

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5348H.02C  
 Bill No.: HCS for HB 2178  
 Subject: Taxation and Revenue - Property; Property, Real and Personal; Political Subdivisions; County Officials; State Tax Commission  
 Type: Original  
 Date: January 27, 2026

Bill Summary: This proposal modifies provisions governing the taxation of property.

**FISCAL SUMMARY**

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\* Oversight assumes there could be an impact to the Blind Pension Fund if this proposal lowers the assessed value in the event of a delay by the board of equalization (BOE). Oversight does not anticipate the impact to exceed \$250,000.

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
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §§137.115, 138.010, 138.060, 138.390, and 138.430 - Taxation of Property

Officials from the **St. Louis City Assessor** assume the city will need one to two employees for additional inspection requirements of \$65,000 to \$130,000, annually. In addition, pay for other parties' court costs, \$25,000 for each instance.

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

In response to a previous version, officials from the **Eastern Clay Ambulance District, Fairfax R-III School District, and High Point R-III District** each assumed the proposal will have a fiscal impact but did not provide additional information.

Officials from the **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 county'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 **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 our 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.

In response to a previous version, officials from the **Callaway County SB 40 Board** assumed House Bill 2178 (HB 2178) modifies Missouri law governing the assessment, classification, and appeal of real and tangible personal property for taxation purposes. While the bill does not directly reduce tax rates or levies, it establishes new procedural requirements that may suppress or delay growth in assessed valuation, thereby constraining property tax revenue growth for local taxing entities.

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

By expanding inspection requirements, shifting burdens of proof in assessment appeals, and limiting equalization-related valuation increases, HB 2178 increases the likelihood that assessed values will grow more slowly over time. These constraints reduce CCSS's ability to maintain purchasing power as service demand, workforce costs, and regulatory requirements continue to rise, even absent an explicit levy reduction.

Services supported through the SB40 levy 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 social and economic well-being of Callaway County.

Before implementing statutory changes that affect assessment practices and valuation growth, the cumulative impact on individuals with IDD, their families, and levy-dependent SB40 boards must be carefully evaluated. Absent a sustainable and equitable mitigation or replacement funding mechanism, HB 2178 presents a fiscal risk to the ability of Senate Bill 40 organizations to meet their statutory obligations and preserve critical community-based supports.

In response to a previous version, officials from the **Jasper County SB 40 Board** noted SB 40 boards rely on local property tax revenue to fund programs that support independence,

employment, housing, and transportation for individuals with developmental disabilities. While HB 2178 does not reduce the personal property assessment rate, it introduces procedural changes—such as new appeal rules, physical inspection requirements, and opt-out provisions—that could create uncertainty or delays in property tax collections.

Even small fluctuations in revenue can significantly affect SB 40 boards’ ability to deliver these critical services.

Officials from the **County Employees’ Retirement Fund (CERF)** assume Section 137.115 and Section 138.430 have no fiscal impact to the County Employees’ Retirement Fund. There is insufficient information and data to quantify the exact impact of Section 138.010, Section 138.060, and Section 138.390. These sections may result in an unknown fiscal impact to the County Employees’ Retirement Fund.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume that the provisions may constitute a “substantial proposed change” in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

In response to a previous version, officials from the **Rolling Hills Consolidated Library** noted regular increases to property valuations in keeping with inflation are a necessary part of funding public services through property taxes. This bill limiting increases to valuations and dismissing assessor's valuations will have an impact on library funding, but a dollar value cannot be calculated at this time.

**Oversight** assumes there could be costs to local taxing entities for additional inspection requirements and the potential reimbursement of taxpayer’s court costs. Oversight will show an unknown cost to local political subdivisions.

Additionally, Oversight assumes there could be an impact to the Blind Pension Fund and local political subdivisions if this proposal lowers the assessed value in the event of a delay by the board of equalization (BOE).

Officials from the **Department of Revenue, Office of Administration - Budget and Planning, Department of Social Services, State Tax Commission, Newton County Health Department, Kansas City Police Department, and 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.

In response to a previous version, officials from the **Branson Police Department** assumed 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 this agency.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other county collectors and assessors 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
<b>BLIND PENSION FUND (1621)</b>			
<u>Revenue Loss</u> – (\$138.010) Lowered assessed value if not heard by the BOE p.5	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND (1621)</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Loss</u> – (\$138.010) Lowered assessed value if not heard by the BOE p.5	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<u>Cost</u> – Counties (§§137.115-138.430) Changes to inspection procedures and reimbursement of court costs for appeals p.5	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill provides that, if a valuation of utility, industrial, commercial, railroad, or other form of real property in subclass(3) within any county with a charter form of government or within a city not within a county is made by a computer or computer program, the burden of proof to sustain such valuation must be on the assessor at any hearing or appeal.

The bill also provides that, before the assessor can increase the assessed valuation of any parcel of subclass (3) real property by more than 15%, since the last assessment, the assessor must conduct a physical inspection of the property.

This bill provides that, if a property's assessed value increased by 15% percent or more and the board of equalization does not hear and decide the case by September 30th in a reassessment year, the appeal is automatically dismissed. In this case, the assessor's increased assessed valuation will be voided in its entirety, and the previous year's assessed valuation must be applied to the property in its place.

The bill provides that in the event the assessor fails to provide sufficient evidence to establish that the physical inspection was performed correctly, the owner must prevail on the appeal, the assessor's increased valuation must be voided in its entirety, and the previous assessed valuation must be applied to the property in its place. Furthermore, if a taxpayer submits a licensed Missouri appraisal to the board of equalization at least five days before the appeal hearing, the appraisal's value must be presumed correct, unless the assessor presents strong evidence to the contrary.

This bill provides that, when the State Tax Commission (STC) equalizes the valuation of a class or subclass of property that results in an increase of more than 15% in a single tax year, the increase must be evenly divided between each of the next reassessment cycles in a way that does not cause any single year to increase beyond 15%.

The bill provides that the taxpayer must be awarded the costs of the appeal and reasonable attorney's fees if an assessor appeals certain decisions of the STC to the court and the taxpayer is the prevailing party.

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  
Department of Social Services  
State Tax Commission  
St. Louis City Assessor  
City of Kansas City  
Eastern Clay Ambulance District  
Fairfax R-III School District  
High Point R-III District  
SB 40 (Boone County Family Resources)  
Calloway County SB 40 Board  
Jasper County SB 40 Board  
County Employees' Retirement Fund  
Joint Committee on Public Employee Retirement  
Rolling Hills Consolidated Library  
Newton County Health Department  
Kansas City Police Department  
St. Louis County Police Department  
Branson Police Department



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