCRIPTION

Beginning January 1 of the calendar year immediately following the adoption of a Constitutional amendment authorizing the exemption of tangible personal property from taxation under Article X, Section 6 of the Constitution of Missouri, this bill will exempt farm machinery and motor vehicles from personal property taxation.

Currently, assessors annually assess all personal property at 33.3% of its true value in money. Beginning January 1, 2025, the percentage of the true value in money at which personal property is assessed shall be 30% of its true value in money and such amount shall be reduced annually by 2% until the calendar year 2036 and every year thereafter, when personal property will be assessed at 6% of its true value in money.

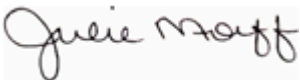
This bill also decreases the percentages of true value in money for the following subclasses of personal property on or after January 1, 2034:

- (1) Livestock, currently taxed at 12%, reduced to 6%;
- (2) Farm machinery, currently taxed at 12%, reduced to 6%;
- (3) Poultry, currently taxed at 12%, reduced to 6%; and
- (4) Tools and equipment used for pollution control, currently taxed at 25%, reduced to 6%.

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  
Joint Committee on Public Employee Retirement  
Department of Revenue  
Office of the State Auditor  
City of Kansas City  
Newton County Health Department  
City of Urich  
Eureka Fire Protection District (EURE) - St. Louis  
Concordia R-II School District  
Henry Co. R-I School District  
St. Louis County Police Dept  
City of Osceola  
Phelps County Sheriff  
Kansas City Police Dept.  
Gasconade County R-1 School District  
County Employees Retirement Fund



Julie Morff  
Director  
February 27, 2024



Ross Strobe  
Assistant Director  
February 27, 2024