

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0433H.02C
Bill No.: HCS for HB 517
Subject: Taxation and Revenue - Property; Political Subdivisions; Property, Real and Personal
Type: Original
Date: March 7, 2025

Bill Summary: This proposal changes the percentage of the cap on the inflationary growth factor for the assessment growth of real or personal property occurring within a political subdivision.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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

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

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

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

FISCAL ANALYSIS

ASSUMPTION

Section 137.067 Ballot language for Real Property Proposals

In response to similar legislation from 2024, HB 1517, officials from the **Greene County Clerk** assumed the only cost for the County Clerk's Office is ballot titling. For ballot titling, there is no cost. However with ballot titling can come legal issues. Therefore, the county estimates the County Clerk's Office legal counsel for court appearances, etc. for any ballot titling challenges. The legal counsel rate is \$240 an hour. An estimate of a minimum of 8 hours would be \$1,920.

Oversight assumes local political subdivisions could absorb costs related to this provision.

Section 137.073 - Inflationary Growth Factor

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

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal does not impact: - TSR - The calculation under Article X, Section 18(e).

Officials from the **Department of Revenue** note this proposal changes how property is assessed for calculating property tax. This will not impact DOR as assessment is handled by the STC and County Assessors.

Officials from the **Callaway County SB 40 Board** assume House Bill 517's cap on inflationary growth for property tax revenue at 3% starting in 2026 may threaten critical funding for individuals with intellectual and developmental disabilities (IDD). Callaway County Special Services (CCSS), a Senate Bill 40 organization, relies on these funds to provide employment opportunities, inclusive community programs, and essential resources for over 201 individuals and their families.

With restricted revenue growth, CCSS may struggle to maintain or expand services, impacting job opportunities, delaying new initiatives, and straining family resources. These programs not only support individuals with IDD but also strengthen the community by fostering inclusion and equity.

The broader impact of HB 517 must be considered before limiting funding mechanisms. If property tax reductions or caps remain without a sustainable replacement, CCSS and similar organizations may face service cuts, affecting the well-being of individuals with IDD and their families. Ensuring stable funding is essential to preserving lifelong support, employment, and community inclusion.

In response to a previous version (HB 517), officials from the **Mid-Continent Public Library** assume there is not enough data to provide the revenue loss potential by this bill.

Officials from the **Hume R-Viii School District** assume there would be a fiscal impact on the district if taxes change. However, that amount is not known.

Officials from the **East Buchanan Co. C-1 School District** assume school districts are dependent on growth in assessed valuation over time to account for rising costs due to inflation. This increase is also vital for schools utilizing lease-purchase financing to continue to meet their debt obligations. Districts are already limited to a maximum increase of 5%. If CPI is in excess of 5%, districts will have increased expenses due to inflationary conditions. Reducing the percentage from 5 to 3 will limit a district's ability to meet the demands of rising costs and will limit districts' ability to increase staff compensation to keep them up with inflation.

Officials from the **Newton County Health Department, Phelps County Sheriff, Kansas City Police Dept., Department of Social Services, Office of the State Auditor, Branson Police Dept, St. Louis County Police Dept** and the **State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes property tax revenues are generally 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.

Oversight notes the growth factor currently used in the tax levy calculation is either actual growth in assessed valuation, inflation based on CPI ([3.4% per the STC](#)) or 5% whichever is lower.

Oversight notes beginning January 1, 2026, in years where actual growth and inflation exceed 3%, this proposal would result in lower authorized revenues in the rate setting calculation. This would reduce the tax rate applied to total assessed values relative to current law, thereby reducing revenues for all tax entities.

Therefore, **Oversight** will show a range of \$0 (inflation or actual growth is less than 3% and the changes in the bill would not make an impact) to an unknown loss in property tax revenue to local political subdivisions beginning in FY 2027.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property $((\text{Total Assessed Value}/100) \times .03)$. Because this proposal alters only components of the rate setting calculation, it does not limit the

assessed value portion of this equation, therefore the Blind Pension Fund will not be impacted by this proposal.

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 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue change</u> - §137.073 – Change in growth factor cap	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

FISCAL DESCRIPTION

This bill modifies the manner in which a political subdivision may revise each tax levy to allow for inflationary assessment growth for all subclasses of real and personal property. Currently, the inflationary growth factor for any subclass of real and personal property is limited to the actual assessment growth, exclusive of new construction and improvements, but not to exceed the consumer price index, or 5%, whichever is lower.

This bill limits the inflationary growth factor for any subclass of real or personal property to the actual assessment growth, but not to exceed the lower of the following:

(1) The Consumer Price Index; or

(2) The following percentages:

- (a) For tax levy revisions before January 1, 2026, 5%; or
- (b) For tax levy revisions on or after January 1, 2026, 3%.

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 (B&P)

Department of Revenue (DOR)

State Tax Commission

Department of Social Services

Office of the State Auditor

Newton County Health Department

Phelps County Sheriff

Kansas City Police Dept.

St. Louis County Police Dept

City of Kansas City

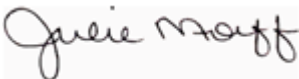
Callaway County SB 40 Board

Mid-Continent Public Library

Hume R-Viii School District

Branson Police Dept

East Buchanan Co. C-1



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