

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4066H.02C
Bill No.: HCS for HB 2415
Subject: Taxation and Revenue - Property; State Tax Commission
Type: Original
Date: March 23, 2026

Bill Summary: This proposal establishes a definition of "assessment value" for real property assessment purposes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)*	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

*Oversight assumes the impact could exceed \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

§137.016 - Assessment Value of Real Property

Officials from the **State Tax Commission (STC)** state they have reviewed and determined an unknown negative fiscal impact on taxing jurisdictions such as school districts, counties, cities, fire districts who receive revenue from the taxation of real commercial property.

Currently, real property can be assessed using the sales approach, income approach or cost approach. The proposal codifies the cost approach is the sole way to assess all real property, which assesses property at the cost to rebuild it. The property is then reconciled using the other appraisal approaches. Problems arise as different appraisal techniques are conducive to better outcomes depending upon the situation. For example, the sales approach is often considered more reliable for commercial properties, particularly in an active market, because it assesses property by comparing it to investor interest in similar properties.

The cost approach, on the other hand, is stronger when you are assessing unique structures or in weaker markets where there isn't a lot of sales activity. In practice, most appraisers, including assessors, often use all three approaches (including the income approach) and reconcile the results, giving more weight to the approach that best fits the specific property and market conditions. This bill would make the cost approach the primary practice.

Officials from the **Department of Social Services (DSS)** note Section 137.016 is added to define how assessment value is determined for a building, for land other than agricultural and horticultural land, and agricultural and horticultural land. Buildings will be assessed based on replacement value and quality of the construction; non-agricultural or non-horticultural land will be based on the current market, and agricultural and horticultural land will be based on the productive capacity. In addition, all references to assessed value, free market value, market value, property values, true value in money, and value in the revised statutes of Missouri when referring to real property assessment purposes shall be construed to refer to as assessment value as defined in this section.

Blind Pension is funded from 0.03% (\$.03) of each \$100 assessed valuation of taxable property. According to the Missouri State Tax Commission, there is no impact to the assessment of residential real property, but commercial property assessments will have a negative impact on the Blind Pension fund but could not provide how much of an impact it would have.

According to the 2024 [State Tax Commission Annual Report](#), the 2024 total assessed valuation for commercial real property including rural lands and incorporated town lots \$30,764,634,379. The 2024 total assessed valuation for all property was \$151,673,672,937. Commercial real property including rural lands and incorporated town lots is 20.28% of all property ($\$30,764,634,379 / \$151,673,672,937 = .2028$ rounded down).

Taxes collected in 2025 for the Blind Pension Fund were \$47,653,469.78. For the purposes of this fiscal note, FSD assumes the fiscal impact is up to the full amount collected from commercial real property. The commercial real property including rural lands and incorporated town lots portion of the Blind Pension Fund is \$9,664,124 ($\$47,653,469.78 * 20.28\% = \$9,664,123.67$ rounded up).

Therefore, FSD estimates the fiscal impact to the Blind Pension fund as a result of this proposed constitutional amendment is \$0 - \$9,664,124 beginning in SFY 2028.

In response to similar legislation, HB 2780 (2025), officials from the **County Employees' Retirement Fund (CERF)** noted there is insufficient data to quantify Section 137.016's exact impact. This section may have an unknown, possibly negative, fiscal impact to the County Employees' Retirement Fund. A certain portion of the moneys that are used to fund CERF are tied to the collection of property taxes. CERF notes that the amount of these revenues fluctuates from year to year.

Oversight notes officials from the STC and DSS each assume the proposal will have a direct fiscal impact on state and local revenues. Based on the responses provided by DSS and STC, Oversight assumes the impact will be an unknown loss to the Blind Pension Fund and local political subdivisions.

§138.390 – STC Ratio Studies

Officials from the **State Tax Commission (STC)** assume the provision will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight assumes this provision does not change any assessed values, it only changes the criteria STC must use when deciding whether to equalize. Therefore, Oversight assumes no fiscal impact to local taxing jurisdictions and state funds.

Responses regarding the proposed legislation as a whole

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

Officials from the **Adair County SB 40 DD Board** assume a reduction in funding from personal and/or real property taxes would have a direct and significant impact on the essential supports provided by the Adair County SB40 Developmental Disability Board. SB40 funding enables our local system to assess community needs and sustain a coordinated network of services that currently support approximately 465 individuals with intellectual and developmental disabilities and their families across Adair County.

These locally funded services include access to employment supports, service coordination,

inclusive community opportunities, and critical resources that promote independence, stability, and quality of life. Property-tax revenue is a foundational component of this system, allowing Adair County SB40 to respond to individual needs while ensuring services remain accessible and community-based. Beyond the individuals served, these supports strengthen families, reduce reliance on more costly crisis services, and contribute to a more inclusive and resilient community overall.

Any changes to property-tax funding must be carefully evaluated in light of these impacts. If reductions to personal and/or real property taxes are pursued, it is essential that a sustainable and equitable replacement funding mechanism be established. Without such a replacement, the ability of Adair County SB40 to meet its statutory mission and continue providing vital supports to individuals with disabilities and their families would be significantly compromised, with broader consequences for the community as a whole.

In response to a previous version, officials from **Boone County SB 40 (Boone County Family Resources (BCFR))** assumed a reduction in funding from personal property and real property taxes would have profound consequences for individuals with intellectual and developmental disabilities (IDD), limiting access to the essential supports they depend on. County Boards—also known as Senate Bill 40 organizations—such as Boone County Family Resources play a vital role in assessing local needs and cultivating a strong network of high-quality services for more than 2,400 Boone County residents with developmental disabilities and their families.

In Boone County alone, BCFR receives approximately \$4.5 million annually from personal property taxes, representing 28% of our operating budget. Eliminating this revenue source would immediately and substantially reduce the funding available for critical services, creating a significant negative impact on Boone Countians with developmental disabilities.

Officials from the **Office of Administration - Budget and Planning, Department of Revenue, Office of Administration, Newton County Health Department, Phelps County Sheriff, Kansas City Police Department**, and the **St. Louis County Police Department** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. 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. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
BLIND PENSION FUND (1621)			
<u>Revenue Loss</u> – DSS (§137.016.1(4)) Changes to real property assessment methods (replacement cost/cost approach) p.4	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – (§137.016.1(4)) Changes to real property assessment methods (replacement cost/cost approach) p.4	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown)	(Unknown)

FISCAL IMPACT – Small Business

No direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill provides a definition for "assessment value" as it relates to real property assessment purposes.

The bill provides that when "assessed valuation", "assessed value", "free market value", "market value", "property values", "true value in money", and "value" are used as they relate to real property assessment purposes, they must be construed to refer to: "assessment value" as defined in the bill.

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
Department of Revenue
Office of Administration
City of Kansas City
Adair County SB 40 Board
Boone County SB 40 (Boone County Family Resources)
Newton County Health Department
Phelps County Sheriff
Kansas City Police Department
St. Louis County Police Department



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