

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4824S.06T
Bill No.: Truly Agreed To and Finally Passed SS for HCS for HB 1870
Subject: Banks and Financial Institutions; Civil Procedure
Type: Original
Date: June 18, 2026

Bill Summary: This proposal modifies provisions relating to garnishments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*OSCA's potential impact assumed to be less than \$250,000 annually.

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*	\$0	(Unknown)	(Unknown)

*Loss of garnishment collections.

FISCAL ANALYSIS

ASSUMPTION

§§513.380, 513.423, 513.430, 513.475 and 525.235 – Attachment, Execution, and Garnishment in Civil Proceedings

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

§513.380 Debtor's Examinations

This proposal amends the practice of debtor's examinations which has no impact upon the Department's collections. Although rarely employed, the Department has subpoena and examination authority uniquely granted it under Chapters 136 and 144, RSMo so does not employ collection tools under Chapter 513. The language though does ease the use of judicial examinations so the Department might weigh using this tool more.

§§513.423-513.475 Collection Remedies

This proposal amends and enacts new statutes regarding exempt property under execution collection remedies and the dollar value of such exempt property. This should have no impact on the Department's collections as Section 513.465 states that no statute in Chapter 513 exempts property from state tax collections and Sections 143.902 and 144.380, RSMo state no exemptions apply to executions for income and sales tax delinquencies.

§525.235 Bank Garnishments

This proposal enacts a new statute setting forth guidelines and responsibilities for bank garnishments. Before this statute, wage and bank garnishments were covered by the same statutes creating some unanswered issues for bank garnishments. This new statute clarifies the bank's role in garnishment processing as well as treating Missouri bank garnishments more like an IRS levy (i.e., the levy attaches only to funds existing at the time of service on the bank, not an ongoing levy on future deposits). This levy method could have an impact on the amount recovered by the Department by changing collections, but the department is unable to estimate the impact at this time. The impact, however, may be minimal. All other aspects of the newly created statute would have minimal litigation impact.

The impact is difficult to assess for the changes to bank garnishment for two reasons: Changes would not take effect until January 1, 2028, and the Missouri Supreme Court will need to enact new Supreme Court Rules to implement the statutory changes. The department's Collections and Tax Assistance Division believes the proposed changes could result in an increase in staff time handling phone calls and processing and will require software reconfiguration. CATA may need additional staff to handle the proposed legislative changes. DOR will have to wait until the

rules are established by the Supreme Court. Should additional resources become necessary the department will seek those resources through the appropriation process.

Oversight has no information to the contrary. Oversight assumes the “minimal” reduction in collections will be absorbable by the DOR and will present no fiscal impact to the DOR for this fiscal note.

Responses regarding the proposed legislation as a whole

Officials from the **Office of the State Courts Administrator (OSCA)** state this proposal may have some impact but there is no way to quantify that amount currently. Any significant changes will be reflected in future budget requests.

Oversight notes OSCA assumes this proposal may have some impact on their organization although it can't be quantified at this time. As OSCA is unable to provide additional information regarding the potential impact, Oversight assumes the proposed legislation will have a \$0 or (Unknown) cost to the General Revenue Fund. For fiscal note purposes, Oversight also assumes the impact will be under \$250,000 annually. If this assumption is incorrect, this would alter the fiscal impact as presented in this fiscal note. If additional information is received, Oversight will review it to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

In response to a previous version, officials from the **City of Kansas City** stated the proposed legislation has a negative fiscal impact of an indeterminate amount but at least \$250,000.00. Currently, the banks are required to hold all funds in the account on the day the garnishment is served and any money deposited after that date until the return date of the garnishment. For example, if the garnishment is served on a Thursday and there are \$500 in the bank account, the bank would hold that \$500. If the defendant had a direct deposit that went in the next day of \$2000, the bank would also hold that \$2000. At the return date, the bank would send the \$2500 plus any other funds held. Under this new section the bank would only send the \$500 and nothing that is put into the account afterwards. The majority of the funds collected through garnishment come from later deposited amounts, this would substantially impact the revenues received. Additionally, since the City does not control when the sheriff actually serves the bank, the City would have no ability to time the service to make sure that the City obtained the maximum amount of funds. In addition, in subsection (3), the change from \$600 to \$1500 wildcard exemption would reduce the amount that could be collected in a garnishment if a party were to invoke this section.

In addition, there is language in the bill that will give the financial institution 60 days to pay out potentially (525.235.8), although that section is confusing and it seems like the legislature is using the words judgment debtor when they mean judgment creditor. Depending on which they mean, this section would either run afoul of Supreme Court Rule 90.10 (if they mean judgment creditor) which requires that the garnishee pay/deliver such property to the court or attorney not later than ten days after the return date without order of the Court, or (if they do mean judgment

debtor) it could cause undue hardship for the judgment debtor by freezing their account for up to 60 days.

Oversight assumes there will be a potential loss to all local political subdivisions annually. Oversight notes §525.235 has an effective date of January 1, 2028.

Officials from the **Attorney General's Office, Oversight Division, and Phelps County Sheriff** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation, SB 835 (2026), officials from the **City of Osceola** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

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.

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
GENERAL REVENUE			
<u>Cost – OSCA (§§513.380-525.235)</u> Potential increase in court costs p.3	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss – Cities (§525.235)</u> Potential reduction in garnishments collected p.4	\$0	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	\$0	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

This proposal may have a negative impact on small businesses that have garnishments in place to collect owed funds.

FISCAL DESCRIPTION

EXAMINATION OF A JUDGMENT DEBTOR (Section 513.380)

Under current law, whenever an execution against the property of any judgment debtor must be returned unsatisfied, within five years of the return, the judgment creditor may be entitled to an order by the court rendering such judgment, requiring the judgment debtor to undergo an examination on the ability and means to satisfy the judgment, and in the case of neglect or refusal, issuing a writ of attachment and punishing the judgment debtor for contempt. This bill provides a judgment creditor must, upon motion made at any time before the judgment is satisfied of record and presumed paid, be entitled to such orders.

Additionally, under current law, a judgment debtor can be granted immunity from prosecution by any prosecuting or circuit attorney for statements made at a judgment debtor's examination. This bill instead requires a judgment debtor to enjoy full use and derivative immunity and provides

that no testimony in an examination can be used against a witness, except in cases of perjury or for giving false statements.

This section has a delayed effective date of January 1, 2027.

PROPERTY EXEMPT FROM ATTACHMENT AND EXECUTION (Sections 513.423, 513.430, 513.475)

The bill changes the value of property that can be exempt from attachment and execution as follows:

- (1) Household furnishings and goods, apparel, appliances, books, animals, crops, or musical instruments, held for personal, family, or household use from the current amount of \$3,000 to \$15,000 in value in the aggregate;
- (2) A wedding ring not exceeding \$1,500 in value and jewelry held for personal, family or household use from the current amount of \$500 to \$1,700 in value in the aggregate;
- (3) Any property of any kind from the current amount of \$600 to \$1,700 in the aggregate;
- (4) Any motor vehicles from the current amount of \$3,000 to \$5,000, which can be increased to the unused amount allowed for household furnishings, etc. listed in (1) above, not to exceed an additional \$10,000;
- (5) A mobile home used as a residence, from the current amount of \$5,000 to \$12,000.

The bill amends the maximum value of a homestead that can be exempt from attachment and execution, from the current aggregate value of \$15,000 to \$40,000.

Beginning April 1, 2029, and every three years thereafter, these amount will be adjusted to reflect the change in the Consumer Price Index for All Urban Consumers, published by the United States Department of Labor, or its successor index, as specified in the bill.

Beginning March 1, 2029, and every three years thereafter, the Revisor of Statutes must publish a schedule of adjusted dollar amounts annually, as specified in the bill.

Adjustments made in accordance with the three-year interval will not apply to cases commenced before the date of such adjustments.

These provisions have a delayed effective date of January 1, 2027.

ORDERS OF GARNISHMENT (Section 525.235)

This bill outlines orders of garnishment issued for the purpose of attaching to account funds held by a "financial institution", as such term is defined in the bill. Such orders must attach on the date of service, provided that the effective date of service is a banking day and made prior to the

business cutoff time, otherwise it will attach the next business day. If an account receives electronic deposits for exempted funds, the attachment date must be the date and banking day that the financial institution applies for the look-back analysis. Additionally, where there are two or more accounts, the amount can be withheld from any of the accounts identified in the order and attachment dates between the accounts can be different depending on the look-back analysis.

If the account is held in joint tenancy with an individual not subject to the order of garnishment, the entire amount must be withheld. The garnishee must provide a copy of the order of garnishment to each account holder within two business days to the address provided by the garnishee by mail or electronically. Each account holder can file an objection or a request of exemption of all or a portion of the account with the court that issued the order of garnishment within 30 days of the date the garnishment attaches and serve their objection or request for exemption on the garnishor and the garnishee. If the objection or request of exemption is not resolved within 30 days of the timely filing of the objection or request of exemption, the garnishee may pay the garnished funds to the circuit court to be held for pending resolution of the objection or request.

The return date for orders of garnishment must not be less than 30 days from the effective date of service. This bill also provides certain information to be included in orders of garnishment for funds held by financial institutions.

No party will seek a garnishment of account funds held by a financial institution unless there is a good-faith belief that the party to be served with the garnishment has, or will have, account assets of the judgment debtor. No more than one garnishment for the same claim and against the same judgment debtor will be issued within any 30-day period, unless exempted by court order, as detailed in the bill.

Furthermore, a financial institution does not have a duty to investigate or assert the defenses of a judgment debtor. A financial institution served with an order of garnishment and interrogatories must answer within 20 days and will release funds to the judgment debtor 60 days after an answer is submitted, or sooner if required under an order to pay or paid into the court.

A garnishee acting in good faith compliance with a facially valid order of garnishment shall not be liable to any debtor, creditor, or other person for withholding, restraining or releasing funds in reasonable reliance upon the terms of the writ or order.

A garnishee will not be required to adjudicate competing claims of ownership to property or funds; determine the legal sufficiency or validity of the underlying judgment; or investigate facts outside the information contained in the writ or the garnishee's business records.

A garnishee shall be liable for damages arising from a garnishment only if the garnishee fails to follow the clear and express terms of the writ of order; such failure constitutes gross negligence or willful misconduct; or actual damages are proven.

A garnishee shall not be liable if the garnishee corrects an error within five business days after receiving written notice identifying the alleged error and promptly releases any improperly restrained funds.

Temporary restraint of funds pending review of a claimed exemption shall not create liability if the garnishee, garnishor, and judgment debtor or other persons act within time frames required by law.

The provisions of this bill relating to orders of garnishment for funds held by financial institutions must be effective on January 1, 2028.

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

Attorney General's Office
Office of the State Courts Administrator
Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division
City of Kansas City
City of Osceola
Phelps County Sheriff



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