

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4245H.02I  
Bill No.: HB 2535  
Subject: Taxation and Revenue - General; Tobacco Products; Taxation and Revenue - Property; Property, Real and Personal; Veterans; Taxation and Revenue - Sales and Use; Department of Revenue; County Officials; Counties; State Tax Commission  
Type: Original  
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Bill Summary: This proposal authorizes the "veterans and gold star family property tax relief act" relating to a homestead exemption for certain veterans, establishes a "veterans property tax relief fund" to offset lost property tax revenue, increases the cigarette tax \$0.10 per pack of 20 cigarettes, subjects alternative nicotine products, vapor products, tobacco paraphernalia, and hemp-derived consumable products to an excise tax, with the additional proceeds to be deposited to the credit of such fund.

**FISCAL SUMMARY**

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	Could exceed \$804,801	Could exceed \$3,151,102	Could exceed \$3,149,862
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed \$804,801</b>	<b>Could exceed \$3,151,102</b>	<b>Could exceed \$3,149,862</b>

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)	\$0	(\$691,102)	(\$691,102)
Missouri Veterans Home Fund (1460)	(Could exceed \$1,073,357)	(Could exceed \$1,164,721)	(Could exceed \$1,178,402)
Veterans Property Tax Relief Fund*	\$0	\$0	\$0
School District Trust Fund(1688)	Could exceed \$317,578	Could exceed \$762,184	Could exceed \$762,184
Conservation Commission Fund (1609)	Could exceed \$39,698	Could exceed \$95,273	Could exceed \$95,273
Parks and Soils State Sales Tax Funds (1613 & 1614)	Could exceed \$31,759	Could exceed \$76,219	Could exceed \$76,219
Health Initiatives Fund (1275)	\$10,775,428	\$14,213,991	\$14,213,991
State School Moneys Fund (1616)	(\$322,423)	(\$773,815)	(\$773,815)
Fair Share Fund (1687)	(\$143,299)	(\$343,918)	(\$343,918)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$9,625,384</b>	<b>\$12,174,111</b>	<b>\$12,160,430</b>

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
General Revenue - DOR	1 FTE	1 FTE	1 FTE
Missouri Veterans Home Fund (1460) – DPS (VC)	8 FTE	8 FTE	8 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>9 FTE</b>	<b>9 FTE</b>	<b>9 FTE</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>Could exceed \$29,862,190</b>	<b>Up to (\$30,195,999)</b>	<b>Up to (\$30,195,999)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §137.1077 - "Veterans and Gold Star Family Property Tax Relief Act"

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would create a property tax exemption, starting tax year 2027, for veterans with a service-connected disability rating of 30% or more, Purple Heart recipients, and surviving spouses of military personal killed in action. B&P notes that property tax payments are due in December; therefore, while this proposal will apply to tax year 2027, it will not begin affecting revenues until FY28.

Based on data published by the Veteran's Administration, there are 84,254 veterans with a service-connected disability of 30% or more living in Missouri. In addition, there are 10,468 surviving spouses in Missouri receiving dependency and indemnity compensation. Using 2024 PTC data, B&P notes that of those claiming the PTC as a disabled veteran, 56.0% owned their home. Table 1 shows the total number of veterans and the estimated number that may own homes based on PTC data.

Table 1: Qualifying Individuals

Disability Rating	# Veterans	Est. # Owners
30% to 40%	15,108	8,397
50% to 60%	15,425	8,573
70% to 90%	32,721	18,187
100%	21,000	11,672
Surviving Spouse	10,468	5,818
Total	94,722	52,647

\*Est. Owners is based on the 55.6% ownership rate for PTC claims.

However, B&P notes that the PTC has a low-income limit required to qualify. It is possible that the homeownership rate among the full population of veterans is higher.

The amount of the property tax reduction is based on the level of service-related disability or qualify classification. Table 2 shows the tax exemption granted by category.

Table 2: Estimated Tax Reduction by Disability Rating

Disability Rating	Tax Exemption Low	Tax Exemption High
30% to 40%	\$3,000	\$4,000
50% to 60%	\$5,000	\$6,000
70% to 100%	100%	100%
Surviving Spouse	100%	100%

B&P notes that this proposal mentions Purple Heart recipients but does not clearly indicate what exemption amount that they should be granted. B&P further notes that such recipients can have service-connected disability ratings from 0% to 100%. Therefore, B&P did not include Purple Heart recipients outside of those who would otherwise qualify based on their level of service-connected disability.

Based on data published by the U.S. Census Bureau, the median real property tax paid in Missouri during 2024 was \$1,948. B&P notes that this amount is well below all the potential exemption amounts. Therefore, B&P will utilize the median real estate property taxes paid.

B&P notes that the Blind Pension Trust Fund levies a statewide property tax rate of \$0.03 per \$100 valuation. B&P estimates that of the \$1,948 median property tax paid, \$13.13 goes to the Blind Pension Trust Fund and \$1,934.87 goes to local funds. Therefore, for each qualifying veteran, the median loss to the state would be \$13.13 and the median loss to local funds would be \$1,934.87.

Using the estimated number of qualifying individuals above, B&P estimates that this proposal could reduce Blind Pension revenues by \$691,102 annually. This proposal could also reduce local property tax revenues by \$101,865,254 annually. Table 3 shows the estimated revenue impacts by qualifying category.

Table 3: Estimated Revenue Impact by Fund

Disability Rating	Blind Pension	Local Property Tax
30% to 40%	(\$110,228)	(\$16,247,128)
50% to 60%	(\$112,539)	(\$16,587,665)
70% to 90%	(\$238,743)	(\$35,189,533)
100%	(\$153,220)	(\$22,583,836)
Surviving Spouse	(\$76,373)	(\$11,257,091)
Total	(\$691,102)	(\$101,865,254)

In addition, during tax year 2024 there were 1,235 veterans that claimed the PTC as a disabled veteran and property owner, for total PTC claims of \$942,907. Under this proposal some, or all,

of their property taxes could be reduced. B&P notes, however, that many individuals claiming the PTC pay more property tax than the credit limit. Therefore, B&P estimates that this provision could increase GR by up to \$942,907 annually beginning in FY28 (for tax year 2027).

<u>Fund</u>	<u>FY 2028+</u>
General Revenue	\$942,907
Blind Pension	(\$691,102)
Total State Impact	\$251,805
Local Impact	(\$101,865,254)

In addition to the property tax exemption, **Section 137.1077.9** creates a new state fund titled “Veterans Property Tax Relief Fund”. Subject to appropriation, monies in the fund will be used to reimburse counties for property tax revenue lost from the proposed exemption. The Veterans Commission and county commissions may both retain 1% (each) for costs of administering this program. B&P notes that this reimbursement is only paid to counties, not to sub-county property tax districts. It is unclear whether, or if, counties should share the reimbursements with their sub-county districts.

**Section 137.1077.10** prevents taxing jurisdictions from increasing their tax levy to offset the lost property tax revenue from this proposal.

Officials from the **Department of Public Safety – Veterans Commission** assume that this bill will require the addition of 8 FTEs.

Veterans Program Tax Reimbursement Manager: \$85,000  
Accountant: \$55,000  
Veterans Service Officers x 6: \$54,000  
Computer equipment x8: \$3,000 - \$3,500  
Supplies x 8: \$400 - \$500 per FTE annually  
Office Space x 8: \$43,200 - \$54,000 per FTE annually  
Travel x 7: \$2,000 - \$2,500 per FTE annually  
Training x 8: \$1,000 - \$1,500 per FTE annually  
Computer Software: \$10,000

The Veterans Program Tax Reimbursement Manager will required to set up and then run the program coordinating with cities and counties.

Accountant will maintain required records and prepare annual report

All FTEs will require an office, supplies, phones, computers, annual training, etc.

MVC believes this bill will increase the need for Veterans Service Officers due to the number of Veterans who will want to take advantage of this program. The department’s Veterans Service Officers are already scheduling one or two months out and MVC believes a minimum of 6 more FTE Veterans Service Officers would be required to help to keep the wait times as low as possible.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the above FTE costs as provided by the Department of Public Safety – Veterans Commission.

Officials from the **Department of Revenue (DOR)** note this provision defines “disabled veteran”, “Gold Star spouse” and “Purple Heart recipient”. This provision goes on to say that a property tax exemption should be granted on a qualified residence of a disabled veteran, Gold Star spouse and Purple Heart recipient. This provision says that starting with all tax years on or after January 1, 2027, this would allow certain qualified disabled veterans to receive an annual exemption from the assessed value of their qualified residence.

The exemption to the assessed value would be used to lower the amount of real property tax the recipients owe. This provision states the following is the exemption.

Qualification	Amount of Exemption of Assessed Value Received
30% to 49% disabled veteran	\$3,000 - \$5,000 of assessed value
50% to 69% disabled veteran	\$5,000 - \$10,000 of assessed value
70% or more disabled veteran & Gold Star Spouses	100% of assessed value

DOR notes that the provision stating the exemption amount does not provide the Purple Heart recipients with any exemption. However, it does say the surviving spouse of a disabled veteran would qualify for this exemption until they remarry. The exemption for the surviving spouse is equal to that of their spouse.

This proposal would become effective August 28, 2026 (FY 2027) if adopted. This proposal allows the exemption to begin with tax year January 1, 2027 (FY 2027). Given property tax is paid in December of each year the first-year veterans will receive this exemption would be FY 2028.

The U.S. Census Bureau 2023 American Community Service 5 year estimates the following number of veterans into the following categories.

Disability Rating	Number of Veterans
0%	3,230
10% or 20%	25,425
30% or 40%	12,784
50% or 60%	11,725
70% or higher	37,687
Rating not reported	4,715
Total Disabled Veterans	95,566

DOR notes that the information provided by the Census Bureau is categorized differently than this proposal. This proposal defines the eligible disabled veteran as a person with a 30% or more

disability rating as established by the United States Department of Veterans Affairs. Per the U.S. Census Bureau's 2023 ACS 5-year report there are 37,687 disabled veterans in Missouri with a rating of 70% or higher. Per past information from the Missouri Veterans Commission about 45% of the reported veterans are 100% disabled (16,959).

For fiscal note purposes, DOR will assume the impact to be between 62,196 veterans (30% and above) and 16,959 veterans (100% disabled) qualify for this exemption.

The Department is unable to determine the actual number of veterans that would own their own property. For fiscal notes purposes, DOR will assume all of these veterans own their own dwelling. According to information from the U.S. Census Bureau the average amount of property tax paid in Missouri for 2024 was \$1,990. Information on the State Tax Commission's website indicates that \$10,427,068,714 was estimated to be paid in property tax in 2024 with a total parcel count of 3,428,752. They note that 52.71% of the property is residential property therefore, \$5,496,107,919 would have been collected from real property accounting for 1,807,295 parcels of real property. Based on this information the average amount of property tax paid in Missouri for 2024 was \$3,041.

Property tax is calculated by determining the market value of a property and multiplying the market value by the proper percentage to determine assessed value. The levy rate is then applied to the assessed value. This proposal would expect assessed value and not market value. Therefore, if a home is worth \$400,000. The residential percentage is 19%. This would result in an assessed value of \$76,000 ( $\$400,000 * 19\%$ ). This assessed value would have the exemption amount applied to it before multiplying by the levy amount.

DOR notes that property tax is handled by the County Assessors and the State Tax Commission and not DOR. Additionally, this proposal requires the County Assessor's and Collectors are to collect the applications of qualifying for this program. Additionally, this information would be provided to the MO Veterans Commission. DOR defers to the State Tax Commission, MO Veterans Commission and the County Assessors to provide an estimate of the impact to the counties.

The only real property tax collected by the State is for the Blind Pension Fund. The Missouri Blind Pension Fund is a fund for payment of pensions for the blind. The tax, or collection for the fund, consists of 3 cents on each \$100 valuation of taxable property in the State of Missouri. The Department estimates that the Missouri Blind Pension Fund could be impacted, but DOR defers to the Department of Social Services for the calculation of the amount.

This provision also creates the Veterans Property Tax Relief Fund. Revenue in this Fund is to be used to reimburse the counties for the lost of revenue they experience under this veteran's property tax exemption. DOR defers to the MO Veterans Commission on the fiscal impact of this provision as they are responsible for the administration of this program.

It should be noted that if a veteran is paying real property tax, they may have been eligible to claim the Senior Property Tax Credit (PTC) also. Currently a person can claim the PTC if:

- A. They are 65 years or older
- B. 100% Disabled Veteran as a result of military service
- C. 100% Disabled or
- D. 60 years of age or older and receiving surviving spouse benefits

The Senior Property Tax Credit has income limits for qualification. If the veteran meets the income requirements and are receiving the Senior Property Tax Credit; no longer owing property tax would exempt them from receiving this credit in the future. The credit for homeowners starts at \$1,550 and phases downward based on their increasing income. No longer being eligible for the PTC or being eligible for a lesser amount, would result in a savings to general revenue.

In TY 2023 – 2,205 taxpayers checked the disabled veteran box on the PTC form. They claimed \$1,529,397 in property tax credits.

In TY 2024 - 2,072 taxpayers checked the disabled veteran box on the PTC form. They claimed \$1,446,197 in property tax credits.

Two-year average claimed by disabled veterans is \$1,487,797.

DOR notes that if a disabled veteran is also over the age of 65 years of age they may have just checked the 65+ box instead of the Veterans box so the amount that could be exempt could be higher.

DOR assumes this would result in a savings to General Revenue that Could Exceed \$1,487,797 annually from military veterans no longer owing real property tax and being ineligible for the property tax credit.

DOR is not involved in property tax except for the redemption of the PTC tax credit; therefore, this will not fiscally impact DOR. The only administrative impact is that DOR may have fewer PTC forms to process.

Officials from the **St Louis City Assessor** assume the following:

Total # of MO Veterans	399,154	
Vets with service connected disability rating	95,566	23.94%
100% service connected disability rating	14,905	3.73%
Missouri homes occupied by veterans		10.00%
Veteran home ownership rate		78.00%
Median value of veteran's homes in MO	\$160,000	
Median assessed value of veterans homes in MO	\$30,400	
% of MO veterans with a service connected disability rating		24.00%
MO Veteran Population in City of St. Louis	17,000	

# of veterans x veteran home ownership rate	13,260
Taxes on typical veteran's home (\$160k value)	\$2,489
	Est. Taxes
Disabled veterans with 30% to 49% disability (estimate)	\$10,890,302
Disabled veterans with 50% to 69% disability (estimate)	\$10,890,302
Disabled veterans with 70% to 100% disability (estimate)	\$10,890,302

Total RE taxes exempted under legislation

\$32,670,906	Affected property tax to all taxing jurisdictions
\$6,534,181	Affected property tax for City portion
\$490,064	Affected amount to the Collector of Revenue's fund
\$204,193	Affected amount to the Assessment fund

The taxes exempted under the legislation are to be made up from the creation of the Veterans Property Tax Relief Fund and is to reimburse the City of St. Louis for verified property tax losses due to the legislation.

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it has a negative fiscal impact on taxing jurisdictions, like school, ambulance, and fire districts reliant on property taxes for revenue. According to the U.S. Department of Veteran Affairs, Missouri currently has 20,407 veterans who have a 100% service-connected disability and receive benefits from the federal government. According to US Census data, 78.1% of veterans are homeowners in Missouri, meaning the exemption could apply to 15,938 veterans. According to US Census housing data, the 1-year median home value in Missouri is 254,400. This equates to an assessed value of \$48,336 per home and \$770,379,168 (15,938 x \$48,336) of assessed value that qualifies for the exemption. Residential real property accounted for \$82,783,490,689 of assessed value and approximately brought in \$5,496,107,919 of property taxes for taxing jurisdictions across the state. STC calculates that this proposal could cost \$51,146,515  $([\$5,496,107,919 \times \$770,379,168] / \$82,783,490,689)$  spread out across taxing jurisdictions around the state.

The same methodology was used to determine the amount of taxes that could potentially be subject to the reduction in each category for partial disability as reported in the data provided by the U.S. Department of Veteran Affairs. The total taxes subject to a reduction were then multiplied by the percentage deduction for each category. Partially disability is determined in 10% increments. However, some of the categories span two or more levels of disability. In this case, the top percentile was used to determine the worst-case scenario in each category. The average was used to figure the total cost in the first two sections (30%-60%) and full tax replacement was used to determine the 70%-100% categories as the bill calls for full exemption. It is important to note that Purple Heart recipients and Gold Star spouses are not included in these numbers as a comprehensive list of data is not available for these groups.

Category	Number of Vets with Disability	Assessed Value Based on Median	Vets who are Homeowners	Potential Cost/Taxing Jurisdictions
30%--40%	15,108	\$570,316,464	11,799	\$47,196,000
50%--60%	15,425	\$582,303,792	12,047	\$90,352,500
70%--90%	32,721	\$1,235,226,480	25,555	\$82,008,357
100%	20,407	\$770,379,168	15,938	\$51,146,515
Total Cost				\$270,703,372

It must also be noted that the bill sets up a fund in the State Treasurer’s office to reimburse taxing jurisdictions for any revenue lost due to these exemptions. However, STC is unsure how much money would be available to offset the losses for taxing jurisdictions.

**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). Because this proposal limits 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 will reflect the estimated impact to the Blind Pension Fund as provided by the Office of Administration - Budget and Planning.

Oversight assumes this could reduce claims for the Property Tax Credit for individuals qualifying for the exemption. Therefore, Oversight will reflect the estimated impact to the Blind Pension Fund provided by the Office of Administration - Budget and Planning.

Oversight will reflect the estimated loss of property tax revenue for local political subdivisions as provided by the Office of Administration - Budget and Planning.

Oversight notes some counties may incur costs to implement and monitor the proposed exemption. Therefore, Oversight will show an unknown cost to political subdivisions beginning in FY 2028.

§144.1420 – Sales Tax on Hemp Products

Officials from the **Office of Administration - Budget and Planning (B&P)** note this section defines hemp-derived consumable products and levies a 10% excise tax on the wholesale price beginning January 1, 2027. Monies from the new excise tax are to be deposited into the newly created Veterans Property Tax Relief Fund.

B&P notes that the 2025 federal appropriations bill made most hemp products illegal. The federal ban will begin November 12, 2026. Industry research indicates that the federal ban could eliminate approximately 95% of the hemp derived market.

Based on industry data, the US hemp product market is about \$28 billion. For the purpose of this fiscal note, B&P will assume that hemp usage in Missouri is similar to marijuana usage. Therefore, B&P estimates that Missouri’s market is about \$627.1 million.

However, as noted above the change in federal law is expected to eliminate around 95% of the hemp market. Therefore, B&P estimates that the remaining market may be about \$31.4 million. B&P estimates that a 10% excise tax on wholesaler prices could generate \$3,135,550 in revenue for the Veterans Property Tax Relief Fund.

In addition, B&P notes that because this excise tax is placed on the wholesaler the increase in prices resulting from the tax will be subject to sales tax. Therefore, B&P estimates that this proposal could also generate \$132,478 in state sales taxes and \$147,371 in local sales taxes.

Table 5 shows the estimated impact by fund.

<u>State Fund</u>	<u>FY28</u>	<u>FY29+</u>
Veterans Property Tax Relief	\$1,306,479	\$3,135,550
General Revenue - Increased Sales Tax	\$39,195	\$94,067
Education- Increased Sales Tax	\$13,065	\$31,356
Conservation- Increased Sales Tax	\$1,633	\$3,919
DNR- Increased Sales Tax	\$1,307	\$3,136
Total State Impact	\$1,361,679	\$3,268,028

<u>Local Fund</u>	<u>FY28</u>	<u>FY29+</u>
Local Funds- Increased Sales Tax	\$61,405	\$147,371

Officials from the **Department of Revenue (DOR)** note this provision starting January 1, 2027, would levy a tax of 10% on all hemp-derived consumable product. The tax is to be remitted to DOR monthly. This proposal says the administration and enforcement of this tax should be in the same manner as tobacco taxes. Therefore, this would be considered an excise tax.

This provision states that the money collected from this new tax would be deposited into the Veterans Property Tax Relief Fund created under section 137.1077.

The General Assembly has indicated that these products are being sold in numerous retail locations. Currently, when sold at a retail location the products are subject to the state 4.225% sales tax as well as a local sales tax. With the excise tax on the products this the sales tax would be assessed after the excise tax is applied. This would also increase the amount of sales tax collected.

DOR notes that Missouri makes up 2.05% of the total U.S. market share of all hemp-derived cannabinoids based on research found. In 2023, that was \$56,832,841 of the \$2,774,925,672 in U.S. sales. DOR notes this proposal would become effective January 1, 2027, and therefore there would be only 6 months of impact during FY 2027.

This proposal states that the new excise tax is to be deposited into the Veterans Property Tax Relief Fund. DOR could expect \$2,841,642 in FY 2027 and \$5,683,284 each year thereafter from the excise tax.

DOR notes that sales tax is applied after the excise tax is applied to the entire price of the product. Therefore, the amount of sales tax collected would increase due to the amount of excise tax collected. DOR notes that this could generate an additional \$240,119 in total state revenue from the sales tax and \$267,114 in local sales tax.

**Estimated Revenue Impact - Hemp-derived Cannabinoids**

<u>State Funds</u>	FY 2027 Low	FY 2028+ Low
Veterans Property Tax Relief	\$2,841,642	\$5,683,284
General Revenue	\$85,250	\$170,499
School District Trust	\$28,417	\$56,833
Conservation	\$3,552	\$7,104
Park, Soil & Water	\$2,842	\$5,683
<b>Total State Revenues</b>	<b>\$2,961,703</b>	<b>\$5,923,403</b>

**Estimated Revenue Impact - Hemp-derived Cannabinoids cont.**

<u>Local Funds</u>	FY 2027 Low	FY 2028+ Low
Local Sales Tax Funds	\$133,557	\$267,114
<b>Total Local Funds</b>	<b>\$133,557</b>	<b>\$267,114</b>

DOR will need to modify its sales and use tax forms (\$2,200) and the department’s reporting and distribution computer programs (\$7,547).

**Oversight** notes officials from B&P and DOR have conducted independent research and both assume this provision will have a direct fiscal impact on state revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a fiscal impact that could exceed B&P’s estimated impacts in the fiscal note.

§149.011 – Smoking Related Definitions

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal adds “alternative nicotine products” and “vapor products” to the definition of “tobacco product”. *See Section 149.160 for a discussion on tax implications.*

This proposal also creates a definition of “tobacco paraphernalia”. *See Section 149.160 for a discussion on tax implications.*

Officials from the **Department of Revenue (DOR)** note the following:

These provisions modify the laws governing the taxation of cigarette and other tobacco products (OTP). DOR administers these laws. Currently, only cigarettes and OTP are regulated and taxed by the state. Currently, vapor products and alternative nicotine products are not taxed.

Section 149.011 Definitions

This proposal adds a definition for “alternative nicotine product” and “vapor product” to state statutes. Specifically, the definitions of alternative nicotine products and vapor products are also added to the definition of “tobacco product” making them subject to the OTP tax.

This proposal also adds the definition of “tobacco paraphernalia” however, it does not include it in the definition of OTP. Therefore, these products would not be subject to the current OTP tax found in section 149.160.1.

§149.015 – Cigarette Tax

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would levy an additional tax of 5 mills per cigarette starting January 1, 2027. B&P notes that a 5 mill per cigarette tax is equivalent to \$0.10 per pack. Monies from the additional tax are to be deposited into the newly created Veterans Property Tax Relief Fund.

Using cigarette tax collections, B&P estimates that 317,763,931 packs of cigarettes were sold in Missouri during FY25. The elasticity for cigarettes in Missouri’s price range is about -1.11. Therefore, B&P estimates that the number of packs sold in Missouri could decline to 312,350,410 after this additional tax takes effect.

Therefore, B&P estimates that this proposal could generate \$31,776,393 for the Veterans Property Tax Relief Fund. However, given the drop in demand, this proposal could also reduce cigarette revenues to the existing three dedicated funds by \$1,461,650. This would also reduce sales tax collections by \$146,423 at the state level and by \$162,885 at the local level. Table 6 shows the estimated impact by fund.

Table 6: Impact of Cigarette Tax by Fund

State Fund	FY28	FY29+
Veterans Property Tax Relief	\$13,240,164	\$31,776,393
Health Initiatives - Lost Excise Tax	(\$143,299)	(\$343,918)
State Schools Money - Lost Excise Tax	(\$322,423)	(\$773,815)
Fair Share - Lost Excise Tax	(\$143,299)	(\$343,918)
General Revenue - Lost Sales Tax	(\$43,320)	(\$103,969)
Education - Lost Sales Tax	(\$14,440)	(\$34,656)
Conservation - Lost Sales Tax	(\$1,805)	(\$4,332)
DNR - Lost Sales Tax	(\$1,444)	(\$3,466)
<b>Total State Impact</b>	<b>\$12,570,134</b>	<b>\$30,168,320</b>

Local Fund	FY28	FY29+
St. Louis County - Lost Excise Tax	(\$13,553)	(\$32,528)
Jackson County - Lost Excise Tax	(\$9,718)	(\$23,324)
Local Funds - Lost Sales Tax	(\$67,869)	(\$162,885)
<b>Total Local Impact</b>	<b>(\$91,140)</b>	<b>(\$218,737)</b>

Officials from the **Department of Revenue (DOR)** note starting January 1, 2027, Section 149.015.9 would add an additional 5 mills per cigarette tax on cigarettes which translates to \$0.10 per pack. The revenue generated from this additional tax (minus 3% for administration) is to be deposited into the Veterans Property Tax Relief Fund. The current cigarette tax is distributed to the Health Initiatives Fund, the State Schools Money Fund and the Fair Share Fund.

This provision adds language limiting the amount of cigarette stamps that can be purchased by manufactures leading up to the implementation of this additional tax. There is no additional impact from this limitation on purchases provision.

Research has shown that as the price of cigarettes increases the amount of packs sold decline. Whether people give them up, or switch to another product or buy elsewhere the elasticity of cigarette sales has been measured. The elasticity for cigarettes in Missouri's price range is about -1.11. The FY 25 collections show that approximately 317,763,931 packs of cigarettes were sold in Missouri. Given the tax rate change in this proposal, DOR would expect the number of packs to decline to 312,350,410.

Sales tax is also charged on cigarettes. The sales tax is based on the full price of the pack, including the excise tax. Therefore, when the excise tax goes up so will the amount of sales tax collected. The state sales tax is 4.225%.

That sales tax is broken down as:

General Revenue	3%
School District	1%
Conservation Commission	.125
Parks, Soil & Water Funds	.1%

Additionally, numerous local districts charge sales tax. For fiscal note purposes, the Department is using a weighted local tax rate of 4.7% to calculate the average local sales tax loss. In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live.

While the Property Tax Relief Fund will receive increased revenue from this proposal, DOR expects lower revenue for the existing cigarette funds and sales tax funds.

DOR notes that St. Louis County and Jackson County are authorized to levy their own excise tax on cigarettes. With demand lowered, they can expect less excise tax collected. DOR estimates the following impact.

Impact of Cigarette Tax by Fund

<u>State Fund</u>	<u>FY28</u>	<u>FY29+</u>
Veterans Property Tax Relief	\$13,240,164	\$31,776,393
Health Initiatives - <i>Lost Excise Tax</i>	(\$143,299)	(\$343,918)
State Schools Money - <i>Lost Excise Tax</i>	(\$322,423)	(\$773,815)
Fair Share - <i>Lost Excise Tax</i>	(\$143,299)	(\$343,918)
General Revenue - <i>Lost Sales Tax</i>	(\$43,320)	(\$103,969)
School District Trust - <i>Lost Sales Tax</i>	(\$14,440)	(\$34,656)
Conservation - <i>Lost Sales Tax</i>	(\$1,805)	(\$4,332)
Park, Soil & Water - <i>Lost Sales Tax</i>	(\$1,444)	(\$3,466)
Total State Impact	\$12,570,134	\$30,168,320

<u>Local Fund</u>	<u>FY28</u>	<u>FY29+</u>
St. Louis County - <i>Lost Excise Tax</i>	(\$13,553)	(\$32,528)
Jackson County - <i>Lost Excise Tax</i>	(\$9,718)	(\$23,324)
Local Funds - <i>Lost Sales Tax</i>	(\$67,869)	(\$162,885)
Total Local Impact	(\$91,140)	(\$218,737)

DOR would need to modify its cigarette tax reporting forms to require the reporting of the 2 taxes separately. This change is estimated to be \$2,200.

DOR notes that the department would need to coordinate with the MOVERS team to have the new fund added to the system for the new taxes’ distribution. DOR would also need to update the department’s cigarette computer programs to track and distribute this additional tax to the correct fund. These updates are estimated at \$10,000 for the DOR system.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the Department of Revenue and the Office of Administration - Budget and Planning.

§149.160 – Other Tobacco Products Tax

B&P notes this proposal would create new excise taxes for other tobacco products (OTP), vaping products, alternative nicotine products, and tobacco paraphernalia (i.e. smoking accessories). Monies from the additional taxes are to be deposited into the newly created Veterans Property Tax Relief Fund.

***Existing Other Tobacco Products***

Subsection 6 would create an additional 2% excise tax on the wholesaler price of other tobacco products. Based on FY25 revenue collections and accounting for a slight reduction in demand (elasticity -0.0034), B&P estimates that this provision could generate \$5,787,224 for the Veterans Property Tax Relief Fund.

B&P notes that sales taxes are applied to this excise tax. Therefore, this could also increase state sales taxes by \$246,564 and local sales taxes by \$274,284. Table 7 shows the estimated impact by fund.

Table 7: Impact of OTP Tax by Fund

State Fund	FY28	FY29+
Veterans Property Tax Relief	\$2,411,343	\$5,787,224
Health Initiatives - Lost Excise Tax	(\$369)	(\$886)
General Revenue - Increased Sales Tax	\$72,948	\$175,075
Education - Increased Sales Tax	\$24,316	\$58,358
Conservation - Increased Sales Tax	\$3,040	\$7,295
DNR - Increased Sales Tax	\$2,432	\$5,836
<b>Total State Impact</b>	<b>\$2,513,710</b>	<b>\$6,032,902</b>

Local Fund	FY28	FY29+
Local Funds - Increased Sales Tax	\$114,285	\$274,284

***Vaping Products***

By adding “vaping products” to the definition of other tobacco products (OTP), under Section 149.011, vaping products become subject to the existing OTP tax in subsection 149.160.1. This tax would begin August 28, 2026.

This proposal would also levy an additional 10% excise tax on the wholesale price under subsection 149.160.5 and an additional 2% excise tax under subsection 149.160.5. This tax would begin January 1, 2027.

Therefore, the total excise tax for vaping products will be 22%.

Annual US sales for vaping devices were \$6.35 billion from October 2024 through September 2025. Using vaping prevalence data, B&P estimates that Missouri accounts for about 1.9% of the U.S. market. In addition, the average retail markup is around 30%. Therefore, B&P estimates that the wholesale market in Missouri is approximately \$118,909,915. B&P notes that the elasticity of vaping in products is about -0.022.

Using the above information, B&P estimates that the 10% excise tax under subsection 1 could generate \$8,292,968 for the Health Initiatives Fund. While the 12% excise tax under subsections 5 and 6 could generate \$9,951,562 for the Veterans Property Tax Relief Fund.

B&P notes that sales taxes are applied to these excise taxes. Therefore, this proposal could also increase state sales taxes by \$1,983,837 and local taxes by \$2,206,870. Table 8 shows the estimated impact by fund.

Table 8: Impact of Vaping Tax by Fund

State Fund	FY28	FY29+
Veterans Property Tax Relief	\$4,146,484	\$9,951,562
Health Initiatives	\$6,219,726	\$8,292,968
General Revenue - Increased Sales Tax	\$586,934	\$1,408,641
Education- Increased Sales Tax	\$195,645	\$469,547
Conservation- Increased Sales Tax	\$24,456	\$58,694
DNR- Increased Sales Tax	\$19,565	\$46,955
<b>Total State Impact</b>	<b>\$11,192,810</b>	<b>\$20,228,367</b>

Local Fund	FY28	FY29+
Local Funds - Increased Sales Tax	\$919,529	\$2,206,870

***Alternative Nicotine Products***

By adding “alternative nicotine products” to the definition of other tobacco products (OTP), under Section 149.011, these products become subject to the existing OTP tax in subsection 149.160.1. This tax would begin August 28, 2026.

B&P notes that alternative nicotine products do not include nicotine gums and patches which are used as smoking cessation tools.

This proposal would also levy an additional 10% excise tax on the wholesale price under subsection 149.160.5 and an additional 2% excise tax under subsection 149.160.5. This tax would begin January 1, 2027.

Therefore, the total excise tax for alternative nicotine products will be 22%.

Based on industry data, the US market size for nicotine pouches is \$5.42 billion. Using smoking prevalence data, B&P estimates that Missouri accounts for about 2.3% of the alternative nicotine market. In addition, the average retail markup for these products is about 50%. Therefore, B&P estimates that the wholesale market in Missouri could be about \$62,658,273.

Using the above information, B&P estimates that the 10% excise tax under subsection 1 could generate \$6,265,827 for the Health Initiatives Fund. While the 12% excise tax under subsections 5 and 6 could generate \$7,518,993 for the Veterans Property Tax Relief Fund.

B&P notes that sales taxes are applied to these excise taxes. Therefore, this proposal could also increase state sales taxes by \$582,409 and local taxes by \$647,887. Table 9 shows the estimated impact by fund.

Table 9: Impact of Alternative Nicotine Tax by Fund

State Fund	FY28	FY29+
Veterans Property Tax Relief	\$3,132,914	\$7,518,993
Health Initiatives	\$4,699,370	\$6,265,827
General Revenue - Increased Sales Tax	\$172,310	\$413,545
Education - Increased Sales Tax	\$57,437	\$137,848
Conservation - Increased Sales Tax	\$7,180	\$17,231
DNR - Increased Sales Tax	\$5,744	\$13,785
Total State Impact	\$8,074,955	\$14,367,229

Local Fund	FY28	FY29+
Local Funds - Increased Sales Tax	\$269,953	\$647,887

***Tobacco Paraphernalia / Smoking Accessories***

Subsection 149.160.5 would levy a 10% excise tax on smoking accessories as defined under Section 149.011. This tax would begin January 1, 2027.

Based on industry data, the US market for smoking accessories is \$8.62 billion. Using smoking prevalence data, B&P estimates that Missouri accounts for about 2.3% of the alternative nicotine

market. In addition, the average retail markup for these products is about 50%. Therefore, B&P estimates that the wholesale market in Missouri is around \$99,731,209.

Using the above information, B&P estimates that the 10% excise tax could generate \$9,973,121 for the Veterans Property Tax Relief Fund.

B&P notes that sales taxes are applied to these excise taxes. Therefore, this proposal could also increase state sales taxes by \$421,364 and local taxes by \$468,737. Table 10 shows the estimated impact by fund.

State Fund	FY28	FY29+
Veterans Property Tax Relief	\$4,155,467	\$9,973,121
General Revenue - Increased Sales Tax	\$124,664	\$299,194
Education - Increased Sales Tax	\$41,555	\$99,731
Conservation - Increased Sales Tax	\$5,194	\$12,466
DNR - Increased Sales Tax	\$4,155	\$9,973
<b>Total State Impact</b>	<b>\$4,331,035</b>	<b>\$10,394,485</b>

Local Fund	FY28	FY29+
Local Funds - Increased Sales Tax	\$195,307	\$468,737

Officials from the **Department of Revenue (DOR)** note currently all OTP products, except cigarettes, are subject to a 10% tax per section 149.160.1. This proposal per section 149.160.6(1) says that starting January 1, 2027, an additional 2% tax is to be assessed on the current OTP products. The revenue generated from this additional 2% tax is to be deposited into the Veterans Property Tax Relief Fund.

Using the FY 2025 revenue collections and accounting for elasticity of -0.0034, DOR is able to estimate the following impact from this new 2% tax. DOR notes that sales tax is applied after the excise tax. Therefore, DOR estimates the following impact.

Impact of OTP Tax by Fund

<u>State Fund</u>	<u>FY28</u>	<u>FY29+</u>
Veterans Property Tax Relief	\$2,411,343	\$5,787,224
Health Initiatives - <i>Lost Excise Tax</i>	(\$369)	(\$886)
General Revenue - <i>Increased Sales Tax</i>	\$72,948	\$175,075
School District Trust - <i>Increased Sales Tax</i>	\$24,316	\$58,358
Conservation - <i>Increased Sales Tax</i>	\$3,040	\$7,295
Park, Soil & Water - <i>Increased Sales Tax</i>	\$2,432	\$5,836
Total State Impact	\$2,513,710	\$6,032,902

<u>Local Fund</u>	<u>FY28</u>	<u>FY29+</u>
Local Funds - <i>Increased Sales Tax</i>	\$114,285	\$274,284

***Vaping Products***

With the expansion of the “tobacco product” definition to include vapor products, those items as of August 28, 2026, (the effective date of this proposal) would become subject to that 10% current OTP tax. The current OTP tax is deposited into the Health Initiatives Fund.

This proposal additionally will levy 2 additional excise taxes on the wholesale price. The first is section 149.160.5(1) at a rate of 10% and section 149.160.6(1) at a rate of 2%. These two new taxes are to begin on January 1, 2027, and the revenue generated is to be deposited into the Veterans Property Tax Relief Fund. The total excise tax on vaping products will now be 22%.

DOR used market research which shows a retail markup of approximately 30%. Additionally, DOR found that vaping devices account for \$6.35 billion in U.S. sales. Assuming Missouri sales of 1.9% would result in \$118,909,915. With an elasticity on vaping of -0.022 DOR can estimate the impact to the state.

DOR notes that sales tax is assessed after the excise tax. This will increase revenue to the current sales tax funds as well as the Health Initiative Fund and the Veterans Property Tax Relief Fund.

Impact of Vaping Tax by Fund

<u>State Fund</u>	<u>FY28</u>	<u>FY29+</u>
Veterans Property Tax Relief	\$4,146,484	\$9,951,562
Health Initiatives	\$6,219,726	\$8,292,968
General Revenue - <i>Increased Sales Tax</i>	\$586,934	\$1,408,641
School District Trust - <i>Increased Sales Tax</i>	\$195,645	\$469,547
Conservation - <i>Increased Sales Tax</i>	\$24,456	\$58,694
Park, Soil & Water - <i>Increased Sales Tax</i>	\$19,565	\$46,955
Total State Impact	\$11,192,810	\$20,228,367

<u>Local Fund</u>	<u>FY28</u>	<u>FY29+</u>
Local Funds - <i>Increased Sales Tax</i>	\$919,529	\$2,206,870

***Alternative Nicotine Products***

With the expansion of the “tobacco product” definition to include alternative nicotine products, those items as of August 28, 2026, (the effective date of this proposal) would become subject to that 10% current OTP tax. DOR notes that this does include nicotine gums and patches which are smoking cessation products. The current OTP tax is deposited into the Health Initiatives Fund.

This proposal additionally will levy 2 additional excise taxes on the wholesale price. The first is section 149.160.5(1) at a rate of 10% and section 149.160.6(1) at a rate of 2%. These two new taxes are to begin on January 1, 2027, and the revenue generated is to be deposited into the Veterans Property Tax Relief Fund. The total excise tax on alternative nicotine products will now be 22%.

The US market size for nicotine pouches is \$5.42 billion and Missouri accounts for about 2.3% of the alternative nicotine market. The average retail markup for these products is about 50%. Therefore, the wholesale market in Missouri could be about \$62,658,273.

Sales taxes are applied to these excise taxes.

Impact of Alternative Nicotine Tax by Fund

<u>State Fund</u>	<u>FY28</u>	<u>FY29+</u>
Veterans Property Tax Relief	\$3,132,914	\$7,518,993
Health Initiatives	\$4,699,370	\$6,265,827
General Revenue - <i>Increased Sales Tax</i>	\$172,310	\$413,545
School District Trust - <i>Increased Sales Tax</i>	\$57,437	\$137,848
Conservation - <i>Increased Sales Tax</i>	\$7,180	\$17,231
Park, Soil & Water - <i>Increased Sales Tax</i>	\$5,744	\$13,785
Total State Impact	\$8,074,955	\$14,367,229

<u>Local Fund</u>	<u>FY28</u>	<u>FY29+</u>
Local Funds - <i>Increased Sales Tax</i>	\$269,953	\$647,887

***Tobacco Paraphernalia / Smoking Accessories***

Section 149.011 added the definition of “tobacco paraphernalia” to statutes. However, it did not add the definition to tobacco product making it subject to the OTP taxes. However, this proposal added Section 149.160.5 which institutes a 10% excise tax on tobacco paraphernalia. This tax begins January 1, 2027. This tax is to be deposited into the Veterans Property Tax Relief Fund.

The US market for smoking accessories is \$8.62 billion. Using the same smoking prevalence data and retail markup data as alternative nicotine products DOR can estimate wholesale market in Missouri is around \$99,731,209.

Sales tax is also applied to the excise tax.

**Impact of Tobacco Paraphernalia Tax by Fund**

<u>State Fund</u>	<u>FY28</u>	<u>FY29+</u>
Veterans Property Tax Relief	\$4,155,467	\$9,973,121
General Revenue - <i>Increased Sales Tax</i>	\$124,664	\$299,194
School District Trust - <i>Increased Sales Tax</i>	\$41,555	\$99,731
Conservation - <i>Increased Sales Tax</i>	\$5,194	\$12,466
Park, Soil & Water - <i>Increased Sales Tax</i>	\$4,155	\$9,973
Total State Impact	\$4,331,035	\$10,394,485

<u>Local Fund</u>	<u>FY28</u>	<u>FY29+</u>
Local Funds - <i>Increased Sales Tax</i>	\$195,307	\$468,737

***Administration of Vaping, Alternative Nicotine & Tobacco Paraphernalia***

DOR would need to modify the department’s reporting forms to include the new products and the additional tax rates. These changes are estimated to be \$2,200.

DOR notes that the department would need to coordinate with the MOVERS team to have the new fund added to the system for the new taxes’ distribution. DOR would also need to update the department’s OTP computer programs to track and distribute these additional taxes to the correct fund. These updates are estimated at \$30,000 for the DOR system.

***Licensing of OTP Impacted***

DOR notes that currently per Section 149.035 all wholesalers of cigarettes and tobacco products are required annually to pay a \$100 fee to receive a license to sell these products each year in February. Adding the alternative nicotine products wholesalers and vapor products wholesalers

to the definition of tobacco products will increase the number of entities that are required to pay the \$100 fee.

DOR would need to update the department's tobacco products licensing application (Form 2175) and the department's OTP payment voucher form (Form 5067) at a cost of \$2,200 each. DOR's Tobacco Tax Automated Collection System (TACS) would need to be updated in the registration module to reflect these products as licensing categories which is estimated to cost \$10,000.

DOR currently receives limited information on importation of vapor products into the state via monthly PACT reports that could provide insight as to entities to be licensed. The records show an estimated 2,684 entities may sell these products and do not currently have a license. However, DOR doesn't receive information on entities that sell alternative nicotine products which would be a challenging factor in seeking to license these entities for compliance and tax remittance. DOR assumes an unknown impact from the number of entities that would need to be licensed and pay the fee. Though DOR assumes it could be more than \$250,000 annually just from the entities DOR knows about.

DOR notes that the potential number of new licensee's could result in the need for at least one but potentially three Associate Customer Service Representatives at \$42,953 (salary plus years of service pay) to handle the increased workload. DOR will expect to hire at least one and then will request the additional FTE or overtime time equivalent from the appropriation committee once the number of new entities is known to help process the annual license applications.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the above FTE costs as provided by the Department of Revenue.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the Department of Revenue and the Office of Administration - Budget and Planning.

#### Responses regarding the proposed legislation as a whole

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal could generate \$62,325,189 in revenue for the Veterans Property Tax Relief Fund. In addition, this proposal could increase other state revenues by \$16,568,292 once fully implemented.

This proposal could decrease local revenues by \$36,013,653 if the full amount of the Veterans Property Tax Relief Fund is appropriated each year. Otherwise, this proposal may decrease local funding by \$98,338,842 annually. Table 11 shows the estimated impacts by fund.

Table 11: Summary of Impact by Fund

<u>Veteran's Property Fund</u>	<u>FY28</u>	<u>FY29+</u>
Veterans Property Tax Relief		
Revenue	\$28,392,851	\$62,325,189
Transfer to Locals	\$0	(\$62,325,189)
Net Veteran's Property Fund Impact	\$28,392,851	\$0

<u>State Fund</u>	<u>FY28</u>	<u>FY29+</u>
General Revenue	\$952,731	\$3,229,460
Education	\$317,578	\$762,184
Conservation	\$39,698	\$95,273
DNR	\$31,759	\$76,219
Blind Pension Trust Fund	\$0	(\$691,102)
Health Initiatives	\$10,775,428	\$14,213,991
State Schools Money	(\$322,423)	(\$773,815)
Fair Share	(\$143,299)	(\$343,918)
Total State Impact	\$40,044,323	\$16,568,292

<u>Local Property Funds</u>	<u>FY28</u>	<u>FY29+</u>
Local Property Tax Funds		
Loss from Exemption	\$0	(\$101,865,254)
Transfer from Veteran's Property Fund	\$0	\$62,325,189
Net Local Property Funds	\$0	(\$39,540,065)

<u>Local Sales Tax Funds</u>	<u>FY28</u>	<u>FY29+</u>
St. Louis County Cigarette Excise Tax	(\$13,553)	(\$32,528)
Jackson County Cigarette Excise Tax	(\$9,718)	(\$23,324)
Local Sales Tax Funds	\$1,492,610	\$3,582,264
Total Local Impact	\$1,469,339	(\$36,013,653)

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

Officials from the **Kansas City Police Dept.** assume this could impact City Revenue which could impact the amount of appropriations used in the operation the Police Department.

Officials from the **Kearney Fire & Rescue Protection District (KEAR) – Clay** assume like SB190, all of the new exemptions will have negative financial impacts to all taxing entities. And likely will push the tax adjustment to the rest of the taxpayers due to Hancock adjustments.

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

Officials from the **County Employees' Retirement Fund** have reviewed HB 2535 (4245H.021). There is insufficient data to quantify its exact impact. HB 2535 may result in an unknown fiscal impact to the County Employees' Retirement Fund.

Officials from the **Adair County SB 40 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 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.

Officials from **Boone County SB 40 (Boone County Family Resources)** assume 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 (BCFR) 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. These locally funded services include employment supports, inclusive community programs, and essential resources for families. Beyond meeting individual needs, these programs strengthen the social and economic fabric of the community, fostering inclusion, opportunity, and a more equitable society.

Officials from the **Department of Social Services, Office of the State Treasurer, City of Clarence, Newton County Health Department, Branson Police Dept, St. Louis County Police Dept, Callaway County SB 40 Board,** and the **Joint Committee on Public Employee Retirement** 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.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>GENERAL REVENUE</b>			
<u>Revenue Gain</u> – (§137.1077) DOR - Veterans no longer claiming the Senior Property Tax Credit p.5	\$0	Up to \$942,907	Up to \$942,907
<u>Revenue Gain</u> – (§144.1420) From sales tax on hemp derived consumable products p.12	Could exceed \$39,195	Could exceed \$94,067	Could exceed \$94,067

<b>FISCAL IMPACT – State Government</b>	<b>FY 2027 (10 Mo.)</b>	<b>FY 2028</b>	<b>FY 2029</b>
<u>Revenue Loss</u> - (§149.015) From reduced sales tax revenue from lower demand on cigarette sales p.15	(\$43,320)	(\$103,969)	(\$103,969)
<u>Revenue Gain</u> – (§149.160) From increased sales tax on other tobacco products p.18	\$72,948	\$175,075	\$175,075
<u>Revenue Gain</u> – (§149.160) From increased sales tax on vapor products p.19	\$586,934	\$1,408,641	\$1,408,641
<u>Revenue Gain</u> – (§149.160) From increased sales tax on alternative nicotine products p.20	\$172,310	\$413,545	\$413,545
<u>Revenue Gain</u> – (§149.160) From increased sales tax on smoking accessories p.24	\$124,664	\$299,194	\$299,194
<u>Cost – DOR</u> (§149.160) p.			
Personal service	(\$35,794)	(\$43,812)	(\$44,688)
Fringe Benefit	(\$28,010)	(\$33,957)	(\$34,310)
Equipment and Expense	(\$84,126)	(\$589)	(\$600)
<u>Total Costs – DOR</u>	<u>(\$147,930)</u>	<u>(\$78,358)</u>	<u>(\$79,598)</u>
FTE Change – DOR	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>Could exceed <u>\$804,801</u></b>	<b>Could exceed <u>\$3,151,102</u></b>	<b>Could exceed <u>\$3,149,862</u></b>
<b>BLIND PENSION FUND (1621)</b>			
<u>Revenue Loss</u> – (§137.1077) Reduced/no real property tax collected from qualifying veterans	\$0	(\$691,102)	(\$691,102)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)</b>	<b><u>\$0</u></b>	<b><u>(\$691,102)</u></b>	<b><u>(\$691,102)</u></b>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>MISSOURI VETERANS HOME FUND (1460)</b>			
<u>Cost – DPS/VC (§137.1077) p. 3</u>			
Personal service	(\$386,667)	(\$473,280)	(\$482,746)
Fringe Benefit	(\$264,424)	(\$321,041)	(\$324,848)
Equipment and Expense	(Could exceed \$72,267)	(Could exceed \$20,400)	(Could exceed \$20,808)
<u>Total Costs – DPS/VC</u>	(Could exceed <u>\$1,073,357</u> )	(Could exceed <u>\$1,164,721</u> )	(Could exceed <u>\$1,178,402</u> )
FTE Change – DPS/VC	8 FTE	8 FTE	8 FTE
<b>ESTIMATED NET EFFECT ON MISSOURI VETERANS HOME FUND (1460)</b>	<b>(Could exceed <u>\$1,073,357</u>)</b>	<b>(Could exceed <u>\$1,164,721</u>)</b>	<b>(Could exceed <u>\$1,178,402</u>)</b>
Estimated Net FTE Change on Missouri Veterans Home Fund	8 FTE	8 FTE	8 FTE
<b>VETERANS PROPERTY TAX RELIEF FUND</b>			
<u>Transfer Out – (§137.1077)</u> Reimbursement to locals for loss of property tax revenue as a result of exemptions granted	(\$28,392,851)	(\$68,142,843)	(\$68,142,843)
<u>Revenue Gain – (§144.1420)</u> From sales tax on hemp derived consumable products p.12	Could exceed \$1,306,479	Could exceed \$3,135,550	Could exceed \$3,135,550
<u>Revenue Gain – (§149.015)</u> From cigarette tax p.15	\$13,240,164	\$31,776,393	\$31,776,393

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<u>Revenue Gain</u> – (§149.160) From sales tax on tobacco products, other than cigarettes p.18	\$2,411,343	\$5,787,224	\$5,787,224
<u>Revenue Gain</u> – (§149.160) From sales tax on vapor products p.19	\$4,146,484	\$9,951,562	\$9,951,562
<u>Revenue Gain</u> – (§149.160) From sales tax on Alternative Nicotine Products p.20	\$3,132,914	\$7,518,993	\$7,518,993
<u>Revenue Gain</u> – (§149.160) From sales tax on Smoking Accessories p.21	\$4,155,467	\$9,973,121	\$9,973,121
<b>ESTIMATED NET EFFECT ON VETERANS PROPERTY TAX RELIEF FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>SCHOOL DISTRICT TRUST FUND(1688)</b>			
<u>Revenue Gain</u> – (§144.1420) From sales tax on hemp derived consumable products p.12	Could exceed \$13,065	Could exceed \$31,356	Could exceed \$31,356
<u>Revenue Loss</u> - (§149.015) From reduced sales tax revenue from lower demand on cigarette sales p.15	(\$14,440)	(\$34,656)	(\$34,656)
<u>Revenue Gain</u> – (§149.160) From increased sales tax on other tobacco products p.18	\$24,316	\$58,358	\$58,358

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<u>Revenue Gain</u> – (§149.160) From increased sales tax on vapor products p.19	\$195,645	\$469,547	\$469,547
<u>Revenue Gain</u> – (§149.160) From increased sales tax on alternative nicotine products p.20	\$57,437	\$137,848	\$137,848
<u>Revenue Gain</u> – (§149.160) From increased sales tax on smoking accessories p.21	\$41,555	\$99,731	\$99,731
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND (1688)</b>	<b>Could exceed <u>\$317,578</u></b>	<b>Could exceed <u>\$762,184</u></b>	<b>Could exceed <u>\$762,184</u></b>
<b>CONSERVATION COMMISSION FUND (1609)</b>			
<u>Revenue Gain</u> – (§144.1420) From increased sales tax on hemp derived consumable products p.12	Could exceed \$1,633	Could exceed \$3,919	Could exceed \$3,919
<u>Revenue Loss</u> - (§149.015) From reduced sales tax revenue from lower demand on cigarette sales p.15	(\$1,805)	(\$4,332)	(\$4,332)
<u>Revenue Gain</u> – (§149.160) From increased sales tax on other tobacco products p.18	\$3,040	\$7,295	\$7,295
<u>Revenue Gain</u> – (§149.160) From increased sales tax on vapor products p.19	\$24,456	\$58,694	\$58,694

<b>FISCAL IMPACT – State Government</b>	<b>FY 2027 (10 Mo.)</b>	<b>FY 2028</b>	<b>FY 2029</b>
<u>Revenue Gain</u> – (§149.160) From increased sales tax on alternative nicotine products p.20	\$7,180	\$17,231	\$17,231
<u>Revenue Gain</u> – (§149.160) From increased sales tax on smoking accessories p.21	\$5,194	\$12,466	\$12,466
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND (1609)</b>	<b>Could exceed \$39,698</b>	<b>Could exceed \$95,273</b>	<b>Could exceed \$95,273</b>
<b>PARKS AND SOILS STATE SALES TAX FUNDS (1613 &amp; 1614)</b>			
<u>Revenue Gain</u> – (§144.1420) From increased sales tax on hemp derived consumable products p.12	Could exceed \$1,307	Could exceed \$3,136	Could exceed \$3,136
<u>Revenue Loss</u> - (§149.015) From reduced sales tax revenue from lower demand on cigarette sales p.15	(\$1,444)	(\$3,466)	(\$3,466)
<u>Revenue Gain</u> – (§149.160) From increased sales tax on other tobacco products p.18	\$2,432	\$5,836	\$5,836
<u>Revenue Gain</u> – (§149.160) From increased sales tax on vapor products p.19	\$19,565	\$46,955	\$46,955
<u>Revenue Gain</u> – (§149.160) From increased sales tax on alternative nicotine products p.20	\$5,744	\$13,785	\$13,785
<u>Revenue Gain</u> – (§149.160) From increased sales tax on smoking accessories p.21	\$4,155	\$9,973	\$9,973

<b>FISCAL IMPACT – State Government</b>	<b>FY 2027 (10 Mo.)</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS (1613 &amp; 1614)</b>	<b>Could exceed <u>\$31,759</u></b>	<b>Could exceed <u>\$76,219</u></b>	<b>Could exceed <u>\$76,219</u></b>
<b>HEALTH INITIATIVES FUND (1275)</b>			
<u>Revenue Loss</u> – (\$149.015) From reduced excise tax revenue from lower demand on cigarette sales p.15	(\$143,299)	(\$343,918)	(\$343,918)
<u>Revenue Loss</u> – (\$149.160) From reduced excise tax revenue from lower demand on other tobacco product sales p.18	(\$369)	(\$886)	(\$886)
<u>Revenue Gain</u> – (\$149.160) From sales tax on vapor products p.19	\$6,219,726	\$8,292,968	\$8,292,968
<u>Revenue Gain</u> – (\$149.160) From sales tax on Alternative Nicotine Products p.20	<u>\$4,699,370</u>	<u>\$6,265,827</u>	<u>\$6,265,827</u>
<b>ESTIMATED NET EFFECT ON HEALTH INITIATIVES FUND (1275)</b>	<b><u>\$10,775,428</u></b>	<b><u>\$14,213,991</u></b>	<b><u>\$14,213,991</u></b>
<b>STATE SCHOOL MONEYS FUND (1616)</b>			
<u>Revenue Loss</u> – (\$149.015) From reduced excise tax revenue from lower demand on cigarette sales p.15	(\$322,423)	(\$773,815)	(\$773,815)
<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND (1616)</b>	<b><u>(\$322,423)</u></b>	<b><u>(\$773,815)</u></b>	<b><u>(\$773,815)</u></b>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>FAIR SHARE FUND (1687)</b>			
<u>Revenue Loss</u> – (\$149.015) From reduced excise tax revenue from lower demand on cigarette sales p.15	(\$143,299)	(\$343,918)	(\$343,918)
<b>ESTIMATED NET EFFECT ON FAIR SHARE FUND (1687)</b>	<b><u>(\$143,299)</u></b>	<b><u>(\$343,918)</u></b>	<b><u>(\$343,918)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost</u> – (§137.1077) To implement and monitor p.11	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> – (§137.1077) Reduced/no real property tax collected from qualifying veterans p.5	\$0	(\$101,865,254)	(\$101,865,254)
<u>Transfer In</u> – (§137.1077) From Veterans Property Tax Relief Fund	\$28,392,851	\$68,142,843	\$68,142,843
<u>Revenue</u> – (§144.1420) From increased sales tax on hemp derived consumable products p.12	Could exceed \$61,405	Could exceed \$147,371	Could exceed \$147,371
<u>Revenue Loss</u> – St Louis County (§149.015) From reduced excise tax revenue from lower demand on cigarette sales p.15	(\$13,553)	(\$32,528)	(\$32,528)
<u>Revenue Loss</u> – Jackson County (§149.015) From reduced excise tax revenue from lower demand on cigarette sales p.15	(\$9,718)	(\$23,324)	(\$23,324)
<u>Revenue Loss</u> - (§149.015) From reduced sales tax revenue from lower demand on cigarette sales p.15	(\$67,869)	(\$162,885)	(\$162,885)
<u>Revenue Gain</u> – (§149.160) From increased sales tax on other tobacco products p.18	\$114,285	\$274,284	\$274,284
<u>Revenue Gain</u> – (§149.160) From increased sales tax on vapor products p.19	\$919,529	\$2,206,870	\$2,206,870

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<u>Revenue Gain</u> – (\$149.160) From increased sales tax on alternative nicotine products p.20	\$269,953	\$647,887	\$647,887
<u>Revenue Gain</u> – (\$149.160) From increased sales tax on smoking accessories p.21	\$195,307	\$468,737	\$468,737
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>Could exceed \$29,862,190</b>	<b>Up to (\$30,195,999)</b>	<b>Up to (\$30,195,999)</b>

FISCAL IMPACT – Small Business

Certain small businesses that sell hemp, tobacco, nicotine, and/or vapor products could be impacted by this proposal.

FISCAL DESCRIPTION

This bill establishes the "Veterans and Gold Star Family Property Tax Relief Act".

The bill creates an annual exemption from the property taxes levied on the qualified residence of a disabled veteran, Purple Heart recipient, or Gold Star spouse. A Gold Star spouse is the surviving, unmarried spouse of a veteran who was killed in action, who died from wounds received in combat while serving on active duty, or who died as a result of diseases related to a presumed toxic exposure or injury due to a presumed toxic exposure while serving on active duty, and who is certified by the United States Department of Veterans Affairs as a recipient of dependency and indemnity compensation under Federal law.

The exemption is limited to amounts based on disability rating as follows:

- (1) For disabled veterans with a disability rating of 30% percent or more but less than 50% percent, the annual exemption will be \$3,000 for a disability rating of 30% and the amount will be increased in proportion to the percentage of the disabled veteran's disability rating for disabled veterans with a disability rating of more than 30% but less than 50%, not to exceed \$5,000;
- (2) For disabled veterans with a disability rating of 50% percent or more but less than 70% percent or Purple Heart recipients, the annual exemption will be \$5,000 for a disability rating of 50% and the amount will be increased in proportion to the percentage

of the disabled veteran's disability rating for disabled veterans with a disability rating of more than 50% but less than 70%, not to exceed \$10,000; and

(3) For disabled veterans with a disability rating of 70% or more or Gold Star spouses, the annual exemption is equal to 100% of the property tax levied on the qualified residence.

The exemption carries over to the benefit of the disabled veteran's or Purple Heart recipient's surviving spouse as long as the spouse holds the legal or beneficial title to the qualified residence, permanently resides therein, and does not remarry.

The bill creates the "Veterans Property Tax Relief Fund" which will be used to reimburse counties or cities not within a county for verified property tax revenue lost as a result of the tax exemption. Additionally, the Missouri Veterans' Commission can retain an amount not to exceed 1% to offset the costs of administration of the tax exemption.

The bill creates new taxes on alternative nicotine products, hemp products, vapor products, tobacco products other than cigarettes, and tobacco paraphernalia. The tax will be 10% of the distributor's invoice price, before discounts and deals, with the money going to the Veterans' Property Tax Relief Fund. This bill also raises taxes on cigarettes to five mills per cigarette with the money going to the Veterans' Property Tax Relief Fund.

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  
Department of Public Safety – Veteran's Commission  
Department of Social Services  
Office of the Secretary of State  
Office of the State Treasurer  
City of Clarence  
City of Kansas City  
Newton County Health Department  
St Louis City Assessor  
Branson Police Dept  
Kansas City Police Dept.  
St. Louis County Police Dept  
Kearney Fire & Rescue Protection District (KEAR) - Clay  
Eastern Clay Ambulance District  
County Employees Retirement Fund (CERF)  
JCAR (Joint Committee On Administrative Rules)

L.R. No. 4245H.021

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Joint Committee On Public Employee Retirement (JCPER)

State Tax Commission

Adair County SB 40 DD Board

Boone County SB 40 (Boone County Family Resources)

Callaway County SB 40 Board



Julie Morff

Director

March 10, 2026



Jessica Harris

Assistant Director

March 10, 2026