

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4419H.08R
Bill No.: Re-Perfected HCS No. 2 for HB 2780
Subject: Taxation and Revenue - Property; Property, Real and Personal; Political
Subdivisions; County Officials; Counties
Type: Original
Date: March 3, 2026

Bill Summary: This proposal modifies provisions governing property taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	(\$146,286)	(\$29,989)	(\$30,739)
Total Estimated Net Effect on General Revenue	(\$146,286)	(\$29,989)	(\$30,739)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

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

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*	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown

*Oversight cannot reasonably estimate the net effect on local political subdivisions with the information available.

FISCAL ANALYSIS

ASSUMPTION

§§137.073 & 137.115 - Levies by Subclass

Oversight assumes this provision could result in potential redistribution of property tax revenues among subclasses. Oversight assumes the fiscal impact on local political subdivisions is dependent upon future assessed valuation growth and levy decisions. Oversight will show an unknown negative or unknown positive impact to local political subdivisions.

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

§137.073 – Temporary vs. Permanent Levy

Oversight assumes this provision specifies that, if the voters in a political subdivision approve a temporary levy increase prior to the expiration of a previously approved temporary levy increase, the new tax rate ceiling will remain in effect only until the temporary levy increase expires under the terms originally approved by a vote of the people. At that time, the tax rate ceiling will be decreased by the amount of the temporary levy increase unless voters of the political subdivision are asked to approve an additional permanent increase and such increase is approved.

Oversight does not anticipate a fiscal impact from this proposal. Therefore, Oversight will reflect a zero impact in the fiscal note.

§137.073 - Voter-Approved Increased Tax Rate Ceiling

Oversight assumes this provision clarifies the treatment of voter-approved increases to property tax rate ceilings. Oversight assumes this provision does not mandate a tax increase; it only governs the treatment of rates already approved by voters. Therefore, Oversight does not anticipate a fiscal impact from this proposal. Therefore, Oversight will reflect a zero impact in the fiscal note.

§137.079 – Single Tax Rate Requirement

Oversight assumes this provision modifies levy certification procedures. Oversight does not anticipate a fiscal impact from this proposal. Therefore, Oversight will reflect a zero impact in the fiscal note.

§137.115.1(5) - Subclass (3) Real Property Valuation

Officials from the **St Louis City Assessor** assume this change is not practical and do not comport with real estate valuation norms. Real Estate professionals are aware that residential and commercial property valuation are different and unique disciplines – the same rules do not apply to one as it does to the other.

The requirement that there be sales of at least 3 comparable properties may not be possible for some property types (casinos, data centers, stadiums, arenas, natural or petroleum gas storage, etc.) Additionally, for some commercial sales, like hotels and motels, the sales prices include business value and personal property value and would overstate the value to the land and buildings if required to be used.

Furthermore, sales of commercial properties are rarely within a mile of each other. Many property types may be the only one in a jurisdiction (casino, data center) or may be spread out in location and not typically grouped together (malls, grocery, veterinary, etc.) There have been many professional appraisals provided to assessors on specialty properties where sales comparisons come from the Midwest region or from elsewhere in the continental states.

The requirement to be with 500 sq.ft. in size would likely result in no comparable sales being applied to any commercial property. When dealing with a 100,000 sq.ft. warehouse, comparables of anywhere from 50,000 to 150,000 or more might be used. For large offices of 500,000 sq.ft., comparables may range in size from 250,000 sq.ft. to 1,000,000 sq.ft. Because commercial properties are often tens of thousands of square feet, it would be very difficult, if not almost impossible, to meet this requirement.

The sales approach is not always used, nor is it always the best indicator of value for commercial property. The Income Approach is used in many commercial valuations because it is more relevant to market value in many cases, such as office buildings, retail property, many industrial and warehouse properties, hotels and motels, and many others. Requiring sales information for property that is more appropriately valued by the income approach will have a negative effect on the assessment process in Missouri.

§137.115 - Mandatory Physical Inspections

In response to a previous version, officials from the **Boone County Assessor** assumed the following costs for additional staff as a result of this provision:

Estimated Local Fiscal Impact	FY 2027	FY 2028	FY 2029
137.115(10) - 15% on Subclass # Additional Staff	\$300,000	\$320,000	\$350,000

Officials from the **St Louis City Assessor** assume the requirement to inspect commercial properties increasing by more than 15% would require additional resources. One to two additional field appraisers at a total cost of \$65k per employee would be expected.

Oversight assumes this provision states before any assessor may increase the assessed valuation of any parcel of utility, industrial, commercial, railroad, or other real property by more than 15% since the last assessment, the assessor must conduct a physical inspection of the property.

Oversight assumes local taxing entities may incur additional administrative costs to comply with this provision. Therefore, Oversight will show an unknown cost to local political subdivisions beginning in FY 2027.

§137.115 - Repeal of Opt-Out Provisions from HB 1150 (2002) and SB 960

Oversight assumes this provision repeals several opt-out provisions including setting separate levies to be calculated for each subclass of real property, tax rate ceilings, blended tax rates, tax rate calculations, and credit card usage to pay property taxes.

Oversight assumes jurisdictions that previously opted out may experience shifts in tax burden among property subclasses and/or changes in effective levy rates. Therefore, Oversight will show an unknown revenue impact to local political subdivisions beginning in FY 2027.

§163.021 – Operating Levy Floor

Officials from the **Department of Elementary and Secondary Education (DESE)** note this bill has the potential for a minor impact to the Foundation Formula (School Finance) application/calculations. DESE is unsure if these modifications would be able to be handled appropriately by the current/existing application in place today. DESE assumes the Foundation Formula (School Finance) is where these changes would be needed in order to provide proper funding per provisions for the proposal.

DESE is a consolidated agency under OA-ITSD. It is assumed that all new IT projects/systems will be bid out because all ITSD resources are at full capacity. DESE also assumed these changes/modifications are able to be programmed into the existing Foundation Formula (School Finance) application/code. DESE notes OA-ITSD services will be required at a cost of \$146,286 in FY 2027 (1,393.20 hours x \$105 per hour), \$29,989 in FY 2028, and \$30,739 in FY 2029.

No additional impact on DESE as the foundation formula is based on a performance levy of \$3.43 (see attached <https://dese.mo.gov/media/pdf/missouri-school-funding-formula>). The performance levy is set and does not change no matter the local property taxes of a district. Because of this, the proposed legislation will not have an impact on DESE outside of some modifications to the Foundation Formula application. However, this could have significant impact on LEAs.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the impact as estimated by DESE in the fiscal note for their agency.

In response to a previous version, officials from the **Department of Revenue (DOR)** noted this provision changes one of the calculations used determining what portion of the state adequacy target school districts would receive. This will not impact DOR.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

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 proposed legislation has a fiscal impact but did not provide any additional information.

Officials from the **Wellsville Middletown R-I School District** assume a conservative estimate is a loss of \$100,000. This would be noticeable in a \$4.5M budget.

Officials from the **County Employees Retirement Fund (CERF)** assume there is insufficient data to quantify HCS/HB 2780's exact impact. HCS/HB 2780 may result in an unknown, possibly negative, fiscal impact. 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 **Department of Social Services, Newton County Health Department, Branson Police Dept, Office of Administration - Budget and Planning,** and the **State Tax Commission** 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
GENERAL REVENUE			
<u>Cost – DESE/ITSD (\$163.021)</u> Programming changes to foundation formula p.4-5	(\$146,286)	(\$29,989)	(\$30,739)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$146,286)</u>	<u>(\$29,989)</u>	<u>(\$30,739)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost – Counties (\$137.115) Mandatory</u> physical inspections p.4	\$0	(Unknown)	(Unknown)
<u>Revenue Loss/Gain - (\$137.115)</u> Repeal of opt-out provisions from HB 1150 (2002) & SB 960 p.4	\$0	(Unknown) to <u>Unknown</u>	(Unknown) to <u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

The proposed legislation modifies provisions governing property taxes.

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

St Louis City Assessor
Boone County Assessor
Department of Elementary and Secondary Education
Department of Revenue
City of Kansas City
County Employees Retirement Fund (CERF)
Department of Social Services
Newton County Health Department
Branson Police Dept
State Tax Commission
Office of Administration - Budget and Planning
Eastern Clay Ambulance District
Wellsville Middletown R-I School District



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March 3, 2026



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