COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6852H.01I
Bill No.: HJR 174
Subject: Taxation and Revenue - Income; Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Constitutional Amendments
Type: Original
Date: January 27, 2026

Bill Summary: This proposal proposes a constitutional amendment relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	$0 or (More than $9,000,000)*	$0	$0
Total Estimated Net Effect on General Revenue	**$0 or (More than $9,000,000)***	**$0**	**$0**

*The potential fiscal impact of "(More than $9,000,000)" would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on Other 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 All 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**	**$0**

*The potential fiscal impact to local election authorities (reimbursed by the state) would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** note this is a constitutional amendment that would go to the people at the November 2026 general election. Should the amendment fail to be adopted, this would have no fiscal impact. Should it be adopted it does the following.

Article X Section 4(d)
Section 4(d).1 currently allows the General Assembly to establish an income tax. The income tax can be an individual income tax and/or a corporate income tax. Currently, Missouri has both.

This proposal would add a Section 4(d).2 which would provide language to allow the General Assembly to start decreasing the individual income tax. The section says that should the individual income tax rate decrease below 1.4% then no individual income tax would be imposed. This Section also requires that the reduction and elimination of the individual income tax would be reduced only after applying revenue triggers. This provision does not allow the elimination of the tax until some point after January 1, 2031 (FY 2031).

DOR notes that tax returns for a tax year are generally filed four months after the tax year ends. For most individuals, their tax year 2030 return will be filed from January 1st to April 15th of 2031. DOR notes that stopping the income tax on the first available day of January 1, 2031, would still result in people filing returns and paying their tax for tax year 2030 in FY 2031. It would just result in no new tax being imposed for tax years 2031 and beyond.

The General Assembly in SB 3 adopted in 2022, set the current individual income tax rate top bracket at 4.95% in TY 2023 and set it at 4.8% in TY 2024 and based on certain revenue triggers allowed the tax rate to continue to fall 0.1% until it hits 4.5%. The tax rate for tax year 2025 and 2026 is 4.7%. Based on the current revenue forecasts the rate is estimated to be 4.7% in 2027 and 2028. For fiscal note purposes only, DOR shows the final two SB 3 rate reductions occurring in tax year 2029 (4.6%) and 2030 (4.5%).

DOR notes that elimination of the individual income tax rate would not in itself eliminate any tax credit. Current tax credits are redeemed against multiple tax types. Specifically, any taxpayer who receives a refundable tax credit would still be able to claim their tax credit. DOR currently pays the refundable tax credits from income tax received. The potential elimination of income tax could result in DOR needing an appropriation to cover the refundable credits. The current refundable credits and their caps/redemption are listed.

MO Works	$126 million
Enterprise Zone	$500,000
BUILD	$16.5 million
Sporting Event	$6 million
Peace Officer Surviving Spouse	$85,000
Senior Property Tax Credit	$65 million

Total Appropriation Needed $214,085,000

Article X Section 26
Section 26.1 currently prohibits the General Assembly from expanding sales tax to any service or transaction that was not subject to sales tax as of January 1, 2015.

Section 26.2
This amendment adds a Section 26.2 that allows the General Assembly to pass legislation stating their intent is to reduce or eliminate individual income tax then they are authorized to expand the state and local sales and use tax by taxing services and any transactions not currently taxed.

Section 26.3
This proposal adds a Section 26.3 which would require local political subdivisions to adjust any existing sales tax, earnings tax and/or property tax to reduce the amount of revenue they would receive from the expansion of the sales tax allowed in Section 26.2. This language limits the local political subdivision, so they only receive the same amount of tax revenue they do under current law.

However, Section 26.3 does not require the local political subdivisions to adjust the additional revenue that schools will receive under this expansion of the sales tax. Therefore, if a school district receives additional revenue from the sales tax, they would be allowed to retain it.

Section 26.4
This proposal adds a Section 26.4 that says starting July 1, 2029, the Constitutionally created sales taxes (Conservation Commission and Park, Soil & Water) shall be adjusted in order to produce the same amount of revenue as the amount of the three previous fiscal years and adjusted for inflation. It appears the legislation's intent is to hold steady their revenue as opposed to allowing it to be impacted by the expansion of the sales tax.

DOR notes that expansion of the sales tax would require enabling legislation however, this language says this provision would go into effect July 1, 2029, regardless of such expansion. This amendment requires the State Auditor to calculate the rate that would go into effect on July 1, 2028, and for it to become effective January 1, 2029. Conflicting language in this provision has the new tax rate beginning on both January 1, 2029, and July 1, 2029. This will only be a problem, should a new tax rate be necessary per the calculation.

Section 26.5
This proposal adds a Section 26.5 which says that if the sales tax expansion legislation is adopted within three years of the passage of this constitutional amendment then the expanded sales tax revenue would not be subject to the Article X, Section 18 and 18(e) (the Hancock Amendment) nor would the revenue be subject to the motor fuel sales tax distribution rules established in Article IV, Sections 30(a), 30 (b), 30(c) and 30(d).

Section 26.6

This provision would give the department of revenue rulemaking authority to help clarify terms used in the expansion of the sales tax.

DOR Summary
This constitutional amendment will not have any fiscal impact on state or local revenue or on the DOR. This amendment requires enabling language to implement an individual income tax reduction or elimination mentioned in the amendment and would need enabling legislation to expand the sales tax. At the time of filing this fiscal note, DOR has not been provided any such enabling language. DOR will provide any revenue estimates in the enabling language.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal will not impact:

- TSR
- The calculation under Article X, Section 18(e)
- B&P

Officials from the **Department of Social Services** defer to the Office of Administration - Budget and Planning for the potential fiscal impact of this proposal.

Officials from the **Department of Natural Resources** defer to the Office of Administration - Budget and Planning for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight assumes if state and local sales and use taxes would be expanded by legislation to impose taxes on transactions involving any goods or services for the purpose of reducing and eliminating the state resident individual income tax, the proposal may increase the amount of sales tax revenue distributed to this fund. Oversight will address fiscal impacts in fiscal notes for such enabling legislation.

Officials from the **Missouri Department of Conservation** assume an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal. Budget also defers to Legal for other non-tax related proposed changes.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates. Oversight assumes if state and local sales and use taxes would be expanded by legislation to impose taxes on transactions involving any goods or services for the purpose of reducing and eliminating the state resident individual income tax, the proposal may increase the amount of sales tax revenue distributed to this fund. Oversight will address fiscal impacts in fiscal notes for such enabling legislation.

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

Officials from the **Sedalia 200 School District** assume the reduction of income taxes into the general revenue is nearly impossible to predict a local impact. Since the general revenue is the greatest amount of State Formula funding this would impact the amount available for the State fund the Formula.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume the 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 **Adair County SB 40 DD Board** assume a 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 **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.

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

Officials from the **County Employee Retirement Fund (CERF)** assume Section 26.3 would likely have a negative fiscal impact to the County Employees' Retirement Fund. CERF assumes that the General Assembly would enact legislation to expand the sales and use tax base under section 26.2. Section 26.3 would likely result in a reduction of the moneys that fund CERF by requiring any political subdivision that imposes a sales and use tax to annually adjust the rate of such sales or use tax, the levy of personal property tax, the levy for residential real property tax, or the rate of any earnings tax. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. CERF notes that the amount of these revenues fluctuates from year to year. There is insufficient information to quantify the exact impact on CERF's revenues but CERF assumes the impact would be negative if a political subdivision chooses to reduce a property tax levy. This portion of HJR 174 presents serious implications for CERF's funding because a significant portion of the current contribution stream could ultimately be materially reduced or lost entirely. Unless the revenues are replaced with other sources of revenue, there would be severe implications for CERF's sustainability including a deterioration of CERF's funding over time and the possibility that the plan assets might be depleted, which would impair the ability of the plan to pay benefits when due to retirees and beneficiaries.

Oversight assumes this resolution states if all revenue triggers established by law to reduce and eliminate the current individual income tax are met and the top individual income tax rate is reduced below 1.4%, no state individual income tax will be imposed beginning January 1, 2031.

Oversight notes this resolution also authorizes state and local sales and use taxes to be expanded by legislation to impose taxes on transactions involving any goods or services for the purpose of reducing and eliminating the state resident individual income tax.

Oversight notes this resolution also states beginning July 1, 2029, any political subdivision that imposes a sales or use tax is required to annually adjust certain taxes levied to reduce the amount of revenue generated to a level described in the bill.

However, this proposal itself does not eliminate, impose, or reduce taxes (it would take additional action by governing bodies); therefore, Oversight assumes there is no direct fiscal impact to General Revenue or local political subdivisions as a result of this joint resolution. Oversight will address fiscal impacts in fiscal notes for such enabling legislation.

Officials from the **St Louis City Board of Elections**, **Platte County Board of Elections** , **Newton County Health Department**, **St. Louis City Board of Elections**, **St. Louis City Assessor**, **Branson Police Dept.**, **St. Louis County Police Dept, Joint Committee on Administrative Rules**, **Kansas City Police Dept., Office of the State Auditor**, 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 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 **Office of the Secretary of the State (SOS)** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, joint resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a joint resolution to a vote of the people, Section 115.063.2, RSMo., requires the state to pay the costs. The cost of a special election has been estimated to be $9 million based on the cost of past primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY27 publication cycle, the SOS estimates publication costs at $515,000 per ballot measure. This amount is an average and will be subject to change based on the number of petitions received, length of those petitions, and rates charged by newspaper publishers. In a year where many lengthy measures must be published, the Secretary of State's Office may need to budget up to $10,000,000 to ensure sufficient funding is available to meet its constitutional obligations for the election cycle.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2027. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. Per the SOS, the cost is estimated at $9 million based on past costs as well as the anticipation of significant increases in future election-related expenses. The next scheduled statewide general election is in November 2026

(FY 2027). It is assumed the subject within this proposal could be on this ballot; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2027.

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.

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
Transfer Out – SOS - Reimbursement of local election authority election costs if a special election is called by the Governor	$0 or (More than $9,000,000)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 or (More than $9,000,000)**	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
Transfer In - Local Election Authorities - Reimbursement of election costs by the State for a special election	$0 or More than $9,000,000	$0	$0
Costs - Local Election Authorities - Cost of a special election **if** called for by the Governor	$0 or (More than $9,000,000)	$0	$0
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**$0**	**$0**

FISCAL IMPACT – Small Business

No direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation proposes a constitutional amendment relating to taxation.

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

Department of Revenue
Office of Administration - Budget and Planning
Department of Social Services
Missouri Department of Conservation
Department of Natural Resources
Joint Committee on Administrative Rules
State Tax Commission
Office of the Secretary of State
Office of the State Auditor
City of Kansas City
Sedalia 200 School District
Joint Committee on Public Employee Retirement (JCPER)
Adair County SB 40 DD Board

Boone County SB 40 (Boone County Family Resources)
St Louis City Board of Elections
Platte County Board of Elections
Newton County Health Department
St. Louis City Board of Elections
St. Louis City Assessor
Branson Police Dept.
St. Louis County Police Dept
Kansas City Police Dept.
Eastern Clay Ambulance District
County Employees Retirement Fund (CERF)

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