COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1729H.01I
Bill No.: HB 780
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Counties; Department of Revenue; State Tax Commission
Type: Original
Date: February 10, 2025

Bill Summary: This proposal modifies provisions relating to the assessed valuation of residential real property.

FISCAL SUMMARY

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

*Oversight notes the changes in the proposal have an opt-in clause in §137.115.17(4). Oversight assumes there will be residential property owners that opt-in and participate in these changes in assessment, resulting in a reduced growth amount of residential property taxes paid compared to current statutes. Oversight assumes the fiscal impact could exceed the $250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Blind Pension Fund (0621)*	$0	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	**$0**	**(Unknown)**	**(Unknown)**

* **Oversight** assumes the unknown fiscal impact to the Blind Pension Fund depending on prevailing market conditions (and program participation) could exceed the $250,000 threshold relative to what it would have received under current law.
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	**$0**	**(Unknown)**	**(Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Section 137.115 - Real Property Valuation Assessments

Officials from the **Office of Administration - Budget and Planning (B&P)** note beginning with calendar year 2026, this provision would hold the market value of all residential real property, used as a primary residence, at the market value determined during 2025. The market value will remain at the 2025 amount until the property is sold/transferred or enough new construction/improvements has occurred to trigger a reassessment.

B&P notes that this proposal would allow the market value to increase if new construction and/or improvements have added 50% to the value of the real property. B&P further notes that in 2022, the median market value for residential real property was $215,600. Therefore, it would take at least $107,800 in new construction or improvements before a reassessment is triggered. This proposal requires owners to inform the county assessor when new construction or improvements have been made so that the assessor can reassess the property.

This proposal also allow assessors to appeal a sales price, if the assessor believes the price does not accurately reflect the true market value of real property. In addition, an owner of residential real property, used as a primary residence, may opt out of this proposal and continue to be assessed under the current assessment method.

B&P notes that the Blind Pension Trust Fund levies a $0.03 per $100 value property tax on all property in Missouri. B&P further notes that while this proposal will not result in a direct loss of revenue, it could result in significant forgone revenue in the future.

Officials from the **State Tax Commission** have determined that this bill proposes residential real property be valued at the most recent assessed value, or the fair market value for said property be determined at the most recent sale. This bill also proposes that the increase of real residential property only occurs when the property is sold or an improvement occurs that is equal to or greater than 50% of the property value. This proposal has an unknown fiscal impact on the State Tax Commission, however the limitation on assessment growth may negatively impact revenues for school districts, counties, cities, fire districts and other local taxing jurisdictions supported by property tax revenues.

Additionally, restrictions on assessment growth may create disparities and inequities over time among residential properties and categories of homeowners, potentially shifting a greater share of the tax burden from one class of homeowner to another. A newer home's true market value used for assessment may increase far more than an older home or vice versa depending on market conditions. An assessment limit may impact assessment growth and over time potentially create a large disparity.

Officials from the **County Employees' Retirement Fund (CERF)** have reviewed this proposal. CERF's review would indicate that it would likely result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of real property taxes. Data is not available to quantify how changes to real property assessments under this proposal would impact contribution revenue but CERF assumes the impact would be negative.

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

Officials from the **St. Louis Budget Division** assume for the purposes of the fiscal note, it is assumed all eligible primary residents would opt-in to the program. At that point, their assessments would not increase unless they purchase a primary residence or add new construction that is worth more than 50% of the existing value.

The census indicates the city has a 45.4% owner occupied housing rate which has been used for this analysis. It is assumed 45.4% of housing opts-in and 54.6% of housing remains under existing assessment law.

There will be different impacts in reassessment (odd numbered) years and non-reassessment (even numbered years). In reassessment years, the total loss will be for both inflationary growth and new construction while in non-reassessment years the loss will be for new construction only. For example, in reassessment years, $4.5M loss verses the current process will occur for all taxing jurisdictions, while in non-reassessment years, only about $500k will be lost as it only affects new construction.

There will be losses to the Collector of Revenue funds and the Assessor funds that will vary between reassessment and non-reassessment years. See the calculations below.

All Taxing Jurisdictions	Opt In	Non primary residence	Total opt-in and non-primary	Existing method	Difference Existing method - new legislative method
Tax amount (Assume all eligible opt-in)	99,437,607	119,587,960	219,025,567	219,025,567	$0
CPI (4.12% - 5 year average)	n/a	4,927,024	4,927,024	9,023,853	-$4,096,829
New Construction	119,390	596,948	716,337	1,193,895	-$477,558
Additional revenue (reassessment)	119,390	5,523,971	5,643,361	10,217,748	-$4,574,387

City Taxing Jurisdictions	Opt In	Non primary residence	Total opt-in and non-primary	Existing method	Difference Existing method - new legislative method
Tax amount (Assume all eligible opt-in)	20,012,954	24,068,442	44,081,396	44,081,396	$0
CPI (4.12% - 5 year average)	n/a	991,620	991,620	1,816,154	-$824,534
New Construction	7,650	120,143	127,793	240,285	-$112,492
Additional revenue (reassessment)	7,650	1,111,762	1,119,412	2,056,439	-$937,026

Loss to Collector's fund (odd year/reassessment)			84,650	153,266	-$68,616
Loss to Collector's fund (even year/non-reassessment)			10,745	17,908	-$7,163
Loss to Assessor's fund (odd year/reassessment)			35,271	63,861	-$28,590
Loss to Assessor's fund (even year/non-reassessment)			4,477	7,462	-$2,985

Under this proposal, it is estimated all taxing jurisdictions would suffer a loss of approximately $4.5M every reassessment year. This includes, but not limited to, the school district, library district etc.

In non-reassessment years, it is estimated all taxing districts would suffer a loss of revenue totaling $477,558.

Specific to the City of St. Louis, the estimated losses in revenue under this bill would be $937,026 in reassessment years and $113,492 is non-reassessment years.

Any loss in revenue would be reoccurring under this bill and not a one-time reduction.

Officials from the **Callaway County SB 40 Board** assume a fiscal impact of an indeterminate amount.

Officials from the **Adair 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 Adair County SB40 Developmental Disability Board assess local needs and nurture a strong network of high-quality services that are essential to over 465 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** note there is not enough information to determine the impact to the District.

Officials from the **Cape Girardeau County Assessor** note the county utilized the consumer price index to estimate the anticipated change in the residential real estate market values for 2025. The estimated change if 2.25% is based on the median change per year over the past 10 years (See Data Below).

- 2024 Total Residential Market Value = $4,211,688,816
- Estimated 2025 Total Residential Market Value = $4,306,451,814
- Estimated 2026 Total Residential Market Value = $4,403,346,980
- Total Estimated Loss in Market Value After Freeze to 2025 Values = $96,895,166
- Total Estimated Loss in Assessed Value After Freeze to 2025 Values = $18,410,728

The study revealed a reduction, or cap, of the assessed values in the reassessment process would result in an annual loss of $1,000,000 to $2,000,000 per year based on the average tax levies within their county. The impact of this amendment across the State of Missouri, could result in a statewide reduction in revenue of tens of millions, or more.

Currently the state of Missouri is one of 12 states that are considered “nondisclosure” states where buyers / sellers are not required to report the sales prices of real estate, except for St. Louis city, St. Louis County, Jackson County, & St. Charles County. In order for the assessor to appraise real property at or near the actual sales price the State of Missouri would need to be change to a mandatory disclosure state since Cape Girardeau County is not included in the four political subdivisions that require sales prices be disclosed.

Officials from the **Republic R-III Schoold District** assume this Bill could eventually cause school districts to go bankrupt and or raise local taxes. Inflation causes home prices/values to increase. Those same pressures that cause the increase in the value of the home are the same pressures that raise prices on all goods. Should this Bill pass, school districts would not be able to keep up, the district would immediately have to look at its personnel, likely an increase in class sizes, and building maintenance would diminish greatly. For Republic schools, a 2.9% increase in assessed valuation is approximately $400,000. This would allow the district to give a 1.3% raise to its staff, or replace about 10 older (25 years) HVAC units. This seems contrary to understanding the need to pay the district’s teachers more and be able to better recruit and retain.

For properties that have not sold since their most recent assessment, **Oversight** assumes this proposal would limit increases in the assessed values of real property. Property values would stay fixed in time until the property is transferred or sold (or extensively improved). Oversight is unable to calculate this change as it would depend on the market conditions within each taxing entities’ boundaries. For purposes of this fiscal note, Oversight will illustrate the potential impact assuming different scenarios in the chart below.

Per the State Tax Commission’s Annual Report, the current assessed value of real property is $113,936,244,128. If the limit in increases to assessed value caused the following overall reductions.

Foregone Increase	Foregone Assessed Value	Forgone Tax Revenue Blind Pension	Foregone Tax Revenue Local Political Subdivisions*
0.25%	$284,840,610	$85,452	$18,770,996
0.50%	$569,681,221	$170,904	$37,541,992
1.00%	$1,139,362,441	$341,809	$75,083,985

* Oversight notes property tax levies differ based on the location of the property and the varying taxing entities. Oversight estimated the impact to local political subdivisions using an estimated effective tax rate of 6.59% (real property taxes paid $10,230,980,631/ real property assessed value $113,936,244,128).

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. Currently, growth in assessed value allows the tax rate to fall over time. Under the proposed legislation, the tax rate would fall at a slower rate than under the current law (or rise). (This in turn could shift a higher burden of taxation to types of property.)

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

Also, **Oversight** notes improvements to real property under 50% of the value of the property would no longer be included in the assessed value (until sold or transferred). Oversight notes this may also result in foregone revenues for all taxing entities.

Oversight notes both impacts are cumulative, which could result in a substantial loss to local political subdivisions over time. Oversight will show an unknown loss in property tax revenue for local political subdivisions.

Oversight assumes the magnitude of the impact to the Blind Pension Fund would depend on prevailing market conditions. Oversight will show a potential unknown negative fiscal impact that could exceed $250,000 to the Blind Pension Fund relative to what it would have received under current law.

Oversight assumes there could be costs for implementation and computer programming and other administrative functions. Oversight will show an unknown cost to county assessors to implement this proposal beginning in FY 2027.

Oversight will show an unknown savings to General Revenue beginning in FY 2026. Oversight notes total property tax credit amounts claimed would need to decrease by approximately 0.75% to reach a $250,000 impact.

Officials from the **Department of Commerce and Insurance**, **Department of Social Services**, **Newton County Health Department**, **Phelps County Sheriff**, **Kansas City Police Dept.**, **Branson Police Dept**, and the **St. Louis County 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.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
Cost Avoidance – Potential reduction in property tax credit redemptions due to the reduction in assessed values if the bill results in lower property taxes	$0	Unknown	Unknown
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**Unknown**	**Unknown**
BLIND PENSION FUND			
Revenue Loss - §137.115.17 - from the limitation of assessment growth	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
Costs - County Assessors - computer programing and administrative costs	$0	(Unknown)	(Unknown)

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
Revenue Loss - §137.115.17 - from the limitation of assessment growth	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if the change in assessed value of residential property resulted in an adjustment in the tax rate for commercial property.

FISCAL DESCRIPTION

Beginning January 1, 2026, the true value in money of real property maintained and used by the owner as a primary residence for assessment purposes will be the same value determined at the most recent assessment as determined on or before December 31, 2025, subject to the following:

> (1) For all residential real property maintained and used as the primary residence that is bought, sold, or transferred on or after January 1, 2026, the true value in money of the property for assessment purposes must not exceed the most recent purchase price. The true value in money will be maintained until the next sale of such property; or
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> (2) For all assessments of residential real property maintained and used as the primary residence on or after January 1, 2026, the assessed valuation may be increased, but only to the extent that the increase is the result of new construction or improvements made to the property where the added value equals a 50% increase or greater. This new assessed value will reflect the true value in money for all subsequent assessments until the conditions described above are met again or the next sale of the property.

If the sale of a piece of real estate results in a transaction that is below market value, the assessor must provide evidence to the Board of Equalization or other equivalent entity that the sale price should not be used as the new true value in money for assessment purposes. The owner of the property must notify the County Assessor of new construction or improvements so that a reassessment can be made.

Participation in the assessment process is optional. If a homeowner wishes to participate in the assessed valuation provisions as specified in this bill, the owner may opt in by notifying the assessor's office, and the homeowner's real property must be assessed under the assessment process in existence on or before December 31, 2025.

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 Commerce and Insurance
Department of Social Services
State Tax Commission
City of Kansas City
St. Louis Budget Division
Newton County Health Department
Phelps County Sheriff
Branson Police Dept
Kansas City Police Dept.
St. Louis County Police Dept
County Employees Retirement Fund (CERF)
Republic R-Iii School District
Adair County SB 40 DD Board
Callaway County SB 40 Board
Mid-Continent Public Library

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