

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5820H.011
 Bill No.: HB 2276
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Housing; Veterans; Disabilities
 Type: Original
 Date: March 2, 2026

Bill Summary: This proposal authorizes the "Missouri Disabled Veterans Homestead Exemption" relating to a property tax exemption for certain veterans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$0	Up to \$942,907	Up to \$942,907
Total Estimated Net Effect on General Revenue	\$0	Up to \$942,907	Up to \$942,907

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)	\$0	(Could exceed \$340,116)	(Could exceed \$340,116)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Could exceed \$340,116)	(Could exceed \$340,116)

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	(Could exceed \$51,884,496)	(Could exceed \$51,884,496)

FISCAL ANALYSIS

ASSUMPTION

§137.109 - Property Tax Exemptions for Certain Veterans

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would grant qualifying veterans with a service-connected disability and their surviving spouse a property tax exemption based on the level of their service-connected disability. This property tax exemption would begin for tax year 2027. B&P notes that property tax payments are due in December; therefore, while this proposal will apply to tax year 2027, it will not begin affecting revenues until FY28.

This proposal would grant a property tax exemption on homesteads with an assessed value of less than \$250,000. B&P notes that real residential property is assessed at 19% of its market value. Therefore, residential properties with a market value of up to \$1,315,789 would qualify under this proposal.

The property tax exemption granted under this proposal depends on a qualifying veteran's service connected disability rating. Table 1 shows the property tax exemption by rating.

Table 1: Exemption Percentage

Disability Rating	Property Tax Exemption
50% - 69%	\$2,500
70% - 99%	\$5,000
100%	100% of tax liability

Based on data published by the U.S. Census Bureau, there were 49,412 veterans residing in Missouri with a disability rating of 50% or more. Using 2024 PTC data, B&P notes that of those claiming the PTC as a disabled veteran, 56.0% owned their home. Table 2 shows the total number of veterans and the estimated number that may own homes based on PTC data.

Table 2: Estimated Veterans

Disability Rating	# Veterans	Est. Owners
50% - 69%	11,725	6,567
70% - 99%	20,546	11,508
100%	17,141	9,601
Total	49,412	27,676

However, B&P notes that the PTC has a low-income limit in order to qualify. It is possible that the homeownership rate among the full population of veterans is higher. Therefore, B&P will estimate the impact from the proposal using a range of 56.0% - 100% veteran homeownership.

Based on additional data published by the U.S. Census Bureau, the median home value in 2023 was \$215,600 and the median real estate taxes paid was \$1,887. For the purpose of this fiscal note, B&P will use the median real estate taxes paid, rather than the property tax exemption limit, as the median amount is significantly below the exemption limits. Using the median property tax paid and the number of qualifying veterans, B&P estimates that this could reduce state and local property tax revenues by \$52,224,612 to \$93,240,444 annually. Table 3 shows the estimated total state and local impact.

Table 3: Estimated Property Tax Loss

Disability Rating	Low Ownership	High Ownership
50% - 69%	(\$12,391,929)	(\$22,125,075)
70% - 99%	(\$21,715,596)	(\$38,770,302)
100%	(\$18,117,087)	(\$32,345,067)
Total	(\$52,224,612)	(\$93,240,444)

B&P notes that the Blind Pension Trust Fund levies a statewide property tax rate of \$0.03 per \$100 valuation. B&P estimates that of the \$1,887 median property tax paid, \$12.29 goes to the Blind Pension Trust Fund and \$1,874.71 goes to local funds. Therefore, for each qualifying veteran, the median loss to the state would be \$12.29 and the median loss to local funds would be \$1,874.71. Using the number of qualifying veterans above, B&P estimates that this proposal could reduce Blind Pension revenues by \$340,116 to \$607,234 annually. This proposal could also reduce local property tax revenues by \$51,884,496 to \$92,633,210 annually.

In addition, during tax year 2024 there were 1,235 veterans that claimed the PTC as a disabled veteran and property owner, for total PTC claims of \$942,907. Under this proposal some, or all, of their property would now be exempt from property tax. Therefore, B&P estimates that this provision could increase GR by up to \$942,907 annually beginning in FY28.

Therefore, B&P estimates that this proposal could increase TSR by less than \$335,673 to \$302,791 annually beginning in FY28. In addition, this proposal could decrease local revenues \$51,884,496 to \$92,633,210. Table 4 shows the total state and local impact.

Table 4: Estimated State and Local Property Tax Loss

State	Low Ownership	High Ownership
General Revenue	Up to \$942,907	Up to \$942,907
Blind Pension Trust Fund	(\$340,116)	(\$607,234)
Total State Impact	Less than \$602,791	Less than \$335,673

Table 4: Estimated Local Property Tax Loss cont.

<u>Local</u>	<u>Low Ownership</u>	<u>High Ownership</u>
Median Loss	(\$51,884,496)	(\$92,633,210)

Officials from the **Department of Revenue (DOR)** note starting with all tax years on or after January 1, 2027, this would allow certain qualified disabled veterans to receive a property tax exemption. The exemption amount would be based on the severity of their disability.

Disability Rating	Exemption Amount
50% to 69%	\$2,500
70% to 99%	\$5,000
100%	100% of the tax assessed

Additionally, the surviving spouse of a disabled veteran would qualify for this exemption until they remarry. The exemption for the surviving spouse is 100% of the tax assessed.

This proposal would become effective August 28, 2026 (FY 2027) if adopted. This proposal allows the exemption to begin with tax year January 1, 2027 (FY 2027). Given property tax is paid in December of each year, the first year veterans will receive this exemption would be FY 2028.

The U.S. Census Bureau 2023 American Community Service 5 year estimates the following number of veterans into the following categories.

Disability Rating	Number of Veterans
0%	3,230
10% or 20%	25,425
30% or 40%	12,784
50% or 60%	11,725
70% or higher	37,687
Rating not reported	4,715
Total Disabled Veterans	95,566

DOR notes that the information provided by the Census Bureau is categorized differently than this proposal. This proposal defines the eligible disabled veteran as a person with a 50% or more disability rating as established by the United States Department of Veterans Affairs. Per the U.S. Census Bureau's 2023 ACS 5-year report there are 37,687 disabled veterans in Missouri with a rating of 70% or higher. Per past information from the Missouri Veterans Commission about 45% of the reported veterans are 100% disabled (16,959).

For fiscal note purposes, DOR will assume the impact to be between 49,412 veterans (50% and above) and 16,959 veterans (100% disabled) qualify for this exemption.

The Department is unable to determine the actual number of veterans that would own their own property. For fiscal notes purposes, DOR will assume all of these veterans own their own dwelling. According to information from the U.S. Census Bureau the average amount of property tax paid in Missouri for 2024 was \$1,990. Information on the State Tax Commission's website indicates that \$10,427,068,714 was estimated to be paid in property tax in 2024 with a total parcel count of 3,428,752. They note that 52.71% of the property is residential property therefore, \$5,496,107,919 would have been collected from real property accounting for 1,807,295 parcels of real property. Based on this information the average amount of property tax paid in Missouri for 2024 was \$3,041.

The Department notes that some veterans may have a property tax amount that is lower than this amount. This could potentially exempt from state and local real property tax an amount between \$33,748,410 (\$1,990 per person x 16,959 veterans) to \$150,261,892 (\$3,041 per person x 49,412 veterans). DOR defers to the State Tax Commission and the County Assessors who handle property tax to provide a better estimate of the impact to the counties.

The only real property tax collected by the State is for the Blind Pension Fund. The Missouri Blind Pension Fund is a fund for payment of pensions for the blind. The tax, or collection for the fund, consists of 3 cents on each \$100 valuation of taxable property in the State of Missouri. This proposal notes that the veteran's property is not to be removed when calculating assessed value for the Blind Pension Fund. Therefore, no impact is expected to the Fund.

Additionally, DOR notes that if a military disabled veteran receives a lower property tax bill from this exemption, or reduces their real property tax to zero, they may no longer be eligible to claim the Senior Property Tax Credit. Currently a person can claim the Senior Property Tax Credit if:

- A. They are 65 years or older
- B. 100% Disabled Veteran as a result of military service
- C. 100% Disabled or
- D. 60 years of age or older and receiving surviving spouse benefits

The Senior Property Tax Credit has income limits for qualification. If the veteran meets the income requirements and are receiving the Senior Property Tax Credit; no longer owing property tax would exempt them from receiving this credit in the future. The credit for homeowners starts at \$1,100 and phases downward based on their increasing income. No longer being eligible for the PTC would result in a savings to general revenue.

The TY 2024 data shows that 2,072 disabled veterans were homeowners who claimed \$1,446,197 in property tax credits. It should be noted that a person who is claiming the PTC must check one of the boxes indicating they qualify for the credit. If a taxpayer is over the age of 65 and a disabled veteran, they may have checked the over 65 box, as it is the first one listed on the form. Therefore, the number of disabled veterans claiming the PTC could be higher. This proposal could result in a savings to general revenue of the \$1,446,197.

It should be noted that property tax is handled by the County Assessors and the State Tax Commission. DOR is not involved in property tax except for the redemption of the PTC tax credit; therefore, this will not fiscally impact DOR. The only administrative impact is to remove the 100% disabled veteran check box off the PTC form during the department's normal year end changes.

Officials from the **State Tax Commission** note this has a possible negative fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. It is unclear in the bill if the exemption applies to the assessment of the property or the taxes owed on the property. The assessor is designated in the bill with the responsibility of determining eligibility but they would not have access to the needed information to make that determination. The assessors are only responsible for property assessment and the collector is responsible for tax collection after the political subdivisions apply their levies.

Officials from the **County Employees Retirement Fund (CERF)** assume there is insufficient data to quantify its exact impact. HB 2276 may result in an unknown fiscal impact to the County Employees' Retirement Fund.

Officials from the **St Louis City Assessor** assume the following:

Missouri homes occupied by veterans	10%	
Veteran home ownership rate	78%	
Median value of veteran's homes in MO	\$160,000	
% of MO veterans with a service connected disability rating	24.00%	
MO Veteran Population in City of St. Louis	17,000	
Total # of MO Veterans	399,154	
Vets with service connected disability rating	95,566	23.94%
100% service connected disability rating	14,905	3.73%
# of veterans x veteran home ownership rate	13,260	
Taxes on typical veteran's home (\$160k value)	\$2,489	
Estimated # of 50% to 69% disabled veteran homeowners in City	1,326	
Estimated # of 70% to 99% disabled veteran homeowners in City	1,326	
Estimated # of 100% disabled homeowners in City	530	
Taxes for 50% - 69% disability veteran homeowners	\$3,300,092	
Taxes for 70% - 99% disability veteran homeowners	\$3,300,092	
Taxes for 100% disabled veteran homeowners	\$1,320,037	
Total RE taxes exempted under legislation	\$7,920,220	

\$7,920,220 Loss to all taxing jurisdictions

\$1,584,044	Loss to City portion
\$118,803	Loss to Collector of Revenue Fund
\$49,501	Loss to Assessment Fund

**The thresholds in the legislation exceed the typical/average taxes paid on a veterans home; it is assumed 100% of taxes will be exempted for all qualifying under the legislation.*

Officials from the **Newton County Health Department** assume this will create a negative fiscal impact on the Newton County Health Department with reduced Property tax revenue in the amount of tax not collected due to the provisions of this bill.

Oversight notes, per information on the State Tax Commission's [website](#), an applicant must meet the following requirements to qualify for the property tax exemption as it exists in current law:

- be a former prisoner of war; and
- a veteran of any branch of the armed forces of the United States or this state who became one hundred percent disabled as a result of his or her military service; and
- must own and occupy the homestead as a primary residence.

Oversight notes the phrase “total service-connected disability” exists in current law and for purposes of this fiscal note assumes it has the same meaning as noted above by the State Tax Commission.

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 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 will reflect B&P's estimated impact to the Blind Pension Fund in the fiscal note.

Oversight assumes this could reduce claims for the Property Tax Credit for individuals qualifying for the exemption. Oversight will show the savings to General Revenue provided by the Office of Administration - Budget and Planning.

Oversight notes property tax revenues are 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 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 notes some counties may incur costs to implement and monitor the proposed exemption. Therefore, Oversight will show an unknown cost to political subdivisions beginning in FY 2028.

Officials from the **Department of Public Safety – Veterans Commission, Department of Social Services, Phelps County Sheriff, Kansas City Police Dept., Branson Police Dept,** and the **St. Louis County Police Dept** 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 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.

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.

In response to similar legislation, officials from the **Office of the Secretary of State (SOS)** noted 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
GENERAL REVENUE			
<u>Revenue Gain</u> – (§137.109) DOR - Veterans no longer claiming the Senior Property Tax Credit p.6	\$0	Up to \$942,907	Up to \$942,907
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	Up to \$942,907	Up to \$942,907
BLIND PENSION FUND (1621)			
<u>Revenue Loss</u> – (§137.109) Reduced/no real property tax collected from qualifying veterans with a service-connected disability p.4	\$0	(Could exceed \$340,116)	(Could exceed \$340,116)
ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)	\$0	(Could exceed \$340,116)	(Could exceed \$340,116)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> – (§137.109) To implement and monitor p.9	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> – (§137.109) Reduced/no real property tax collected from qualifying veterans with a service-connected disability p.4	\$0	(Could exceed \$51,884,496)	(Could exceed \$51,884,496)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Could exceed \$51,884,496)	(Could exceed \$51,884,496)

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 "Missouri Disabled Veterans Homestead Exemption" which provides a tiered property tax exemption system for veterans with disabilities. The exemptions are based on a disability percentage, certified by the United States Department of Veterans Affairs. For tax years beginning on or after January 1, 2027, an annual exemption will be given for a property that is used as a qualified residence owned by a veteran with a disability, limited to the amounts as follows:

(1) For veterans with service-connected disability of 50% or more but less than 70%, the annual exemption is \$2,500;

(2) For veterans with a service-connected disability of 70% or more but less than 100%, the annual exemption is \$5,000;

(3) For veterans with service-connected disability of 100%, the annual exemption is equal to 100% of the tax assessed on the qualified residence; and

(4) For a taxpayer who is the surviving spouse of a veteran whose death was determined to be service-connected and who is certified by the United States Department of Veterans Affairs as a recipient of dependency and indemnity compensation under Federal law, the annual exemption is equal to 100% of the tax assessed on the qualified residence.

If a surviving spouse of a veteran sells the qualified residence, an amount may be transferred to his or her new residence as long as it is used as his or her primary residence and he or she does not remarry. No exemption will be allowed for the tax year in which the surviving spouse remarries.

The bill requires each taxpayer that is granted the exemption to reapply on an annual basis unless the veteran has a service connected disability rating of 100% and is deemed permanently and totally disabled, as specified in the bill.

The provisions of this bill sunset six years after the effective date.

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

County Employees Retirement Fund (CERF)

St Louis City Assessor

Department of Public Safety – Veterans Commission

L.R. No. 5820H.011

Bill No. HB 2276

Page **12** of **12**

March 2, 2026

Department of Social Services
Phelps County Sheriff, Kansas City Police Dept.
St. Louis County Police Dept
Newton County Health Department
Branson Police Dept



Julie Morff
Director
March 2, 2026



Jessica Harris
Assistant Director
March 2, 2026