

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5348H.02P
Bill No.: Perfected HCS for HB 2178
Subject: Taxation and Revenue - Property; Property, Real and Personal; Political
Subdivisions; County Officials; State Tax Commission
Type: Original
Date: February 19, 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
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
Blind Pension Fund (1621)*	\$0 or (Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Unknown)	(Unknown)	(Unknown)

* Oversight assumes the impact to the Blind Pension Fund could exceed \$250,000.

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)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency 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.

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

In response to a previous version, officials from the **St. Louis City Assessor** assumed 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.

In response to a previous version, officials from the **City of Kansas City** assumed 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 School District** each assumed the proposal will have a fiscal impact but did not provide additional information.

In response to a previous version, officials from **SB 40 (Boone County Family Resources)** assumed 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.

In response to a previous version, officials from the **Adair County SB 40 Board** assumed 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 board's 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 there is insufficient data to quantify these sections' exact impact. They may have an unknown, possibly negative, fiscal impact to the County Employees' Retirement Fund.

In response to a previous version, officials from the **Joint Committee on Public Employee Retirement (JCPER)** assumed 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).

In response to a previous version, officials from the **Department of Revenue, Office of Administration - Budget and Planning, State Tax Commission, Kansas City Police Department, Branson Police Department, and St. Louis County Police Department** each

assumed 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.

§§137.115 & 138.390 House Amendment 1 (HA 1) – 15% Cap on Reassessment Cycles

Oversight assumes that this provision would limit the amount of reassessment-driven revenue growth available to political subdivisions in reassessment years where assessed valuations increase by more than fifteen percent.

Oversight further assumes the magnitude of any reduction would vary by county and depend on the frequency and reassessment increases above the fifteen-percent threshold. Therefore, Oversight will show an unknown loss to local political subdivisions.

Oversight assumes counties may also incur additional administrative costs to calculate, track, and apply the proposed credits.

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 assumes an Unknown, potentially significant reduction to the Blind Pension Fund in reassessment years where valuation increases exceed fifteen percent.

§137.016 House Amendment 2 (HA 2) – Classification of Residential Real Property

In response to similar legislation, HB 1768 (2026), officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal would classify single family short-term rental property as residential real property. B&P notes that such property is currently assessed as either commercial or mixed-use (residential and commercial). Residential real property is assessed at 19% of true market value, while commercial real property is assessed at 32% of true market value.

B&P noted that in addition to local property taxes, the Blind Pension Trust fund levies a statewide property tax of \$0.03 per \$100 value. Therefore, assessing such property as only residential real property will likely result in lower state and local property tax collections by an unknown amount.

In response to similar legislation, HB 1768 (2026), officials at the **State Tax Commission (STC)** reviewed this proposal and determined this proposal may have a negative impact on the taxing jurisdictions relying on property taxes as a source of revenue. Current statute allows assessors to assess single family homes as commercial properties if they are regularly rented out for time periods less than a month, and this proposal would require assessors to assess these homes as residential property, which includes a lower rate.

In response to similar legislation, HB 1768 (2026), officials from the **City of Kansas City** assumed the proposed legislation has a negative fiscal impact of \$1.4 to \$1.5 million.

In response to similar legislation, SB 1088 (2026), officials from the **St Louis City Assessor** assumed the following impact:

Commercial tax	Residential tax	Diff in taxes
\$2,006,106	\$999,916	(\$1,006,189)

(\$1,006,189) Loss to all taxing jurisdictions
(\$201,238) Loss to City of St. Louis
(\$15,093) Loss to Collector of Revenue Fund
(\$6,289) Loss to Assessment Fund

In response to similar legislation, HB 1768 (2026), officials from the **High Point R-III School District** assumed a fiscal impact but did not provide any additional information.

In response to similar legislation, HB 1768 (2026), officials from the **Callaway County SB 40 Board** assumed House Bill 1768 (HB 1768) modifies provisions relating to the classification of residential real property used for short-term rentals by clarifying that qualifying single-family homes remain classified as residential property. While the bill provides statutory clarity and consistency in classification, it may reduce assessed valuation growth and limit property tax revenues available to 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 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.

Any reduction in, or limitation on the growth of, real property tax revenue resulting from reclassification under HB 1768 would directly affect levy-dependent SB40 services.

In response to similar legislation, HB 1768 (2026), officials from the **Pettis County SB 40 Board** assumed a reduction in funding from personal property and/or real property taxes would have significant consequences on critical supports 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.

In response to similar legislation, HB 1768 (2026), officials from the **Department of Social Services** and the **Twin Rivers R-X School District** each assumed 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 notes this proposal reclassifies single family short-term rental properties as residential property.

Oversight notes according to the [Property Reassessment and Taxation Manual](#) on the MO State Tax Commission website, Real Property is currently assessed as follows:

Subclass	Rate
(1) residential	19%
(2) agricultural and horticultural	12%
(3) utility, industrial, commercial, railroad, and other property	32%

Oversight notes the reduction of assessment percentage from 32% to 19%, (approximately a 41% proportional decrease) for qualifying properties will result in a decrease in assessed value relative to current law.

Oversight is uncertain what proportion of assessed value would be reclassified under this proposal.

Oversight notes the Blind Pension Fund (1621) is calculated as an annual tax of three cents on each one hundred dollars of assessed valuation of taxable property ((Total Assessed Value/100)*.03). Because this proposal reduces 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 does not have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2028.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. This would be approximately a 1.0% change in the assessed value of all residential property.

Oversight notes property tax revenues are designed to be relatively revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to other property owners.

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.

§§115.240 & 115.706 House Amendment 3 (HA 3) - Ballot Labeling

Oversight does not anticipate a fiscal impact from these provisions. However, Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

§§137.115, 137.180, & 137.355 House Amendment 4 (HA 4)- Assessment Notice & Physical Inspection Requirements

Oversight assumes there could be costs for implementation and computer programming. Oversight will show an unknown cost to county assessors to implement this proposal beginning in FY 2028.

§138.135 (HA 4) - BOE/STC Procedures

Oversight assumes there could be an unknown negative fiscal impact on St Louis County for increased reimbursements to taxpayers for property tax appeals. Oversight will show a range of impact of \$0 (no additional cost) to an unknown cost beginning in FY 2028.

§138.434 (HA 4)- Attorney Fee Reimbursement in Appeals

Oversight assumes this may increase litigation-related costs for counties and other political subdivisions in qualifying cases. Oversight will reflect an Unknown cost to local governments,

§139.031 (HA 4) - Protested Tax Procedures

Oversight assumes these changes may affect the timing of revenue availability for taxing authorities and the amount of interest paid on refunded taxes. Oversight does not anticipate a material fiscal impact from this provision.

Responses regarding the proposed legislation as a whole

Officials from the **County Employees' Retirement Fund (CERF)** assume there is insufficient information and data to quantify the exact impact of Section 138.010, Section 138.060. These sections may result in an unknown fiscal impact to the County Employees' Retirement Fund.

Officials from the **Office of the Secretary of State, Department of Social Services, St. Louis City Board of Elections** and the **Newton County Health 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 received a limited number of responses from taxing entities related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
BLIND PENSION FUND (1621)			
<u>Revenue Loss</u> – (\$138.010) Lowered assessed value if not heard by the BOE p.5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Loss</u> (§§137.115 & 138.390) (HA 1) – 15% cap on reassessment cycles p. 6	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> - (\$137.016) (HA 2) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.8	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)	\$0 or (Unknown)	(Unknown)	(Unknown)

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

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<u>Revenue Loss</u> (§§137.115 & 138.390) (HA 1) – 15% cap on reassessment cycles p. 6	\$0	(Unknown)	(Unknown)
<u>Cost – Counties</u> (§§137.115 & 138.390) (HA 1)– to track and implement property tax credits p. 6	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> - (§137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.8	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> – (§§137.115, 137.180, &137.355) (HA 4) Assessment notice & physical inspection requirements	\$0	(Unknown)	(Unknown)
<u>Revenue Change</u> – 1 st class charter counties and St. Louis City (§138.135) (HA 4) - BOE/STC Procedures	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost</u> – (§138.434) (HA 4)- Attorney fee reimbursement in appeals	(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

The proposed legislation modifies provisions governing the taxation of property.

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

City of Kansas City

Clay Ambulance District
Fairfax R-III School District
High Point R-III School District
SB 40 (Boone County Family Resources)
Adair County SB 40 Board
Callaway County SB 40 Board
Jasper County SB 40 Board
County Employees' Retirement Fund (CERF)
Joint Committee on Public Employee Retirement (JCPER)
Rolling Hills Consolidated Library
Department of Revenue
Office of Administration - Budget and Planning
Department of Social Services
State Tax Commission
Newton County Health Department
Kansas City Police Department
St. Louis County Police Department
Branson Police Department
St Louis City Assessor
Pettis County SB 40 Board
Twin Rivers R-X School District
St. Louis City Board of Elections



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