COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5060H.01I
Bill No.: HB 1766
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Motor Vehicles; County Officials; State Tax Commission
Type: Original
Date: January 12, 2026

Bill Summary: This proposal modifies provisions relating to personal property assessments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on Other 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 All 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)**	**(Unknown)**	**(Unknown)**

FISCAL ANALYSIS

ASSUMPTION

§137.073 - Personal Property Assessments

Oversight notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth.

Oversight notes omitting the increase in value from motor vehicles from new construction in the rate setting calculation would result in a higher adjusted assessed value (the denominator) relative to the authorized revenues (the numerator) in the rate setting calculation. This would reduce the tax rate applied to total assessed values thereby reducing revenues for all tax entities.

Oversight notes this proposal could reduce allowable revenue growth for local taxing entities over time.

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 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.

Officials from the **County Employees Retirement Fund (CERF)** assume HB 1766 would likely have a negative fiscal impact to CERF. 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. CERF notes that there is insufficient information to quantify the exact impact but CERF assumes that the impact would be negative. CERF would expect the changes in HB 1766 to potentially result in a deterioration of CERF's funding over time. Unless the funding is replaced with other sources, it likely has serious implications for CERF's long-term sustainability.

Officials from the **St Louis City Assessor** note the legislation affects property tax rate rollbacks by how personal property new construction is treated.

Personal property values since 2000 have been relatively stable over time. Since personal property new construction is just the comparison of the current year personal property total to the prior year personal property total, history would indicate that there has been limited increases or decreases over time.

For example, in 2023 there was personal property new construction as the 2023 personal property values were higher than the prior year. But then in 2025, the personal property values were lower than the prior year so there was no new construction.

It is unlikely that there will be any fiscal effect in even numbered years because the new construction numbers have rarely, if ever, increased enough in even years to cause a rollback. Taxing jurisdictions took in $87.6M more in 2023 than in 2022, after rolling back. If the legislation would have been in place, they would have taken in $83.5M more, so the amount of the increase in revenues would have been reduced by $3.97M.

The $3.97M difference is less than 1% of the taxes collected.

Officials from the **Washington County Assessor** note if this happened on average for Washington county, the county would lose $111,384.67. That's almost all of the county's 1% occupancy tax income for the budget.

In response to similar legislation, HB 2430 (2024), officials from the **Howell County Assessor** noted currently no software in use for assessment purposes has the ability to segregate market value increases of vehicles from new vehicles added to the assessment roll.

In response to similar legislation, HB 2430 (2024), officials from the **Lincoln County Assessor** noted by not allowing the personal property increases as new construction - school districts in particular will not receive the tax increase windfalls they have received in the past - therefore being more fair to the taxpayers.

Officials from the **Fairfax R-III School District** and **High Point R-III School District** both assume the proposal will have a fiscal impact but did not provide any additional information.

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 our 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.

Officials from the **Jasper County SB 40 Board** assume under HB 1766, tax rates for personal property cannot increase beyond the previous year's levy, even if assessed values decline. This restriction, combined with the removal of personal property growth from the "new construction" factor starting in 2027, will significantly limit SB 40 Boards' ability to maintain stable funding. When personal property values decrease, which often happens with vehicles, SB 40 Boards will experience revenue shortfalls without any mechanism to adjust rates upward to compensate.

Officials from the **Callaway County SB 40 Board** assume HB 1766 modifies Missouri law relating to personal property assessments and levy calculations by eliminating the treatment of aggregate personal property valuation increases as new construction beginning in 2027 and by reinforcing limits on personal property levy growth. While the bill standardizes assessment practices, it restricts the ability of local taxing entities to realize revenue growth from personal property.

Senate Bill 40 organizations, including Callaway County Special Services (CCSS), rely on local property tax levy revenue to assess community needs and sustain a coordinated network of essential, community-based services serving more than 230 individuals with intellectual and developmental disabilities (IDD) and their families in Callaway County.

In Callaway County, personal property taxes account for approximately 27.24% of the local developmental disability tax levy. By limiting recognition of valuation growth for personal property, HB 1766 creates a long-term constraint on this revenue source, increasing fiscal pressure on levy-dependent SB40 services.

Services supported in part by personal property tax revenue include employment supports, transportation, inclusive community-based programs, and essential family resources. These services advance statutory goals of independence, community integration, and quality of life, while strengthening the overall social and economic well-being of Callaway County.

Before implementing changes that restrict personal property tax revenue growth, the cumulative impact on individuals with IDD, their families, and SB40 boards must be carefully evaluated. Absent a sustainable and equitable replacement funding mechanism, HB 1766 poses a long-term risk to the ability of Senate Bill 40 organizations to meet their statutory obligations and preserve critical community-based supports.

Officials from the **Pettis County SB 40 Board** assume a reduction in funding from personal property and/or real property taxes would have significant consequences on critical support for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Pettis County Board of Services for the Developmentally Disabled assess local needs and nurture a strong network of high-quality services that are essential to over 620 people with IDD and their families.

The services supported by personal property taxes include employment opportunities, inclusive community programs, and vital resources for families. Beyond supporting individuals with IDD, these programs enrich lives and strengthen the overall fabric of the community, fostering a more equitable and inclusive society.

The broader implications for individuals, families, and the community must be carefully considered before any changes to the funding mechanisms are implemented. If reductions in personal property and/or real property taxes are pursued, it is imperative to establish a sustainable and equitable mechanism to replace this funding. Doing so will ensure that Senate Bill 40 organizations can continue fulfilling their critical mission of supporting individuals with IDD and their families, while preserving the broader community benefits these services provide.

Officials from the **Rolling Hills Consolidated Library** assume not counting an increase in personal property value as "new construction" will have a fiscal impact on taxable income for the library district but it is unclear at this time how much that might be. It would depend on what the items were and how much the value increased.

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

Officials from the **Office of Administration - Budget and Planning**, **Department of Social Services**, **State Tax Commission**, **City of Kansas City**, **Newton County Health Department**, **Phelps County Sheriff**, **Kansas City Police Department**, **Branson 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 schools and 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>Rule Promulgation</u>

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.

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029
	$0	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
Cost – Counties (§137.073) To administer the changes to rate calculation from this proposal p.3	(Unknown)	(Unknown)	(Unknown)
Revenue Loss – (§137.073) Personal property value increases not considered new construction p.3	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Currently, local county assessors determine the value of new construction and improvements of both real and personal property by maintaining a yearly record of increases in valuation for each political subdivision in the county that results from new construction or improvements. The aggregate increase in valuation of personal property for the current year over that of the previous year is the equivalent of the new construction and improvements factor for personal property.

Beginning January 1, 2027, any increase in the aggregate valuation of personal property for the current year over that of the previous year can not be counted as new construction.

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 Social Services
State Tax Commission
Joint Committee on Administrative Rules
Office of the Secretary of State (SOS)
County Employees Retirement Fund (CERF)
St Louis City Assessor
Washington County Assessor
Howell County Assessor
Lincoln County Assessor
Fairfax R-III School District
High Point R-III School District
Boone County SB 40 (Boone County Family Resources)
Jasper County SB 40 Board
Callaway County SB 40 Board
Pettis County SB 40 Board
Rolling Hills Consolidated Library
Eastern Clay Ambulance District
City of Kansas City
Newton County Health Department
Phelps County Sheriff
Kansas City Police Dept.
St. Louis County Police Dept

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