COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1928H.01I
Bill No.: HB 988
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 4, 2025

Bill Summary: This proposal reduces the assessment percentage of certain personal property and provides a personal property tax exemption for certain personal property upon adoption of a constitutional amendment authorizing such exemption.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2037)
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2037)
Blind Pension Fund (0621)	$0	($730,976)	($1,261,117 or $3,317,500)	($6,078,086 or $6,789,151)
Total Estimated Net Effect on Other State Funds	**$0**	**($730,976)**	**($1,261,117 or $3,317,500)**	**($6,078,086 or $6,789,151)**

***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.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2037)
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2037)
Total Estimated Net Effect on FTE	**0**	**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	Fully Implemented (FY 2037)
Local Government*/**	**$0**	**More or Less than ($163,672,795)**	**More or Less than ($282,376,697 or $728,281,245)**	**More or Less than ($1,360,944,239 or $1,509,624,502)**

***Oversight** notes the "or" amount reflects the possible impact pending voter approval for the motor vehicle and farm machinery exemption (Section 137.102).
**Given that property taxes are designed to be revenue neutral, this impact could be reduced if taxing authorities are able to adjust the tax levy relative to the assessed value to produce roughly the same revenue from the prior year.

FISCAL ANALYSIS

ASSUMPTION

Section 137.102 - Motor Vehicle Property Tax Exemption

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal 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 2026. Therefore, the earliest this exemption could become enacted is for calendar year 2027. 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 $2,056,383 and to local funds of $460,561,381 in FY28, if voter approved in November 2026.

Once the provisions under Section 137.115 have fully implemented, this provision could additionally reduce revenues to the Blind Pension Trust Fund by $711,065 and to local funds by $160,898,022. 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**
TY27/ FY28	($1,990,941)	($65,442)	**($2,056,383)**
TY28 / FY29	($1,852,333)	($65,235)	**($1,917,568)**
TY29/ FY30	($1,724,821)	($65,417)	**($1,790,238)**
TY30 / FY31	($1,588,745)	($65,277)	**($1,654,022)**
TY31 / FY32	($1,550,595)	($69,502)	**($1,620,097)**
TY32 / FY33	($1,327,367)	($65,446)	**($1,392,813)**
TY33 / FY34	($1,200,622)	($65,774)	**($1,266,396)**
TY34 / FY35	($1,061,913)	($65,447)	**($1,127,360)**
TY35 / FY36	($917,992)	($64,659)	**($982,651)**
TY36 / FY37	($786,049)	($64,593)	**($850,642)**
TY37 / FY38	($657,070)	($53,995)	**($711,065)**
TY38 / FY39	($657,070)	($53,995)	**($711,065)**

**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**
TY27/ FY28	($14,656,833)	($460,561,381)	**($445,904,548)**
TY28 / FY29	($14,655,669)	($430,800,198)	**($416,144,529)**
TY29/ FY30	($14,657,629)	($401,129,245)	**($386,471,616)**
TY30 / FY31	($14,655,565)	($371,348,354)	**($356,692,789)**
TY31 / FY32	($15,567,765)	($362,887,506)	**($347,319,741)**
TY32 / FY33	($14,655,172)	($311,891,192)	**($297,236,020)**
TY33 / FY34	($14,654,630)	($282,157,156)	**($267,502,526)**
TY34 / FY35	($14,656,768)	($252,471,474)	**($237,814,706)**
TY35 / FY36	($14,655,426)	($222,724,238)	**($208,068,812)**
TY36 / FY37	($14,660,341)	($193,064,859)	**($178,404,518)**
TY37 / FY38	($12,217,759)	($160,898,022)	**($148,680,263)**
TY38 / FY39	($12,217,759)	($160,898,022)	**($148,680,263)**

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

Officials from the **Department of Social Services (DSS)** note:

Section 137.102:

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 2023 State Tax Commission Annual Report, $20,892,870,233 of the $149,939,479,696 total assessed valuation for the State of Missouri comes from vehicles including recreational vehicles. Therefore, approximately $6,267,861 [($20,892,870,233/100)*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 $1,566,965 ($6,267,861*0.25).

According to the 2023 State Tax Commission Annual Report, $557,802,853 of the $149,939,479,696 total assess valuation for the State of Missouri comes from Farm Machinery. Therefore, approximately $167,341 [($557,802,853/100)*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 $41,835 ($167,341*0.25).

Section 137.115 - Agriculture Assessment Rate

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 137.115.5(b) would increase the assessment value from 12% of market value to 15% of market value, starting with tax 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.

In 2024, the total assessed value for agriculture land was $2,022,788,931. B&P estimates that under this proposal the assessed value would have been $2,528,486,164. Therefore, B&P estimates that this provision could increase revenues to the Blind Pension Trust Fund by $151,709 and local revenues by $33,969,200 beginning with FY27 (for tax year 2026 payments).

Table 2: Estimated Impact from Agriculture Assessment

Tax Year / Fiscal Year	Assessment %	Blind Pension Fund	Local Impact
2025	12%		
TY26 / FY27	15%	$151,709	$33,969,200
TY27 / FY28	15%	$151,709	$33,969,200
TY28 / FY29	15%	$151,709	$33,969,200

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined the increase from 12% to 15% in the assessment percentage used to calculate the assessed value of agricultural land would result in additional revenue of $33,062,847. Agriculture land accounted for 1.34% of the total assessed value for property in the state with a valuation of $2,008,283,243 ($149,871,883,818 X .0134) and 1.29% of property taxes paid ($10,230,980,631 X .0129=$131,979,650). Increasing the assessment percentage used to calculate the assessed value from 12% to 15% would increase to total assessed value of agriculture land to 2,510,354,054 ([2,008,283,243/.12] X.15). The tax collections from the increased valuation would equal $164,974,563 ([131,979,650 X 2,510,354,054]/2,008,283,243. This provision would increase revenue for taxing jurisdictions across the state by $32,994,913 ($164,974,563-131,979,650).

<u>Section 137.115 – Reduced Personal Property Assessment Rates</u>

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 2026, the assessment percentage declines to 33.0%. For calendar years 2027 through 2036, the assessment percentage is reduced by 2% from the previous year's percentage. Beginning with calendar year 2036, personal property is to be assessed at 10% of its true value.

This proposal would also reduce the assessment percentage for livestock, poultry, and farm equipment from 12% to 10%, beginning calendar year 2036. The assessment rate for pollution control and other tools and equipment is reduced from 25% to 10% beginning calendar year 2036. Table 3 shows the reductions to the assessment percentages by tax year.

Table 3: Assessment Percentages by Year

Tax Year	Personal Property	Livestock/Poultry/ Farm Equipment	Pollution Control/Tools & Equipment
2025	33.33%	12.00%	25.00%
2026	30%	12%	25%
2027	28%	12%	25%
2028	26%	12%	25%
2029	24%	12%	25%
2030	22%	12%	25%
2031	20%	12%	25%
2032	18%	12%	25%
2033	16%	12%	25%
2034	14%	12%	25%
2035	12%	12%	25%
2036	10%	10%	10%
2037	10%	10%	10%
2038	10%	10%	10%

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.

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 estimates that this proposal could reduce revenues to the Blind Pension Trust Fund by $882,685 and local property tax collections by $197,641,998 in FY27. Once fully implemented in FY37, this proposal could reduce revenues to the Blind Pension Trust Fund by $6,229,795 and local property tax collections by $1,394,913,439. Table 4 shows the estimated impact per year.

Table 4: Estimated Impact per Year

Tax Year / Fiscal Year	Blind Pension Fund	Local Impact
TY26 / FY27	($882,685)	($197,641,995)
TY27 / FY28	($1,412,826)	($316,345,897)
TY28 / FY29	($1,942,967)	($435,049,798)
TY29 / FY30	($2,473,108)	($553,753,699)
TY30 / FY31	($3,003,250)	($672,457,600)
TY31 / FY32	($3,533,391)	($791,161,501)
TY32 / FY33	($4,063,532)	($909,865,402)
TY33 / FY34	($4,593,673)	($1,028,569,303)
TY34 / FY35	($5,123,814)	($1,147,273,205)
TY35 / FY36	($5,653,955)	($1,265,977,106)
TY36 / FY37	($6,229,795)	($1,394,913,439)
TY37 / FY38	($6,229,795)	($1,394,913,439)
TY38 / FY39	($6,229,795)	($1,394,913,439)

Tables 5 and 6 show the estimated impact to state and local funds by type of personal property.

Table 5: 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
TY26 / FY27	$0	$0	($609,855)	$0	($236,231)	($36,599)	($882,685)
TY27 / FY28	$0	$0	($976,134)	$0	($378,112)	($58,580)	($1,412,826)
TY28 / FY29	$0	$0	($1,342,414)	$0	($519,993)	($80,561)	($1,942,967)
TY29 / FY30	$0	$0	($1,708,693)	$0	($661,874)	($102,542)	($2,473,108)
TY30 / FY31	$0	$0	($2,074,972)	$0	($803,754)	($124,523)	($3,003,250)
TY31 / FY32	$0	$0	($2,441,252)	$0	($945,635)	($146,504)	($3,533,391)
TY32 / FY33	$0	$0	($2,807,531)	$0	($1,087,516)	($168,485)	($4,063,532)
TY33 / FY34	$0	$0	($3,173,810)	$0	($1,229,397)	($190,466)	($4,593,673)
TY34 / FY35	$0	$0	($3,540,089)	$0	($1,371,277)	($212,447)	($5,123,814)
TY35 / FY36	$0	$0	($3,906,369)	$0	($1,513,158)	($234,428)	($5,653,955)
TY36 / FY37	($6,694)	($30,099)	($4,272,648)	($8,906)	($1,655,039)	($256,409)	($6,229,795)
TY37 / FY38	($6,694)	($30,099)	($4,272,648)	($8,906)	($1,655,039)	($256,409)	($6,229,795)
TY38 / FY39	($6,694)	($30,099)	($4,272,648)	($8,906)	($1,655,039)	($256,409)	($6,229,795)

Table 6: Estimated Local Loss by Property Type

Tax Year / Fiscal Year	Livestock	Farm Machinery	Motor Vehicles	Pollution / Tools	All Other TPP	Centrally Assessed	Total Impact
TY26 / FY27	$0	$0	($136,552,643)	$0	($52,894,578)	($8,194,774)	($197,641,995)
TY27 / FY28	$0	$0	($218,566,243)	$0	($84,663,093)	($13,116,561)	($316,345,897)
TY28 / FY29	$0	$0	($300,579,842)	$0	($116,431,608)	($18,038,347)	($435,049,798)
TY29 / FY30	$0	$0	($382,593,442)	$0	($148,200,124)	($22,960,133)	($553,753,699)
TY30 / FY31	$0	$0	($464,607,042)	$0	($179,968,639)	($27,881,920)	($672,457,600)
TY31 / FY32	$0	$0	($546,620,641)	$0	($211,737,154)	($32,803,706)	($791,161,501)
TY32 / FY33	$0	$0	($628,634,241)	$0	($243,505,669)	($37,725,492)	($909,865,402)
TY33 / FY34	$0	$0	($710,647,840)	$0	($275,274,185)	($42,647,279)	($1,028,569,303)
TY34 / FY35	$0	$0	($792,661,440)	$0	($307,042,700)	($47,569,065)	($1,147,273,205)
TY35 / FY36	$0	$0	($874,675,039)	$0	($338,811,215)	($52,490,851)	($1,265,977,106)
TY36 / FY37	($1,498,817)	($6,739,445)	($956,688,639)	($1,994,170)	($370,579,730)	($57,412,638)	($1,394,913,439)
TY37 / FY38	($1,498,817)	($6,739,445)	($956,688,639)	($1,994,170)	($370,579,730)	($57,412,638)	($1,394,913,439)
TY38 / FY39	($1,498,817)	($6,739,445)	($956,688,639)	($1,994,170)	($370,579,730)	($57,412,638)	($1,394,913,439)

Officials from the **Department of Social Services (DSS)** note:

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 2023 State Tax Commission Annual Report, $28,230,814,925 of the $149,939,479,696 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 $28,230,814,925 in these types of tangible property tax assessments reported in 2023 is 33 1/3% of the true value of personal property, which means the true value of these types of personal property assessed was $84,700,914,866 ($28,230,814,925/0.3333).

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
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
2028	$84,700,914,866	28%	$23,716,256,163	$7,114,877	$1,354,368
2029	$84,700,914,866	26%	$22,022,237,865	$6,606,671	$1,862,573
2030	$84,700,914,866	24%	$20,328,219,568	$6,098,466	$2,370,779
2031	$84,700,914,866	22%	$18,634,201,271	$5,590,260	$2,878,984
2032	$84,700,914,866	20%	$16,940,182,973	$5,082,055	$3,387,190
2033	$84,700,914,866	18%	$15,246,164,676	$4,573,849	$3,895,395
2034	$84,700,914,866	16%	$13,552,146,379	$4,065,644	$4,403,601
2035	$84,700,914,866	14%	$11,858,128,081	$3,557,438	$4,911,806
2036	$84,700,914,866	12%	$10,164,109,784	$3,049,233	$5,420,012
2037	$84,700,914,866	10%	$8,470,091,487	$2,541,027	$5,928,217
2038	$84,700,914,866	10%	$8,470,091,487	$2,541,027	$5,928,217

According to the 2023 State Tax Commission Annual Report, $741,065,605 of the $149,939,479,696 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 $741,065,605 in these property tax assessments reported in 2023 is 12% of the true value of personal property, which means the true value of the personal property assessed was $6,175,546,708 ($741,065,605/0.12 = $6,175,546,708).

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
2026	$6,175,546,708	12%	$741,065,605	$222,320	$0
2027	$6,175,546,708	12%	$741,065,605	$222,320	$0
2028	$6,175,546,708	12%	$741,065,605	$222,320	$0
2029	$6,175,546,708	12%	$741,065,605	$222,320	$0
2030	$6,175,546,708	12%	$741,065,605	$222,320	$0
2031	$6,175,546,708	12%	$741,065,605	$222,320	$0
2032	$6,175,546,708	12%	$741,065,605	$222,320	$0
2033	$6,175,546,708	12%	$741,065,605	$222,320	$0
2034	$6,175,546,708	12%	$741,065,605	$222,320	$0
2035	$6,175,546,708	12%	$741,065,605	$222,320	$0
2036	$6,175,546,708	12%	$741,065,605	$222,320	$0
2037	$6,175,546,708	10%	$617,554,671	$185,266	$37,053
2038	$6,175,546,708	10%	$617,554,671	$185,266	$37,053

According to the 2023 State Tax Commission Annual Report, $43,284,743 of the $149,939,479,696 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 $43,284,743 in these property tax assessments reported in 2023 is 25% of the true value of personal property, which means the true value of the personal property assessed was $173,138,972 ($43,284,743/0.25 = $173,138,972).

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
2026	$173,138,972	25%	$43,284,743	$12,985	$0
2027	$173,138,972	25%	$43,284,743	$12,985	$0
2028	$173,138,972	25%	$43,284,743	$12,985	$0
2029	$173,138,972	25%	$43,284,743	$12,985	$0
2030	$173,138,972	25%	$43,284,743	$12,985	$0
2031	$173,138,972	25%	$43,284,743	$12,985	$0
2032	$173,138,972	25%	$43,284,743	$12,985	$0
2033	$173,138,972	25%	$43,284,743	$12,985	$0
2034	$173,138,972	25%	$43,284,743	$12,985	$0
2035	$173,138,972	25%	$43,284,743	$12,985	$0
2036	$173,138,972	25%	$43,284,743	$12,985	$0
2037	$173,138,972	10%	$17,313,897	$5,194	$7,791
2038	$173,138,972	10%	$17,313,897	$5,194	$7,791

Blind Pension (BP) is funded from 0.03% of each $100 assessed valuation of taxable real property. Increasing the agricultural land assessment rate from 12% to 15% could impact the amount received for the Blind Pension fund.

According to the State Tax Commission (STC), agriculture land accounted for 1.34% of the total assessed value for property in the state with a valuation of $2,008,283,243 ($149,871,883,818*0.0134).

Agricultural land is currently assessed at 12% percent of true value in money. Therefore, the $2,008,283,243 in these real property tax assessments of agricultural land reported in 2023 is 12% of the true value of agricultural land, which means the true value of agricultural land assessed was $16,735,693,692 ($2,008,283,243/0.12).

The proposed increase in assessments of agricultural land will affect the BP fund as follows:

Tax Collection Year	True Value of Agricultural Land	Assessment Rate, as amended per year	Amended Assessed Value of Agricultural Land	BP Fund Collections Agricultural Land	Increase in Collections for the BP Fund
2026	$16,735,693,692	12%	$2,008,283,243	$602,485	$0
2027	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2028	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2029	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2030	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2031	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2032	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2033	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2034	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2035	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2036	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2037	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621
2038	$16,735,693,692	15%	$2,510,354,054	$753,106	$150,621

The fiscal impact from the provisions of 137.115 is up to $695,541 in SFY 27; $1,203,746 in SFY 28; $1,711,952 in SFY 29; $2,220,157 in SFY 30; $2,728,363 in SFY 31; $3,236,568 in SFY 32; $3,744,774 in SFY 33; $4,252,979 in SFY 34; $4,761,185 in SFY 35; $5,269,390 in SFY 36; $5,822,440 in SFY 37 and ongoing.

Therefore, FSD estimates that the fiscal impact as a result of this legislation to the BP fund is a decrease up to $2,304,341 in SFY 27; $2,812,547 in SFY 28; $3,320,752 in SFY 29; $3,828,958 in SFY 30; $4,337,163 in SFY 31; $4,845,369 in SFY 32; $5,353,574 in SFY 33; $5,861,780 in SFY 34; $6,369,985 in SFY 35; $6,878,191 in SFY 36; $7,431,241 in SFY 37 and ongoing.

<u>Responses regarding the proposed legislation as a whole</u>

Officials from the **Office of Administration - Budget and Planning (B&P)** estimate that this proposal could reduce revenues to the Blind Pension Fund by $730,976 and local property tax revenues by $163,672,795 in FY27.

By FY37 this proposal could reduce revenues to the Blind Pension Fund by $6,078,086 or $6,789,151 (exemptions receive voter approval) and local property tax revenues by $1,360,944,239 or $1,521,842,261 annually. Table 7 shows the potential impacts by year.

Table 7: Summary of Estimated Impacts

Tax Year / Fiscal Year	Blind Pension Fund	Local Impact
TY26 / FY27	($730,976)	($163,672,795)
TY27 / FY28	($1,261,117) or ($3,469,209)	($282,376,697) or ($742,938,078)
TY28 / FY29	($1,791,258) or ($3,708,826)	($401,080,598) or ($831,880,796)
TY29 / FY30	($2,321,399) or ($4,111,637)	($519,784,499) or ($920,913,744)
TY30 / FY31	($2,851,541) or ($4,505,563)	($638,488,400) or ($1,009,836,754)
TY31 / FY32	($3,381,682) or ($5,001,779)	($757,192,301) or ($1,120,079,807)
TY32 / FY33	($3,911,823) or ($5,304,636)	($875,896,202) or ($1,187,787,394)
TY33 / FY34	($4,441,964) or ($5,708,360)	($994,600,103) or ($1,276,757,259)
TY34 / FY35	($4,972,105) or ($6,099,465)	($1,113,304,005) or ($1,365,775,479)
TY35 / FY36	($5,502,246) or ($6,484,897)	($1,232,007,906) or ($1,454,732,144)
TY36 / FY37	($6,078,086) or ($6,928,728)	($1,360,944,239) or ($1,554,009,098)
TY37 / FY38	($6,078,086) or ($6,789,151)	($1,360,944,239) or ($1,521,842,261)
TY38 / FY39	($6,078,086) or ($6,789,151)	($1,360,944,239) or ($1,521,842,261)

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

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, 19.34% of assessed valuation is attributed to personal property ($149,871,883,818 X .1934= $28,985,222,330 assessed valuation) and 18.67% of property taxes collected were attributed to personal property ($10,230,980,631 * .1867= $1,910,124,084). Dropping the assessed valuation percentage to 30% from 33.3% would drop the assessed valuation to 26,112,812,910 (28,985,222,330/.333*.30). The tax collections from the reduced valuation would equal 1,720,832,508 ([$26,112,812,910 *

$1,910,124,084]/$28,985,222,330=$1,720,832,508). The resulting reduction in taxes statewide would be $189,291,576 ($1,910,124,084-$1,720,832,508) spread across all the taxing jurisdictions across the state reliant on property taxes for funding.

Using the same mathematical methodology, going down to 28% in 2027 would cost an additional $114,722,168 ($304,013,743 total from in relation today's percentage) and dropping down to 26% in 2028 will cost another additional $114,722,168 ($418,735,910 from todays percentage). Each additional 2% drop per year will cost and additional $114,722,168.

There will not be any fiscal impact from the assessment percentage drop for livestock and farm machinery for the next three years because the reduction doesn't take effect until 2036. But again, using the same methodology as above using the total assessed valuation numbers reported to the STC on form 11s, the livestock reduction would cost taxing jurisdictions across the state an $1,592,596, and the farm machinery reduction would cost $6,346,387.

Officials from the **City of Kansas City** note the city collected approximately $31.3M in FY2024 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 **Washington County Assessor** note the below estimate is just a portion of what this would impact the county. Using vehicles from 1980 to 2015 the loss on the autos and trucks would be $945,680.10 plus the auto and trucks the county has to manually enter and these are vehicles dated 1950s to 2015 would be $7,946.83 plus Farm Equipment would be $45,863.89.

Just these categories would lose the county almost $1,000,000.00. This would be devastating to the county to lose this much money a year.

Officials from the **Addair 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. Beyond supporting individuals with IDD, these programs enrich lives and strengthen the overall fabric of their community, fostering a more equitable and inclusive society.

The broader implications for individuals, families, and the community must be carefully considered before any changes to the funding mechanisms are implemented. If reductions in personal property and/or real property taxes are pursued, it is imperative to establish a sustainable and equitable mechanism to replace this funding. Doing so will ensure that Senate Bill 40 organizations can continue fulfilling their critical mission of supporting individuals with IDD and their families, while preserving the broader community benefits these services provide.

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 **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 **Lawrence County SB 40 Board** assume any decrease in property taxes directly effects the intellectual and developmentally disabled population in Lawrence County. The Senate Bill 40 Board (SB40) gets a small percentage of the property taxes collected each year, which funds different opportunities and activities for this population.

The funds the board received from the property taxes allows them to give grants to the local Sheltered Workshop, Development Center, Champion Athletes, OATS transportation (which gets the county's individuals to and from the workshop at no cost to them, and to and from other places within their community at no cost to the consumers), and for music and dance therapy and art classes at no cost to the consumer.

The funds help with the cost of running the board community center Monday - Friday, which gives consumers a place to go and socialize with friends while doing fun activities, lunches, etc. The board has funded handicap accessible playgrounds in a couple of the communities and a handicap lift for one of the community swimming pools. These funds also assist in funding the Targeted Case Management for these individuals in Lawrence County. So yes, decreasing property taxes directly effects the intellectually and developmentally disabled population in Lawrence County.

Officials from the **Pulaski County SB 40 - Productive Living 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 Pulaski County Special Services assess local needs and nurture a strong network of high-quality services that are essential to over 200 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 calculate the impact on the district.

Officials from the **Howell County Assessor** assume if passed, this will eventually eliminate, in 2023 numbers, $1,910,124,083 in revenue to local political subdivisions.

Officials from the **Branson Police Dept** assume this has the potential to affect my agency as it would likely cut tax revenue to the County Sheriff's Office. In that case, I'd expect the city's costs to jail people, etc. to increase to make up for the lost revenue. I cannot estimate the amount it would affect the department without knowing how much of an impact it will have on the Sheriff's Office.

Officials from the **County Employee Retirement Fund (CERF)** assume HB 988 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. HB 988, by reducing the assessment percentage of personal property, would reduce the moneys that fund CERF. The amount of these revenues fluctuates from year to year. Although employee contributions are the single largest revenue source for CERF, a significant portion of the overall revenue stream is tied to the collection of property tax (and personal property tax). CERF would expect the changes in HB 988 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.

The County Employees' Retirement Fund works with a third-party actuary who is in the process of preparing a cost study on the fiscal impact of HB 988 on the Fund. CERF will provide the results of the cost study to Fiscal Oversight when available.

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 significantly impact 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 Productive Living Board 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, independent living supports, and other vital resources for families.

Officials from the **Department of Revenue**, **Newton County Health Department**, **Kansas City Police Dept.**, **Springfield Police Department**, **St. Louis County Police Dept**, **Joint Committee on Public Employee Retirement, Office of the State Auditor**, and the **Price James Memorial Library** 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	Fully Implemented FY 2037
BLIND PENSION FUND				
Revenue Reduction - §137.102 – Motor vehicle/Farm Vehicle property tax exemption	$0	$0	$0 or ($2,056,383)	$0 or ($711,065)
Revenue Increase - §137.115 – Agriculture assessment value rate increase	$0	$151,709	$151,709	$151,709
Revenue Reduction - §137.115 – Reduced personal property assessment rates	$0	($882,685)	($1,412,826)	($6,229,795)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**($730,976)**	**($1,261,117 or $3,317,500)**	**($6,078,086 or $6,789,151)**

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

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented FY 2037
LOCAL POLITICAL SUBDIVISIONS				
Costs - Assessors - to track and implement	$0	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §137.102 – Motor vehicle/Farm Machinery property tax exemption	$0	$0	$0 or ($445,904,548)	$0 or ($148,680,263)
Revenue Increase - §137.115 – Agriculture assessment value rate increase	$0	$33,969,200	$33,969,200	$33,969,200
Revenue Reduction - §137.115 – Reduced personal property assessment rates	$0	($197,641,995)	($316,345,897)	($1,394,913,439)
ESTIMATED NET EFFECT ON LOCAL POLICITAL SUBDIVISONS*/**	**$0**	**More or Less than ($163,672,795)**	**More or Less than ($282,376,697 or $728,281,245)**	**More or Less than ($1,360,944,239 or $1,509,624,502)**

*Oversight notes the "or" amount reflects the possible impact pending voter approval for the motor vehicle and farm machinery exemption (Section 137.102).
**Given that property taxes are designed to be revenue neutral, this impact could be reduced if taxing authorities are able to adjust the tax levy relative to the assessed value to produce roughly the same revenue from the prior year.

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, 2026, the percentage of the true value in money at which personal property is assessed will be 30% of its true value in money and the amount will be reduced annually by 2% until the calendar year 2036 and every year thereafter, when personal property will be assessed at 10% 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, 2036:

(1) Livestock, currently taxed at 12%, reduced to 10%;
(2) Farm machinery, currently taxed at 12%, reduced to 10%;
(3) Poultry, currently taxed at 12%, reduced to 10%; and
(4) Tools and equipment used for pollution control, currently taxed at 25%, reduced to 10%.

Currently, all agricultural or horticultural real property in Subclass (2), as defined in the Missouri Constitution, is assessed at a rate of 12%. Beginning January 1, 2026, such real property will be assessed at a rate of 15%.

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 Revenue
State Tax Commission
Office of the State Auditor
City of Kansas City
Washington County Assessor

KLP:LR:OD

Howell County Assessor
Addair County SB 40 Board
Pulaski County SB 40 Board
St. Louis County SB 40 Board
Calloway County SB 40 Board
Lawrence County SB 40 Board
Mid-Continent Public Library
Newton County Health Department
Kansas City Police Dept.
Springfield Police Department
St. Louis County Police Dept
Joint Committee on Public Employee Retirement
Price James Memorial Library
St. Louis County SB 40 Productive Living Board
Branson Police Dept

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February 4, 2025