

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5412H.02C
 Bill No.: HCS for HB 2098
 Subject: Property, Real and Personal; Taxation and Revenue - Property; Parks and Recreation; Entertainment, Sports and Amusements; County Officials
 Type: Original
 Date: February 16, 2026

Bill Summary: This proposal modifies provisions governing the classification of real 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	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

*Oversight assumes the fiscal impact could exceed the \$250,000 threshold.
 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)

FISCAL ANALYSIS

ASSUMPTION

§§137.016.1.(b) & 137.016.1.(e) – Reclassification of Certain Real Property

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal expands the definition of residential property to include all non-commercial recreational areas.

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 notes 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.

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it will have a negative fiscal impact on school districts and other local taxing jurisdictions (cities, counties and fire districts) who rely on property tax 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.

Oversight notes this proposal reclassifies recreational areas used for noncommercial leisure or aesthetic purposes and 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.

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 current information available. 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.

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, 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 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.

Officials from the **County Employees' Retirement Fund (CERF)** assume there is insufficient data to quantify HCS/HB 2098's exact impact. HCS/HB 2098 may have an unknown, possibly negative, fiscal impact to the County Employees' Retirement Fund. 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.

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 support 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 support, 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 support 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 2098 modifies statutory definitions governing the classification of real property for taxation purposes, including residential, agricultural, and commercial subclasses. While intended to clarify and standardize classification practices, changes in property classification under HB 2098 may result in shifts in assessed valuation that directly affect local property tax revenues.

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.

Services supported by property tax revenue include employment support, transportation, inclusive community-based programs, and essential family resources. These services advance the statutory purpose of promoting independence, community integration, and quality of life for individuals with IDD, while strengthening the overall social and economic well-being of Callaway County.

Before implementing changes that affect property classification and local tax bases, the cumulative impact on individuals with IDD, their families, and levy-dependent SB40 boards must be carefully evaluated. Absent a sustainable and equitable replacement or mitigation mechanism, HB 2098 poses 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** assumed HB2098 expands definitions for agricultural and residential property, adding green spaces, urban gardens, and other uses that may reduce assessed values.

Lower assessed values mean less revenue for SB 40 boards, even as demand for services and costs for staffing, transportation, and specialized care continue to rise.

Although taxing districts can adjust levies to recoup some losses, these adjustments are capped and may not fully offset the impact. The result is a potential funding gap that could force SB40 boards to reduce programs, limit eligibility, or delay necessary improvements—directly affecting individuals and families who depend on these services.

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

Officials from the **St Louis City Assessor** assume the following fiscal impact for the change in commercial classification on short term rentals to residential classification for single family properties.

		Diff in taxes
Commercial tax	Residential tax	
\$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

Officials from **Jefferson County PWS D 6** assume the proposal will have a fiscal impact on their respective organization and state the following:

- It could reduce the overall taxable property base or shift burdens in unpredictable ways.
- It introduces uncertainty into long-term tax and planning environments that utilities depend on.
- It may indirectly create incentives for future classification disputes and appeals.
- Utilities prefer stable, predictable tax regimes to support infrastructure investment and pricing.

Officials from the **Department of Natural Resources, Department of Revenue, Department of Social Services, Missouri Department of Conservation, Kansas City Police Department, St. Louis County Police Department, Metropolitan St. Louis Sewer District - 7B Sewer, South River Drainage District - 7D Levee, Branson Police Department,** and the **Wayne County PWS D #2** 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 **Little Blue Valley Sewer District - 7B Sewer, Rolling Hills Consolidated Library,** and **High Point R-III School District** each 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 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
BLIND PENSION FUND (1621)			
<u>Revenue Loss</u> – (§137.016) Loss of tax revenue from the reclassification of “recreational areas” p.4	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - (§137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.4	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – (§137.016) Loss of tax revenue from the reclassification of “recreational areas” p.4	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - (§137.016) Loss of tax revenue from the reclassification of certain single family short-term rental properties p.4	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown)	(Unknown)

FISCAL IMPACT – Small Business

There could be a fiscal impact on small businesses if tax rates/taxes are adjusted relative to changes in assessed values.

FISCAL DESCRIPTION

This bill adds recreational areas used for noncommercial leisure or aesthetic purposes to the definition of residential, as that definition relates to the subclassification of real property for taxation purposes.

The bill provides that when a single-family home that is owned by a sole proprietor, individual, partnership, or limited liability company (LLC) is leased, in whole or in part, for 30 consecutive days or less, the home will be classified as residential property and will not necessarily be considered "transient housing".

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

State Tax Commission (STC)
Department of Natural Resources
Department of Revenue
Department of Social Services
Missouri Department of Conservation
County Employees' Retirement Fund
Adair County SB 40 Board
Calloway County SB 40 Board
Jasper County SB 40 Board
Pettis County SB 40 Board
City of Kansas City
Kansas City Police Dept.
St. Louis County Police Dept
Branson Police Dept.
Little Blue Valley Sewer District - 7B Sewer
Metropolitan St. Louis Sewer District - 7B Sewer
South River Drainage District - 7D Levee
Rolling Hills Consolidated Library
High Point R-III School District

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Wayne County PWSD #2
Jefferson County PWSD 6
High Point R-III School District



Julie Morff
Director
February 16, 2026



Jessica Harris
Assistant Director
February 16, 2026