

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6784H.011
 Bill No.: HB 3381
 Subject: Property, Real and Personal; Taxation and Revenue - Property; County Government; Counties; Fees
 Type: Original
 Date: March 27, 2026

Bill Summary: This proposal allows county commissions to opt out of collecting late fees and penalties on delinquent property taxes.

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
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§§49.301, 67.740, & 82.1060 – Waiver of Late Fees & Penalties on Delinquent Property Taxes

Officials from the **County Employees' Retirement Fund (CERF)** have reviewed this proposal (6784H.011). This proposal would permit a county commission, by order or ordinance, to prohibit the collection of any late fees or penalties on delinquent property taxes. Such order or ordinance may prohibit such collection in all circumstances or may establish a set of criteria under which late fees and penalties will not be collected.

This proposal would have a negative fiscal impact to the County Employees' Retirement Fund. In 2025, CERF received approximately \$21,143,793 from penalties and interest added to delinquent property tax bills. Total contributions from CERF members and counties totaled \$72,419,438. There is insufficient data to quantify the number of counties that may prohibit the collection of late fees or penalties on delinquent property taxes or the exact reduction in the amount of penalties and fees that might be collected if this proposal becomes law. CERF's actuary has analyzed this proposal by estimating the effect of different amounts of lost revenues on CERF. The actuary analyzed the impact of this proposal on CERF based on several different scenarios over the 25-year period beginning in calendar year 2027:

- If 50% of revenue remains after implementation of this proposal, there would be a loss of approximately \$351.5 million.
- If 25% of revenue remains after implementation of this proposal, there would be a loss of approximately \$527.2 million.
- If 0% of revenue remains after implementation of this proposal, there would be a loss of approximately \$703 million.

Given the significant portion of CERF's total funding represented by such fees, the proposed changes in this proposal would be expected to result in a deterioration of CERF's funding over time compared to the current revenue structure. Based on the January 1, 2025 actuarial valuation, approximately 50% of the employer revenue stream is needed to finance the employer's portion of the ongoing cost for active members in each plan year. The remainder is used to pay off the unfunded actuarial accrued liability. While the value of benefits earned in each year could be fully funded, there would be fewer contributions remaining to pay off the existing UAAL and any increases from actual experience that is different than expected.

Statistical Information of the County Employees' Retirement Fund as of 1/1/25 (the most recent actuarial valuation):

Number of counties that participate in CERF: 111.

The following counties do not participate in CERF: Jackson, St. Charles, St. Louis, City of St. Louis.

Membership:

Total membership of 22,174 individuals.

Active employees: 12,499

Retired members receiving a pension benefit: 5,915. Average monthly benefit is \$662

Surviving beneficiaries receiving a pension benefit: 826. Average monthly benefit is: \$386

Terminated vested members: 2,934

Average compensation of active members: \$51,799

Market value of assets: \$832,401,115

Actuarial value of assets: \$849,368,857

Actuarial Accrued Liability: \$1,085,401,850

Funded ratio based on market value of assets: 78.25%

Funded ratio based on actuarial value of assets: 76.69%

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** note the JCPER's review of this proposal indicates that its 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.

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

Officials from the **Washington County Assessor** note that late fees and penalties pay for the county assessor's retirement.

Officials from the **Eastern Clay Ambulance District** assume a fiscal impact but did not provide any additional information.

Oversight notes this proposal allows all counties and the City of St Louis to waive late fees and penalties on delinquent property taxes. Oversight assumes if a local political subdivision adopts the proposed ordinance, the jurisdiction could experience a reduction in revenue from late fees and penalties.

Oversight notes this provision is permissive and therefore cannot estimate how many counties may adopt the proposed ordinance to waive delinquent tax fees and penalties. Therefore, Oversight will show a range of \$0 (not adopted by locality) to an unknown loss of revenue to local political subdivisions beginning in FY 2028.

Officials from the **Newton County Health Department, Branson Police Dept, Kansas City Police Dept., St. Louis County Police Dept,** and the **State Tax Commission** 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 county collectors, assessors, and 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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – Counties (§§49.301, 67.740, & 82.1060) Waiver of late fees & penalties on delinquent property taxes, if adopted by local ordinance	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

FISCAL IMPACT – Small Business

Certain small businesses that owe fees and penalties on delinquent property taxes could be impacted by this proposal.

FISCAL DESCRIPTION

This bill allows the governing bodies of counties to, by order or ordinance, opt out of statutory provisions that require late fees and penalties on delinquent property taxes. The order or ordinance can establish criteria under which the fees and penalties will not be collected.

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
County Employees' Retirement Fund (CERF)
Joint Committee On Public Employee Retirement
City of Kansas City
Newton County Health Department
Washington County Assessor
Branson Police Dept
Kansas City Police Dept
St. Louis County Police Dept
Eastern Clay Ambulance District



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March 27, 2026



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