

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4430H.011
 Bill No.: HB 2306
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Housing; Veterans; Disabilities
 Type: Original
 Date: March 2, 2026

Bill Summary: This proposal authorizes the "Missouri Disabled Veterans' Homestead Exemption" relating to a disabled veteran residential real property assessed value exemption.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$0	Up to \$931,805	Up to \$931,805
Total Estimated Net Effect on General Revenue	\$0	Up to \$931,805	Up to \$931,805

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)	\$0	Could exceed (\$546,075)	Could exceed (\$546,075)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	Could exceed (\$546,075)	Could exceed (\$546,075)

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	(Could exceed \$81,034,866)	(Could exceed \$81,034,866)

FISCAL ANALYSIS

ASSUMPTION

§137.109 - Property Tax Exemption for Disabled Veterans

Officials from the **Department of Revenue (DOR)** assume 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. This is used for calculating real property tax. The exemption amount would be based on the severity of their disability.

Disability Rating	Exemption of Assessed Value
30% to 49%	\$10,000 of assessed value
50% to 69%	\$50,000 of assessed value
70% to 89%	\$150,000 of assessed value
90% to 99%	\$250,000 of assessed value
100%	\$500,000 of assessed value

Additionally, 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
<u>Rating not reported</u>	<u>4,715</u>
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.

The State Tax Commission and the County Assessors handle property tax, and DOR defers to them to provide an estimate of the impact.

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. This proposal notes that the veteran's property is not to be removed when calculating assessed value for the Blind Pension Fund. Therefore, no impact is expected to the Fund.

Additionally, DOR notes that if a military disabled veteran receives a lower property tax bill from the removal of some of the assessed value of their home, or reduces their real property tax to zero, they may no longer be eligible to claim the Senior Property Tax Credit. Currently a person can claim the Senior Property Tax Credit 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 \$1,100 and phases downward based on their increasing income. No longer being eligible for the PTC would result in a savings to general revenue.

The TY 2024 data shows that 2,072 disabled veterans were homeowners who claimed \$1,446,197 in property tax credits. It should be noted that a person who is claiming the PTC must check one of the boxes indicating they qualify for the credit. If a taxpayer is over the age of 65 and a disabled veteran, they may have checked the over 65 box, as it is the first one listed on the form. Therefore, the number of disabled veterans claiming the PTC could be higher. This proposal could result in a savings to general revenue of \$1,446,197.

It should be noted that property tax is handled by the County Assessors and the State Tax Commission. 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 to remove the 100% disabled veteran check box off the PTC form during the department's normal year end changes.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would grant a property tax exemption for qualifying veterans beginning with tax year 2027. The amount of the exemption is tied to the veteran's service-connected disability rating and is only on the veteran's primary residence.

B&P notes that property taxes are due December 31st of each tax year. Therefore, while this will begin for tax year 2027, it will not impact revenues until FY28 (December 31, 2027).

This proposal would also extend the exemption to a surviving spouse who has not moved or remarried. B&P does not have data on the number of surviving spouses that may qualify for this exemption.

Based on data published by the U.S. Veteran's commission, there are approximately 86,500 veterans in Missouri with a service-connected disability. Using 2024 PTC data, B&P notes that of those claiming the PTC as a disabled veteran, 55.6% 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 Veterans

Disability Rating Low	Disability Rating High	# Veterans	Est. # Owners
30%	40%	15,108	8,397
50%	60%	15,425	8,573
70%	80%	13,153	7,311
90%	90%	21,814	12,124
100%	100%	21,000	11,672
Total		86,500	48,077

*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.

This proposal would grant an exemption on at least a portion of residential real property tax based a veteran’s level of disability. Table 2 shows the exemption by disability rating.

Table 2: Exemption by Valuation

Disability Rating Low	Disability Rating High	Assessed Value Exemption	Equivalent Market Value
30%	40%	\$10,000	\$52,632
50%	60%	\$50,000	\$263,158
70%	80%	\$150,000	\$789,474
90%	90%	\$250,000	\$1,315,789
100%	100%	\$500,000	\$2,631,579

Based on data published by the U.S. Census Bureau, the median home value in Missouri was \$230,000 and the median real estate taxes paid in 2024 were \$1,948. B&P notes that apart from the lowest exemption amount, the maximum market values that would be exempted under this provision are all above the Census Bureau’s reported median amount. For this fiscal note, B&P will utilize the median house value and property tax paid amount for veterans with a disability rating of 50% or higher.

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.

Table 3: Estimated Amount Exempted

Disability Rating Low	Disability Rating High	Blind Pension	Local Property Tax	Total Property Tax
30%	40%	\$3.00	\$442.19	\$445.19
50%	60%	\$13.13	\$1,934.87	\$1,948.00
70%	80%	\$13.13	\$1,934.87	\$1,948.00
90%	90%	\$13.13	\$1,934.87	\$1,948.00
100%	100%	\$13.13	\$1,934.87	\$1,948.00

Using all the information above, B&P estimates that this proposal could reduce revenues to the Blind Pension Trust fund by \$546,075 annually beginning FY28. This proposal could also reduce local revenues by \$81,034,866 annually.

Table 4: Estimated Revenue Impact by Fund

Disability Rating Low	Disability Rating High	Blind Pension	Local Property Tax
30%	40%	(\$25,191)	(\$3,738,226)
50%	60%	(\$112,539)	(\$16,700,204)
70%	80%	(\$95,972)	(\$14,241,828)
90%	-	(\$159,153)	(\$23,617,552)
100%	-	(\$153,220)	(\$22,737,056)
Estimated Annual Impact	-	(\$546,075)	(\$81,034,866)

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 \$931,805 annually beginning in FY28 (for tax year 2027).

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

Officials from the **Newton County Health Department** assume this will create a negative fiscal impact on the Newton County Health Department with reduction in property tax revenue in the amount of tax not collected due to provisions of this bill.

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 **County Employees Retirement Fund (CERF)** assume there is insufficient data to quantify its exact impact. HB 2306 may result in an unknown fiscal impact to the County Employees' Retirement Fund.

Officials from the **State Tax Commission** assume this has a possible negative fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. It is unclear in the bill if the exemption applies to the assessment of the property or the taxes owed on the property. The assessor is designated in the bill with the responsibility of determining eligibility but they would not have access to the needed information to make that determination. The assessors are only responsible for property assessment and the collector is responsible for tax collection after the political subdivisions apply their levies.

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

Missouri homes occupied by veterans	10%	
Veteran home ownership rate	78%	
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	
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%
# of veterans x veteran home ownership rate	13,260	
Taxes on typical veteran's home (\$160k value)	\$2,489	

Disability Rating	Est. Taxes	Exemption
Disabled veterans with 30% to 49% disability (estimate)	\$2,613,672	on first 10k of assessed value
Disabled veterans with 50% to 69% disability (estimate)	\$7,920,220	on first 50k of assessed value
Disabled veterans with 70% to 89% disability (estimate)	\$7,920,220	on first 150k of assessed value
Disabled veterans with 90% to 99% disability (estimate)	\$7,920,220	on first 250k of assessed value
Disabled veterans with 100% disability (estimate)	\$1,320,037	on first 500k of assessed value

Total RE taxes exempted under legislation	\$27,694,368	Loss to All taxing jurisdictions
	\$5,538,874	Loss to City portion
	\$415,416	Loss to Collector of Revenue Fund
	\$173,090	Loss to Assessment Fund

Officials from the **Adair County SB 40 DD Board** assume a reduction in funding from personal and/or real property taxes would have a direct and significant impact on the essential supports provided by the Adair County SB40 Developmental Disability Board. SB40 funding enables the 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.

Oversight notes, per information on the State Tax Commission's [website](#), an applicant must meet the following requirements to qualify for the property tax exemption as it exists in current law:

- be a former prisoner of war; and
- a veteran of any branch of the armed forces of the United States or this state who became one hundred percent disabled as a result of his or her military service; and
- must own and occupy the homestead as a primary residence.

Oversight notes the phrase “total service-connected disability” exists in current law and for purposes of this fiscal note assumes it has the same meaning as noted above by the State Tax Commission.

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 B&P's estimated impact to the Blind Pension Fund in the fiscal note.

Oversight assumes this could reduce claims for the Property Tax Credit for individuals qualifying for the exemption. Oversight will show the savings to General Revenue provided by the Office of Administration - Budget and Planning.

Oversight notes property tax revenues are 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 some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Oversight 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.

Officials from the **Department of Public Safety – Veterans Commission, Department of Social Services, Phelps County Sheriff, Branson Police Department, Kansas City Police Department,** and the **St. Louis County Police Department** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Gain</u> – DOR (§137.109) Veterans no longer claiming the Senior Property Tax Credit p.5	<u>\$0</u>	<u>Up to \$931,805</u>	<u>Up to \$931,805</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>Up to \$931,805</u>	<u>Up to \$931,805</u>
BLIND PENSION FUND (1621)			
<u>Revenue Loss</u> – (§137.109) Reduced/no real property tax collected from qualifying veterans with a service- connected disability p.7	<u>\$0</u>	Could exceed <u>(\$546,075)</u>	Could exceed <u>(\$546,075)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)	<u>\$0</u>	Could exceed <u>(\$546,075)</u>	Could exceed <u>(\$546,075)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> – (§137.109) To implement and monitor p.9	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> – (§137.109) Reduced/no real property tax collected from qualifying veterans with a service-connected disability p.4	\$0	Could exceed (\$81,034,866)	Could exceed (\$81,034,866)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Could exceed \$81,034,866)	(Could exceed \$81,034,866)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill establishes the "Missouri Disabled Veterans Homestead Exemption" which provides a tiered property tax exemption system for veterans with disabilities. The exemptions are based on a disability percentage, certified by the United States Department of Veterans Affairs. For tax years beginning on or after January 1, 2027, an annual exemption will be given for a property that is used as a qualified residence owned by a veteran with a disability, limited to the amounts as follows:

- (1) For veterans with service-connected disability of 30% or more but less than 50%, the annual exemption is the first \$10,000 of the assessed value;
- (2) For veterans with a service-connected disability of 50% or more but less than 70%, the annual exemption is the first \$50,000 of the assessed value;
- (3) For veterans with a service-connected disability of 70% or more but less than 90%, the annual exemption is the first \$150,000 of the assessed value;
- (4) For veterans with service-connected disability of 90% or more but less than 100%, the annual exemption is equal to the first \$250,000 of the assessed value; and

(5) For veterans with service-connected disability of 100%, the annual exemption is equal to the first \$500,000 of the assessed value.

The exemption carries over to the benefit of the disabled veteran's surviving spouse as long as the spouse holds the legal or beneficial title to the qualified residence, permanently resides there, and does not remarry. No exemption will be allowed for the tax year in which the surviving spouse remarries. The exemption for a surviving spouse will remain proportional to the disabled veteran's disability rating as of the time of the veteran's passing.

If the person awarded the exemption subsequently becomes a resident of a facility licensed under Chapter 198, a Missouri veterans' home, or a facility operated by the United States Department of Veterans Affairs, the exemption will continue:

- (1) If the residence continues to be occupied by the disabled veteran's spouse; or
- (2) If the residence remains unoccupied but is still owned by the disabled veteran who qualifies for the exemption.

The bill requires each taxpayer that is granted the exemption to reapply on an annual basis and provide documentation specified in the bill

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
City of Kansas City
Newton County Health Department
Eastern Clay Ambulance District
County Employees Retirement Fund (CERF)
State Tax Commission
St Louis City Assessor
Adair County SB 40 DD Board
Department of Public Safety – Veterans Commission
Department of Social Services
Phelps County Sheriff

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Branson Police Department
Kansas City Police Department
St. Louis County Police Department



Julie Morff
Director
March 2, 2026



Jessica Harris
Assistant Director
March 2, 2026