

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2211H.011
 Bill No.: HB 1086
 Subject: Property, Real and Personal; Taxation and Revenue - Property; Housing;
 Landlords and Tenants; Counties; State Tax Commission; Taxation and Revenue -
 Sales and Use
 Type: Original
 Date: February 16, 2025

Bill Summary: This proposal modifies provisions relating to the classification of certain residential real property used for short-term rentals.

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	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

***Oversight** assumes the fiscal impact to the Blind Pension Fund could reach the \$250,000 threshold.

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	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 137.016 - Classification of Certain Residential Real Property

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would classify single family short-term rental property as residential real property. B&P notes that such property is currently assessed as either commercial or mixed-use (residential and commercial). Residential real property is assessed at 19% of true market value, while commercial real property is assessed at 32% of true market value.

B&P notes that in addition to local property taxes, the Blind Pension Trust fund levies a statewide property tax of \$0.03 per \$100 value. Therefore, assessing such property as only residential real property will likely result in lower state and local property tax collections by an unknown amount.

Officials at the **State Tax Commission (STC)** have reviewed this proposal and determined this proposal may have a negative impact on the taxing jurisdictions relying on property taxes as a source of revenue. Current statute allows assessors to assess single family homes as commercial properties if they are regular rented out for time periods less than a month, and this proposal would require assessors to assess these homes as residential property, which includes a lower rate.

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 **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 **Department of Social Services, Lawrence County SB 40 Board**, and the **County Employees Retirement Fund (CERF)** each assume the proposal will have no fiscal

impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Kansas City** assume the proposed legislation will have a negative fiscal impact for at least the first year.

Oversight notes the following assessment value rates by subclass per the State Tax Commission manual:

Subclass	Rate
(1) residential	19%
(2) agricultural and horticultural	12%
(3) utility, industrial, commercial, railroad, and other property	32%

Oversight assumes the reclassification of single family short-term rental properties from 32% to 19% could result in a reduction in assessed values and subsequent tax revenues; therefore, Oversight will show an unknown negative impact to the Blind Pension Fund and local political subdivisions.

Oversight notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. However, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. 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 a loss of revenue.

Oversight is uncertain what proportion of assessed value would be reclassified under this proposal.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property $((\text{Total Assessed Value}/100) \cdot .03)$.

Oversight notes to reach a revenue impact of \$250,000 on the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. Based on information from the State Tax Commission's [website](#), Oversight notes the following assessed values by category:

Subclass	Assessed Value
Residential	\$81,710,151,058
Commercial	\$30,214,171,778

Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to

determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

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
BLIND PENSION FUND			
<u>Revenue Reduction</u> - §137.016 – Loss of tax revenue from the reclassification of single family short-term rental properties	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISION			
<u>Revenue Reduction</u> - §137.016 – Loss of tax revenue from the reclassification of single family short-term rental properties	\$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 tax rates are adjusted relative to changes in assessed value.

FISCAL DESCRIPTION

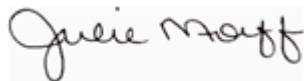
Currently, real property is divided into three separate classifications based on the use or purpose of the property. Each of the subclassifications of property are assessed at different rates. When real property is used for different purposes resulting in different classifications, the county assessor must allocate to each classification the percentage of the true value in money of the property devoted to each use.

This bill requires that when a single-family home is leased, in whole or in part, for 30 consecutive days or less, such a home will not be considered "transient housing".

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
State Tax Commission
Department of Social Services
County Employees Retirement Fund (CERF)
Callaway County SB 40 Board
State Tax Commission
Adair County SB 40 Board
Rolling Hills Consolidated Library
Lawrence County SB 40 Board
City of Kansas City



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