

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5818H.011  
 Bill No.: HB 2923  
 Subject: Taxation and Revenue - Property; Property, Real and Personal  
 Type: Original  
 Date: March 24, 2026

Bill Summary: This proposal establishes the "Homestead Improvement Property Tax Relief Act" exempting qualifying improvements to a homestead from real property taxation.

**FISCAL SUMMARY**

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

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

\*Oversight notes the above unknown cost represents the potential reimbursement to local districts for any property tax revenue loss resulting from the proposed exemption. Oversight assumes this amount could exceed \$250,000 based upon current assessed value amounts in any given year.

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (0621)*	\$0	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\*Oversight assumes the loss of real property tax revenue could exceed \$250,000 based upon current assessed value amounts.

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>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §§137.115 & 137.1081 - Real Property Tax Exemptions for Improvements to a Homestead

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would limit the assessment of homesteads impacted by a catastrophic event. Assessments for four years after completion of reconstruction shall not include the value of such reconstruction improvements. Instead, assessments will be frozen at the value of the home in the year before reconstruction began.

Owners must reconstruct, repair, or replace the damaged homestead within three years of the catastrophic event. The assessment freeze would then cover the four years after reconstruction is complete. The assessment exemption is limited to improvements worth \$75,000 if the home was insured or \$200,000 if the home was uninsured.

B&P notes that the state levies a property tax of \$0.03 per \$100 value on all taxable property in Missouri, for the Blind Pension Fund. To the extent that this proposal keeps assessments limited to values lower than they otherwise would have been, this proposal could result in forgone revenue to the state Blind Pension Trust Fund.

This proposal requires the General Assembly to make an appropriation each year to reimburse local districts for any related property tax revenue loss. Therefore, this proposal could also result in a reduction to general revenue through state reimbursement appropriations.

Officials from the **Department of Revenue (DOR)** note this proposal grants a property tax exemption for real property that suffers a catastrophic event. This would reduce the amount of real property tax paid. The State Tax Commission and the County Assessors handle real property tax and DOR defers to them for the fiscal impact of the exemption.

DOR notes that it handles the Senior Property Tax Credit. Should any taxpayer suffer such a catastrophic event and qualify for the exemption, then they may no longer be eligible for the Senior Property Tax Credit. That would result in a savings to general revenue. DOR is unable to estimate any savings.

**Oversight** assumes the savings to general revenue from taxpayers no longer being eligible for the Senior Property Tax Credit would be minimal. For simplicity, Oversight will not reflect the savings to general revenue from taxpayers no longer claiming the Senior Property Tax Credit.

Officials at the **State Tax Commission (STC)** have reviewed this proposal and have determined that it limits the assessed values affected by a catastrophic event like a tornado or earthquake by crediting the increased value caused by any repairs made to the home. This proposal will have an unknown impact on the STC, however, the limitation on assessment growth may negatively

impact revenues for school districts, counties, cities, fire districts and other local taxing jurisdictions supported by property tax revenues. Additionally, restrictions on assessment growth may create disparities and inequities over time among residential properties and categories of homeowners, potentially shifting a greater share of the tax burden from one class of homeowner to another.

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 the board'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 board's community, fostering inclusion, opportunity, and a more equitable society. Fiscally, the services and interventions provided on a county level can and do prevent the need for more expensive services and they help keep families together.

Officials from the **Rolling Hills Consolidated Library** assume any changes to the way property is assessed for taxation purposes will have a fiscal impact on the operating budget of the library, but the library is unable to calculate how many properties in its district might qualify for the exemptions described in this bill. One concern might be that in a period of rebuilding after a major catastrophic event, the larger community will also need funds to continue providing public services and if a high percentage of properties qualify for an exemption it could starve public entities of their needed operating funds

**Oversight** notes this proposal exempts qualifying improvements to homestead property from taxation for four years, including reconstruction, following a catastrophic event. Because this exemption reduces assessed valuation for all political subdivisions, Oversight assumes an unknown loss of property tax revenue.

Oversight notes property tax revenues are designed to be 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. 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 a loss of revenue.

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 ( $(\text{Total Assessed Value}/100) \times .03$ ). Because this proposal reduces (or limits growth) 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 is unable to determine how many properties may qualify for this exemption in the future. Oversight will show the impact as either \$0 (No properties affected by catastrophic events and/or the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from qualifying properties) or an unknown loss of revenue to the Blind Pension Fund and local political subdivisions beginning in FY 2028.

Oversight assumes this could reduce the amount claimed for the Property Tax Credit for individuals qualifying for the exemption. Oversight will show an unknown savings to General Revenue beginning in FY 2028.

Oversight assumes there could be an unknown cost for implementation and tracking of eligible taxpayers. Oversight will show an unknown cost to local assessment authorities or collection authorities for implementation and tracking.

Oversight notes to reach a revenue impact of \$250,000 on the Blind Pension Fund would require a change in assessed value of approximately \$8.33 billion. Based on information from the State Tax Commission's 2025 Property Tax Pie [Charts](#), residential property assessed value totaled \$91,787,697,646 in 2025.

For informational purposes, Oversight notes according to the St Louis National Weather [Service](#), a single tornado in St. Louis in 2025 caused an estimated \$1.6 billion in damage to approximately 5,000 structures, Oversight assumes the cumulative statewide impact to the Blind Pension Fund could exceed \$250,000 in any given year.

Oversight notes this proposal requires the General Assembly to make an appropriation each year to reimburse local districts for any related property tax revenue loss. Oversight will show the impact as either \$0 (No properties affected by catastrophic events and/or the local political subdivisions may be able to increase the levy to all other taxpayers to replace the lost property tax revenues from qualifying properties) or an unknown gain of revenue to local political subdivisions beginning in FY 2028.

Officials from the **Department of Social Services, Newton County Health Department, Phelps County Sheriff, Kansas City 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** received a limited number of responses from county assessors 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.

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
<b>GENERAL REVENUE</b>			
<u>Cost - (§§137.115 &amp; 137.1081)</u> Reimbursement to locals for loss of real property tax revenues p.5	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>BLIND PENSION FUND (1621)</b>			
<u>Revenue Loss</u> – (§§137.115 & 137.1081) Real property tax exemption for improvements on certain properties, <b>if affected by a catastrophic event p.5</b>	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Loss</u> – (§§137.115 & 137.1081) Real property tax exemption for improvements on certain properties, <b>if affected by a catastrophic event p.5</b>	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> - (§§137.115 & 137.1081) To implement the proposed real property tax exemption p.5	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain</u> - (§§137.115 & 137.1081) Reimbursement from general revenue for loss of real property tax revenues p.5	\$0	\$0 or Unknown	\$0 or Unknown
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</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 establishes the "Homestead Improvement Property Tax Relief Act".

For each year of the exemption period established in the bill, the improvement value of a qualifying improvement to a homestead property must be exempt from real property taxation, not to exceed \$75,000 in true value in money for any one homestead property. This exemption must not apply to the pre-improvement base value of the dwelling or the true value in money of the land.

To be eligible for the exemption, the property must be considered homestead property by the start date of construction of the qualifying improvement and on January 1 of each tax year the exemption is claimed. Additionally, the owner of the homestead property must file the necessary documentation.

The owner must file the Homestead Improvement Exemption intent form with the assessor prior to the issuance of a building permit or within 60 days after the start of construction (if no permit is required). The assessor must review the intent form and notify the owner of their approval or denial for the exemption based on the intent form.

The owner must submit a Homestead Improvement Exemption form and supporting documentation to the assessor within 180 days after completion of the improvement.

Exemption denials must only occur if there is inadequate documentation or the form shows the estimated cost of the improvement is \$7500 or less.

The exemption for qualifying improvements must attach to the homestead property, and it must apply for four consecutive tax years as long as:

- (1) The property remains a qualifying homestead property on January 1 of each year;
- (2) The qualifying improvement is not destroyed or removed (except by a catastrophic event); or
- (3) The owner does not provide voluntary written relinquishment of the exemption. If such homestead property is damaged or destroyed by a catastrophic event, the true value in money of the improvements from before the catastrophic event must continue to be used as the pre-improvement base value during the tax year such event occurred.

If the owner replaces, reconstructs, or repairs the damaged dwelling on the same parcel of land within three years of the event, such replacements, reconstruction, or repairs must be treated as a qualifying improvement. The value of this improvement, not to exceed \$75,000 for an insured dwelling or \$200,000 for an uninsured dwelling, must be exempt for the four-year exemption period.

To determine the improvement value, the assessor must follow the procedures provided in the bill.

The State Tax Commission must adopt rules, regulations, procedures, and standard forms that are necessary to implement the provisions of this exemption.

This homestead improvement exemption must be in addition to other homestead, senior citizen, disability, or property tax relief programs.

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 Revenue  
State Tax Commission  
Boone County SB 40 (Boone County Family Resources)  
Rolling Hills Consolidated Library  
Department of Social Services  
Newton County Health Department  
Phelps County Sheriff  
Kansas City Police Dept.  
St. Louis County Police Dept  
Joint Committee on Administrative Rules  
Office of the Secretary of State



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