

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4169H.01P
 Bill No.: Perfected HB 1800
 Subject: Taxation and Revenue - Property; Political Subdivisions; Property, Real and Personal
 Type: Original
 Date: March 5, 2026

Bill Summary: This proposal changes the percentage of the cap on the inflationary growth factor for the assessment growth of real or personal property occurring within a political subdivision.

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

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency 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.

House Amendment 2 (HA 2) - §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 137.016.1(4) is added to define "true value in money" for real property as the actual replacement cost for appraisal and assessment purposes.

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 BP 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 the provisions of section 137.016.1(4) is \$0 - \$9,664,124 beginning in SFY 2028.

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.

In response to similar legislation, HCS for HB 2415 (2026), officials from the **City of Kansas City** assumed the proposed legislation will have a negative fiscal impact of an indeterminate amount.

In response to similar legislation, HCS for HB 2415 (2026), officials from the **Adair County SB 40 DD Board** assumed 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 the board's 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 similar legislation, HB 2415 (2026), 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 the board's 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.

§137.073 - Inflationary Growth Factor

Officials from the **Department of Social Services (DSS)** assume Section 137.073 is amended to limit the inflationary growth factor for the assessment growth of real or personal property not to exceed the lower of the following:

- The consumer price index; or
- The following percentage:
 - a) For revisions under this subsection occurring before January 1, 2027, five percent; or
 - b) For revisions under this subsection occurring on or after January 1, 2027, three percent

Blind Pension is funded from 0.03% (3 cents) of each \$100 assessed valuation of taxable property. Limiting the inflationary growth factor for the assessment of growth of real or personal property will affect the growth of the Blind Pension fund but will not decrease the current amount collected in the fund.

Therefore, there is no fiscal impact to FSD.

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

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.

Oversight notes property tax revenues are generally 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.

Oversight notes the growth factor currently used in the tax levy calculation is either actual growth in assessed valuation, inflation based on CPI ([3.4% per the State Tax Commission's Annual CPI Certification](#)) or 5% whichever is lower.

Oversight notes beginning January 1, 2027, in years where actual growth and inflation exceed 3%, this proposal would result in lower authorized revenues in the rate setting calculation. This would reduce the tax rate applied to total assessed values relative to current law, thereby reducing revenues for all tax entities.

Therefore, Oversight will show a range of \$0 (inflation or actual growth is less than 3% and the changes in the bill would not make an impact) to an unknown loss in property tax revenue to local political subdivisions beginning in FY 2028.

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 ((Total Assessed Value/100)*.03). This provision alters only components of the rate setting calculation, it does not limit the assessed value portion of this equation, therefore the Blind Pension Fund will not be impacted by this provision.

House Amendment 1 (HA 1)

Oversight assumes HA 1 will have no fiscal impact as it only makes changes to the title of the proposal.

House Amendment 2 (HA 2) - §138.390 – STC Ratio Studies

Officials from the **Department of Social Services (DSS)** assume Section 138.390 is amended to require the State Tax Commission to utilize ratio studies to determine whether a class or subclass is valued below or above its true value.

Blind Pension is funded from 0.03% (\$0.03) of each \$100 assessed valuation of taxable property. While Sections 137.115.10 and 137.1058 may limit the growth of the Blind Pension Fund, the overall provisions of this legislation do not change the percentage at which property is assessed; therefore, FSD expects no impact on the Blind Pension Fund.

Therefore, there is no fiscal impact to FSD.

In response to similar legislation, HCS for HB 2415 (2026), officials from the **State Tax Commission (STC)** assumed the provision will have no fiscal impact on their organization.

Oversight notes that the above-mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

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 has a negative fiscal impact of an indeterminate amount.

Officials from the **Eastern Clay Ambulance District** assume the proposal will have a fiscal impact but did not provide any additional information.

Officials from the **County Employees' Retirement Fund (CERF)** have reviewed HB 1800 (4169H.01P). There is insufficient data to quantify the impact of HB 1800 but CERF assumes that HB 1800 would have a negative fiscal impact of an indeterminate amount. 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.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** review of HB 1800 indicates that its provisions may constitute a “substantial proposed change” in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Officials from the **Callaway County SB 40 Board** note HB 1800 (Perfected, as amended) modifies the percentage cap used in calculating the inflationary growth factor that applies to assessment growth within political subdivisions.

Callaway County Special Services (CCSS), a Senate Bill 40 board funded through a voter-approved property tax levy, relies on increases in assessed valuation to support services for individuals with intellectual and developmental disabilities and their families. Changes to the inflationary growth factor cap may result in more frequent or larger levy rollback adjustments under the Hancock Amendment when property values increase.

While the bill does not directly eliminate existing revenue sources, it could limit the ability of local taxing entities to realize full revenue growth from reassessment cycles. As a result, CCSS could experience constrained future revenue growth compared to historical valuation increases.

The overall fiscal impact to CCSS is unknown but potentially negative over time, depending on future reassessment cycles and how the revised inflationary growth cap affects levy rollback calculations.

Officials from the **Office of Administration - Budget and Planning, Newton County Health Department, Branson Police Department, St. Louis County Police Department, Kansas City Police Dept., and Joint Committee on Administrative Rules** 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 **Department of Revenue, Office of Administration, Phelps County Sheriff, Kansas City Police Department, St. Louis County Police Department, and the Office of the State Auditor** 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> – (§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)	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – (§137.073) Reduced property tax revenues, if actual growth and inflation exceed 3% p.6	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<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	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

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

This bill modifies provisions related to the assessment value for real property assessments.

This bill modifies the manner in which a political subdivision can revise each tax levy to allow for inflationary assessment growth for all subclasses of real and personal property.

Currently, the inflationary growth factor for any subclass of real and personal property is limited to the actual assessment growth, exclusive of new construction and improvements, but not to exceed the Consumer Price Index, or 5%, whichever is lower.

This bill limits the inflationary growth factor for any subclass of real or personal property to the actual assessment growth, but not to exceed the lower of the following:

- (1) The Consumer Price Index; or
- (2) The following percentages:
 - (a) For tax levy revisions before January 1, 2027, 5%; or
 - (b) For tax levy revisions on or after January 1, 2027, 3%.

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

State Tax Commission
Department of Social Services
City of Kansas City
Adair County SB 40 DD Board
Boone County SB 40 (Boone County Family Resources (BCFR))
Office of Administration - Budget and Planning
High Point R-III School District
Twin Rivers R-X School District
Pettis County SB 40 Board
City of Kansas City
Eastern Clay Ambulance District
County Employees' Retirement Fund (CERF)
Joint Committee on Public Employee Retirement (JCPER)
Callaway County SB 40 Board
Newton County Health Department
Branson Police Dept
Joint Committee on Administrative Rules
Department of Revenue
Office of Administration
Phelps County Sheriff

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Kansas City Police Department
St. Louis County Police Department
Office of the State Auditor
Kansas City Police Dept.



Julie Morff
Director
March 5, 2026



Jessica Harris
Assistant Director
March 5, 2026