COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1526H.01P
Bill No.: Perfected HB 629
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Motor Vehicles; County Officials; State Tax Commission
Type: Original
Date: March 5, 2025

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

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
Blind Pension Fund (0621)	$0	($882,685)	($882,685)
Total Estimated Net Effect on Other State Funds	**$0**	**($882,685)**	**($882,685)**

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
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	**Unknown**	**More or less than ($197,641,995)***	**More or less than ($197,641,995)***

*Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal.

FISCAL ANALYSIS

ASSUMPTION

Section 137.073 - New Construction and Personal Property

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 omitting the increase in value from motor vehicles from new construction in the rate setting calculation would result in a higher adjusted assessed value (the denominator) relative to the authorized revenues (the numerator) in the rate setting calculation. This would reduce the tax rate applied to total assessed values thereby reducing revenues for all tax entities.

Oversight notes this proposal could reduce allowable revenue growth for local taxing entities over time.

Oversight notes the proposal sets tax year 2026 as the base year for this provision. Therefore, Oversight will show an unknown loss in property tax revenue to local political subdivisions from this change beginning in FY 2028.

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 ((Total Assessed Value/100)*.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.

In response to a similar proposal (HB 2430, 2024), officials from the **Howell County Assessor** note currently no software in use for assessment purposes has the ability to segregate market value increases of vehicles from new vehicles added to the assessment roll.

In response to a similar proposal (HB 2430, 2024), officials from the **Lincoln County Assessor** note by not allowing the personal property increases as new construction - school districts in particular will not receive the tax increase windfalls they have received in the past - therefore being more fair to the taxpayers.

Section 137.115 Personal Property Assessment

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would reduce the assessment percentage used of market value when determining an item's assessed value. This proposal would reduce the rate from 33.33% to 30% starting in calendar year 2026.

Property taxes are levied for a calendar year, with the taxes owed by December 31st 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 2026 reduction will impact FY27 collections.

B&P notes that there are subclasses within personal property that are already assessed at a lower rate. Those items will remain assessed at their current lower rates. Table 1 shows the current and proposed assessment percentage by property type.

Table 1: Personal Property Assessment Rates

Property Type	Current Assessment Rate	Proposed Assessment Rate
Livestock	12%	n/a
Farm Machinery	12%	n/a
Vehicles - motor and recreational	33.33%	30%
Grain and other Crops	1%	n/a
Manufactured Homes (Dwelling Units)	19%	n/a
Historical MVs and Aircraft, Kit Aircraft	5%	n/a
Pollution Control Tools and Equipment	25%	n/a
All Other Tangible Personal Property	33.33%	30%
State Assessed Utility Personal Property	33.33%	30%

Based on the 2024 Assessed Valuations Report provide by STC, the assessed value for impact personal property was $29,449,339,954. Under this proposal the assessed values would have been $26,507,056,665. Table 2 shows the current and proposed assessed value by property type.

Table 2: Assessed Values

Property Type	Current (2024)	Proposed
Vehicles - motor and recreational	$20,346,815,488	$18,313,965,336
All Other Tangible Personal Property	$7,881,474,797	$7,094,036,721
State Assessed Utility Personal Property	$1,221,049,669	$1,099,054,608
Total	**$29,449,339,954**	**$26,507,056,665**

Using the 2024 property tax rate report published by the State Auditor's Office, B&P estimates that the average local property tax rate is 6.7173%. In addition, the Blind Pension Trust Fund levies a statewide property tax of $0.03 per $100 value.

Therefore, B&P estimates that this provision could reduce revenues to the Blind Pension Trust Fund by $882,685 and local revenues by $197,641,995 annually beginning FY27. Table 3 shows the estimated impact by property type.

Table 3: Estimated Impact

Property Type	Blind Pension Fund	Local Property Tax
Vehicles - motor and recreational	($609,855)	($136,552,643)
All Other Tangible Personal Property	($236,231)	($52,894,578)
State Assessed Utility Personal Property	($36,599)	($8,194,774)
Total	**($882,685)**	**($197,641,995)**

Officials from the **Department of Social Services (DSS)** assume tangible personal property that is not livestock; farm machinery; pollution control tools and equipment; grain and other agricultural crops; poultry; and historic motor vehicles, historic aircraft, and aircraft built from kits is currently assessed at 33 1/3 percent of true value. According to the 2023 State Tax Commission Annual Report, the total assessed valuation of tangible personal property that is not livestock; farm machinery; pollution control tools and equipment; grain and other agricultural crops; poultry; and historic motor vehicles, historic aircraft, and aircraft built from kits is $28,230,814,925. Therefore, the true value of these types of personal property assessed is $84,700,914,866 ($28,230,814,925/.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; poultry; 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	Assessed Value of Tangible Personal Property*	BP Fund Collections Tangible Personal Property Tax*	Reduction in Collections for the BP Fund
2026	$84,700,914,866	33 1/3%	$28,230,814,925	$8,469,244	$0
2027	$84,700,914,866	30%	$25,410,274,460	$7,623,082	$846,162

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

Therefore, FSD estimates that the fiscal impact to the BP fund as a result of this legislation would be $846,162 in FY 2027 and ongoing.

The **County Employees' Retirement Fund (CERF)** The County Employees' Retirement Fund (CERF) has reviewed this proposal. This proposal would have a negative fiscal impact to CERF. A certain portion of the moneys that are used to fund CERF are tied to the collection of property taxes. By reducing the assessment percentage of personal property from 33.3% to 30%, HB 629 would reduce the moneys that fund CERF. CERF notes that the amount of these revenues fluctuates from year to year. CERF notes that there is insufficient information to quantify the exact impact but CERF assumes that the impact would be negative. CERF would expect the changes in this proposal to result in a deterioration of CERF's funding over time. Unless the funding is replaced with other sources, it likely has serious implications for CERF's sustainability including the possibility that the plan assets might be depleted.

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

Property Type	Current	Proposed
Personal Property	33.3%	30%

Oversight estimated the difference between the proposed assessed values and the 2023 assessed values in the table below according to the State Tax Commission.

Property Type	Assessed Value Current	Full Value	Assessed Value Proposed	Difference in Assessed Value
Personal Property (Vehicles)	$20,892,140,604	$62,739,160,973	$18,821,748,292	($2,070,392,312)
Personal Property (Other)	$8,093,081,726	$24,303,548,727	$7,291,064,618	($802,017,108)
Personal Property (Centrally Assessed)	$1,277,168,311	$3,835,340,273	$1,150,602,082	($126,566,229)
Total	**$30,262,390,641**	**$90,878,049,973**	**$27,263,414,992**	**($2,998,975,649)**

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 ((Total Assessed Value/100)*.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 estimated the impact to the Blind Pension Fund in the table below.

Property Type	Difference in Assessed Value	Blind Pension Fund Impact (difference in assessed value /100 * .03)
Personal Property (Vehicles)	($2,070,392,312)	($621,118)
Personal Property (Other)	($802,017,108)	($240,605)
Personal Property (Centrally Assessed)	($126,566,229)	($37,970)
Total	($2,998,975,649)	($899,693)

Oversight calculated an effective local property tax rate of approximately 6.6%. Oversight used the effective local property tax rate to estimate the reduction of local property tax collections under this proposal.

Property Type	Property Tax Paid*	Assessed Value	Effective Local Tax Rate
Personal Property (Vehicles)	$1,377,089,993	$20,892,140,604	6.6%
Personal Property (Other)	$533,034,091	$8,093,081,726	6.6%

* Excluding the Blind Pension Fund revenue.

Property Type	Difference in Assessed Value	Local Impact (difference in assessed value x 6.6%)
Personal Property (Vehicles)	($2,070,392,312)	($136,438,853)
Personal Property (Other)	($802,017,108)	($52,852,927)
Personal Property (Centrally Assessed)	($126,566,229)	($8,340,714)
Total	**($2,998,975,649)**	**($197,632,494)**

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.

Oversight notes officials from B&P and DSS both assume the proposal will have a direct fiscal impact on the Blind Pension Fund and local revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect B&P's estimated impacts in the fiscal note.

Section 137.115 - Requirements For Trade-In Value Publications

In response to a similar proposal this year (HB 816), officials from the **Jefferson County Assessor** note this bill will save county government budgets from having to purchase data from J.D. Power and Associates, which have increased their cost significantly since 2022. Jefferson County was quoted by J.D. Power and Associates $60,700 for personal property vehicle valuation data. This is a 13% increase from 2024, and a 25% increase from the cost incurred in 2023 for the same data. Similar data from Price Digest has been quoted to Jefferson County at $13,040 for 2025. This is a $47,660 decrease from the J.D. Power quote. For Third-Class Counties, the savings from having another vendor provide the data would assist with the hiring of staff necessary to meet their statutory obligations.

Oversight notes this proposal allows assessors to use a nationally recognized automotive trade publication such as the NADA, Kelley Blue Book, Edmunds, or other similar publication.

Oversight assumes if every county experienced a savings from being able to use an alternative to automotive trade publication similar to the one referenced by the Jefferson County Assessor, the savings is estimated at $5,480,900 ($47,660 x 115). Oversight will reflect an unknown savings for county assessors beginning in FY 2026.

Responses regarding the proposed legislation as a whole

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it will have a negative fiscal impact on school districts and other local taxing jurisdictions (cities, counties and fire districts) who rely on property tax as a source of revenue.

Based on the State Tax Commission 2023 Annual Report, 13.94% of assessed valuation is attributed to motor vehicles ($149,871,883,818 X .1394= $20,892,140,604 assessed valuation) and 13.46% of property taxes collected were attributed to motor vehicles ($10,230,980,631 * .1346= $1,377,089,993).

Dropping the assessed valuation percentage to 31% from 33.3% would drop the assessed valuation to 19,449,139,902 (20,892,140,604/.333). The tax collections from the reduced valuation would equal:

1,281,975,669 ([$19,449,139,902 * $1,377,089,993]/$20,892,140,604=$1,281,975,669).

The resulting reduction in taxes statewide would be $95,114,324 ($1,377,089,993-$1,281,975,669) spread across the 2,650 taxing jurisdictions reliant on property taxes for funding.
Officials from the **Miller County Assessor** assume this bill would lower the amount of money local entities receive in Miller County in 2026 by an estimated $290,000. These calculations are based off of a county wide personal property value of $140,000,000 in 2026. This would severely limit the county's local schools, fire districts, police/sheriff's offices, road districts and 911 centers to provide quality services for the county's constituents.

Officials from the **Callaway County SB 40 Board** assume 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), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Callaway County Special Services, Callaway County, assess local needs and nurture a strong network of high-quality services that are essential to over 201 people with IDD and their families. These services, supported by personal property and/or real property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

Officials from the **Boone County SB 40 (Boone County Family Resources)** assume a reduction in funding from personal property and/or real property taxes would have significant negative consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Boone County Family Resources assess local needs and nurture a strong network of high-quality services essential to over 2,300 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

Officials from the **Jackson County SB 40 Board** assume 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), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Developmental Disability Services of Jackson County - assess local needs and nurture a strong network of high-quality services that are essential to over 3,000 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

Officials from the **Lawrence County SB 40 Board** assume the Lawrence County Board for the Developmentally Disabled (SB40 Board), considered a political subdivision, utilizes a portion of the property taxes collected each year to provide services and opportunities for individuals with Intellectual Disabilities and Developmental Disabilities within Lawrence County.

The money is used for grants, funding (with other entities) of the local Sheltered Workshop, Transportation assistance through OATS transportation, a community center for this population, handicap accessible playground equipment in some city parks, etc. Any reduction in property taxes takes away funds that can help one of the most vulnerable populations, the intellectually and developmentally disabled.

Officials from the **St. Louis City SB 40 Board** assume 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), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as St. Louis Office for Developmental Disability Resources assess local needs and nurture a strong network of high-quality services that are essential to over 1500 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

Officials from the **St. Louis County SB 40 Productive Living Board** assume a reduction in funding from personal property and/or real property taxes would have consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to supports for those who rely on them. Senate Bill 40 organizations such as Productive Living Board for St. Louis County Citizens with Developmental Disabilities assess local needs and nurture a strong network of high-quality services that are essential to over 4,600 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

Officials from the **Mid-Continent Public Library** assume there is insufficient data to provide an estimate of revenue loss to the District.

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

Officials from the **Newton County Health Department**, **Phelps County Sheriff**, **Kansas City Police Dept.**, **St. Louis County Police Dept**, **St Genevieve County Assessor**, and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their respective organizations.

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>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
BLIND PENSION FUND			
Revenue Reduction - §137.115 - Personal property change in assessed value	$0	($882,685)	($882,685)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**($882,685)**	**($882,685)**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
Costs – Counties – §137.073 - to administer the changes in assessment from this proposal	$0	(Unknown)	(Unknown)
Revenue change - §137.073 - Personal property value increases not considered new construction	$0	(Unknown)	(Unknown)
Revenue Reduction - §137.115 - Personal property change in assessed value*	$0	More or less than ($197,641,995)	More or less than ($197,641,995)

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
Savings - §137.115 - County Assessors - Changes to selection process for trade-in value publications	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Unknown**	**More or less than ($197,641,995)**	**More or less than ($197,641,995)**

*Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal.

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Currently, local County Assessors determine the value of new construction and improvements of both real and personal property by maintaining a yearly record of increases in valuation for each political subdivision in the county that results from new construction or improvements. The aggregate increase in valuation of personal property for the current year over that of the previous year is the equivalent of the new construction and improvements factor for personal property.

Beginning January 1, 2027, any increase in the aggregate valuation of personal property for the current year over that of the previous year cannot be counted as new construction.

Currently, personal property is assessed at 33.3% of its true value in money as of January 1st of each calendar year. Beginning January 1, 2026, personal property must be assessed at 31% of its true value in money.

Currently, local County Assessors use the trade-in value published in the October issue of the National Automobile Dealers' Association Official Used Car Guide (NADA) to determine the true value of motor vehicles for the purposes of personal property tax assessments. This bill requires the State Tax Commission to choose a nationally recognized publication, such as the NADA, Kelley Blue Book, Edmunds, or any other similar publication, and allows the Assessor to use the current or any of the three immediately previous year's October issue of such publication.

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 (DSS)
State Tax Commission
County Employees' Retirement Fund (CERF)
Office of the State Auditor
Howell County Assessor
Lincoln County Assessor
Callaway County SB 40 Board
City of Kansas City
Newton County Health Department
Phelps County Sheriff
Kansas City Police Dept.
St. Louis County Police Dept
St Genevieve County Assessor
Miller County Assessor
Boone County SB 40 (Boone County Family Resources)
Jackson County SB 40 Board
Lawrence County SB 40 Board
St. Louis City SB 40 Board
St. Louis County SB 40 Productive Living Board
Mid-Continent Public Library
Office of the Secretary of State
Joint Committee on Administrative Rules

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