

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4108H.02C  
 Bill No.: HCS for HB Nos. 1768 & 2060  
 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: March 10, 2026

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 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

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

\*Oversight assumes the fiscal impact could exceed the \$250,000 threshold.  
 Numbers within parentheses: () indicate costs or losses.

**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

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

**ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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
<b>Local Government</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §137.016 – Classification of 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 **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **County Employees Retirement Fund (CERF)** assume there is insufficient data to quantify HCS/HBs 1768 & 2060's exact impact. HCS/HBs 1768 & 2060 may have an unknown, possibly negative, fiscal impact to the County Employees' Retirement Fund.

In response to a previous version, officials from the **Gasconade County Assessor** assumed the following:

#### Assumptions

- Estimated STR properties in Hermann MO area: 167
- Average market value per STR: \$175,000
- Portion of Market value currently as commercial: 70%
- Commercial assessment ratio: 32%
- Residential assessment ratio: 19%
- Hermann, Mo area Levy Rate: 6.5414 (per \$100 AV)

#### Per-Property Calculation

1. Commercial portion of value:  
 $\$175,000 \times 70\% = \$122,500$

2. Assessed value at commercial ratio (32%):  
 $\$122,500 \times 0.32 = \$39,200$
3. Assessed value at residential ratio (19%):  
 $\$122,500 \times 0.19 = \$23,275$
4. Assessed value reduction per STR:  
 $\$39,200 - \$23,275 = \$15,925$

**Aggregate Impact**

- Total assessed value reduction:  
 $\$15,925 \times 167 = \$2,659,475$
- Taxable units (per \$100 AV):  
 $\$2,659,475 \div 100 = 26,594.75$
- Estimated annual revenue loss for Hermann Mo levying districts (local taxing jurisdictions):  
 $26,594.75 \times 6.5414 = \$173,967$  (rounded)

**Fiscal Effect**

- Estimated Annual Revenue Loss: \$173,967
- Nature of Impact: Recurring, permanent
- Notes: Estimate does not include potential future growth in STR activity; no proportional reduction in service demand is anticipated.

In response to similar legislation, SB 1088 (2026), officials from the **St Louis City Assessor** assumed the following impact:

Commercial tax	Residential tax	Diff in taxes
\$2,006,106	\$999,916	(\$1,006,189)

- (\$1,006,189) Loss to all taxing jurisdictions
- (\$201,238) Loss to City of St. Louis
- (\$15,093) Loss to Collector of Revenue Fund
- (\$6,289) Loss to Assessment Fund

In response to a previous version, officials from the **High Point R-III School District** assumed a fiscal impact but did not provide any additional information.

In response to a previous version, officials from the **Callaway County SB 40 Board** assumed House Bill 1768 (HB 1768) modifies provisions relating to the classification of residential real property used for short-term rentals by clarifying that qualifying single-family homes remain classified as residential property. While the bill provides statutory clarity and consistency in classification, it may reduce assessed valuation growth and limit property tax revenues available to local taxing entities.

Senate Bill 40 organizations, including Callaway County Special Services (CCSS), rely on local property tax levy revenue to assess community needs and sustain a coordinated network of

essential, community-based services serving more than 230 individuals with intellectual and developmental disabilities (IDD) and their families in Callaway County.

Any reduction in, or limitation on the growth of, real property tax revenue resulting from reclassification under HB 1768 would directly affect levy-dependent SB40 services.

In response to a previous version, officials from the **Pettis County SB 40 Board** assumed 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 Pettis County Board of Services for the Developmentally Disabled assess local needs and nurture a strong network of high-quality services that are essential to over 620 people with IDD and their families.

Officials from the **Department of Social Services** and **Department of Revenue** 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.

In response to a previous version, officials from the **Twin Rivers R-X School District** assumed the proposal 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.

**Oversight** notes this proposal reclassifies single family short-term rental properties as residential property.

Oversight notes according to the [Property Reassessment and Taxation Manual](#) on the MO State Tax Commission website, Real Property is currently assessed as follows:

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

Oversight notes the reduction of assessment percentage from 32% to 19%, (approximately a 41% proportional decrease) for qualifying properties will result in a decrease in assessed value relative to current law.

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

Oversight notes the Blind Pension Fund (1621) is calculated as an annual tax of three cents on each one hundred dollars of assessed valuation of taxable property ((Total Assessed Value/100)\*.03). Because this proposal reduces 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 does not have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2028.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. This would be approximately a 1.0% change in the assessed value of all residential property.

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. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to other property owners.

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** 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
<b>BLIND PENSION FUND (1621)</b>			
<u>Revenue Loss</u> - (\$137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.4	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND (1621)</b>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Loss</u> - (\$137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.4	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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 provides that when a single family home that is owned by a sole proprietor, individual, partnership, or limited liability company (LLC) is leased, in whole or in part, for 30 consecutive days or less, the home will be classified as residential property and will not necessarily 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  
 City of Kansas City  
 County Employees Retirement Fund (CERF)  
 Gasconade County Assessor  
 St Louis City Assessor

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High Point R-III School District  
Callaway County SB 40 Board  
Pettis County SB 40 Board  
Department of Social Services  
Twin Rivers R-X School District



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March 10, 2026



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