

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6029H.011
Bill No.: HB 2711
Subject: Taxation and Revenue - Property; Property, Real and Personal; State Tax
Commission; Utilities; Internet and E-Mail; Telecommunications
Type: Original
Date: February 1, 2026

Bill Summary: This proposal modifies provisions relating to the assessment of certain broadband communications equipment.

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	(\$41,838)	(\$41,838)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$41,838)	(\$41,838)

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	(\$9,253,990)	(\$9,253,990)

FISCAL ANALYSIS

ASSUMPTION

§§137.010, 137.080, & 137.115 – Taxation of Broadband Communications Equipment

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would classify equipment used to provide broadband communication services as tangible personal property for the purpose of property taxes. Section 137.115 further stipulates that such equipment shall be assessed at 12% of their true value.

To the extent that this changes property tax assessments, this proposal could impact revenues to the Blind Pension Trust Fund and local property tax funds.

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

Officials from the **County Employees' Retirement Fund (CERF)** have reviewed this proposal. There is insufficient data to quantify this proposal's exact impact. This proposal may have an unknown impact to the County Employees' Retirement Fund.

Officials from the **Adair County SB 40 DD Board** assume 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.

Officials from the **State Tax Commission (STC)** have reviewed this proposal and have determined it will have a negative fiscal impact on taxing jurisdictions such as school districts, counties, cities and other taxing jurisdictions across the state that are supported by property taxes.

According to the STC 2024 report, broadband and fiber companies paid \$14,467,509 in personal property taxes across the state based on \$218,030,171 of assessed value. If the assessment ratio is dropped to 12%, the assessed value these companies would be paying taxes on would drop to \$78,569,431 ($[\$218,030,171 / .333] * .12$).

Taxes collected on that new total would equal \$5,213,517 ($[\$78,569,431 * \$14,467,509] / \$218,030,171$). The total cost to taxing jurisdictions across the state would be \$9,253,990 ($\$14,030,171 - \$5,213,517$).

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimated loss of revenue to political subdivisions as provided by the State Tax Commission.

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.

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 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 notes based on the difference in assessed value of (\$139,460,740) estimated by the STC, Oversight assumes a loss of revenue to the Blind Pension Fund of approximately (\$41,838).

Officials from the **City of St. Louis Assessor’s Office** state:

Year	Market Value	Assessment at 33 and 1/3	Assessment at 12%	Taxes under current law	Taxes under new legislation
2025	225,022,502	75,000,000	27,002,700	\$6,084,150	\$2,190,513

Total loss in taxes from impact of legislation to all (STL) tax jurisdictions	(\$3,893,637)
Loss in taxes to City of St. Louis	(\$778,727)
Loss to the Collector of Revenue Fund	(\$58,405)
Loss to the Assessment Fund	(\$24,335)

All equipment affected is 7 year equipment on the MACRS table. The same amount of equipment is added each year as is taken off each year

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.

Officials from the **Department of Economic Development, Department of Revenue, Department of Social Services, Phelps County Sheriff, Kansas City Police Dept., St. Louis County Police Dept, Kansas City Civilian Police Employees' Retirement, Kansas City Police Retirement System, Public Education Employees' Retirement System, Sheriff's**

Retirement System, and the **Joint Committee on Public Employee Retirement (JCPER)** 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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
BLIND PENSION FUND (1621)			
<u>Revenue Loss</u> – (§§137.010-137.115) Changes to assessment of broadband communications equipment p.3	\$0	(\$41,838)	(\$41,838)
ESTIMATED NET EFFECT ON BLIND PENSION FUND (1621)	\$0	(\$41,838)	(\$41,838)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – (§§137.010-137.115) Changes to assessment of broadband communications equipment p.3	\$0	(\$9,253,990)	(\$9,253,990)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(\$9,253,990)	(\$9,253,990)

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses could be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill adds machinery and equipment used to provide broadband communications service to the definition of "tangible personal property" for the purposes of property taxation. The bill also creates a new subclass of tangible personal property that includes machinery and equipment used to provide broadband communications service, such property will be assessed at 12% of its true value in money.

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
State Tax Commission
City of Kansas City
County Employees' Retirement Fund
Department of Economic Development
Department of Revenue
Department of Social Services
Phelps County Sheriff
Kansas City Police Dept.,
St. Louis County Police Dept
Kansas City Civilian Police Employees' Retirement
Kansas City Police Retirement System
Public Education Employees' Retirement System
Sheriff's Retirement System
Joint Committee on Public Employee Retirement
City of St. Louis Assessor's Office
Adair County SB 40 DD Board



Julie Morff
Director
February 1, 2026



Jessica Harris
Assistant Director
February 1, 2026