

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6854S.06C
 Bill No.: SCS for HCS for HJR 173 & 174
 Subject: Constitutional Amendments; Taxation and Revenue - Income; Taxation and Revenue - Sales and Use
 Type: Original
 Date: April 13, 2026

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue**	\$0 or (\$4,189,014,406)	\$0 or (\$6,249,317,341)	\$0 or (\$8,510,330,087)
Total Estimated Net Effect on General Revenue	\$0 or (\$4,189,014,406)	\$0 or (\$6,249,317,341)	\$0 or (\$8,510,330,087)

*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.

****Oversight** notes the state individual income tax rate (4.7% in TY 2026) is to be reduced in annual increments (if certain triggers are met) until it reaches 4.5% pursuant to SB 3 (2022). This proposal allows additional growth dependent rate reductions until the individual income tax rate is zero, subject to the adoption of a constitutional amendment. Oversight is unable to determine if/when future reductions will occur or how many reductions will occur per year.

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 <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	\$0

*Potential costs and state reimbursements net to zero in FY 2027 if a special election is called.

FISCAL ANALYSIS

ASSUMPTION

Article X, Section 4(d) and 26 – Individual Income Tax Rate

Officials from **Office of Administration - Budget and Planning** state this proposal requires voter approval at the November 2026 election. B&P notes that if voter-approved, this proposal would become effective December 2026.

This fiscal note assumes that no replacement sources are considered in the calculation of the revenue impact from eliminating the individual income tax.

Article X, Section 4(d) – Individual Income Tax

This provision would reduce the individual income tax rate by 0.01% for every \$20 million in net general revenue collected over the amount of net general revenue collected during FY27 through December 31st. Up to 1.6% in total reductions may occur per year.

B&P notes that this language would compare a full fiscal year of net collections to only six months of net collections. Based on historical collections approximately 45.7% of net general revenue is received July through December, while the remaining 54.3% is collected in January through June.

Both the partial FY27 collections amount and the \$20 million threshold will be adjusted annually for inflation until the individual income tax is eliminated. However, per subsection 3, the partial FY27 net general revenue collection amount will no longer be adjusted for inflation after FY30 if the individual income tax has not been eliminated. B&P notes that Section 4(d)2(1) requires the partial FY27 net general revenues be “adjusted annually by the rate of inflation” each year the new trigger amount is calculated. Therefore, beginning FY31 the trigger will revert back to the actual amount of net general revenue collected in July through December 2026 (FY27).

Trigger Amounts

The consensus revenue estimate (CRE) for FY27 is \$13.65 billion. Based on historical net general revenue deposits and refunds, about 45.7% of this amount is expected between July 2026 and December 2026. Therefore, the base net general revenue amount would be \$6,235,800,984.

Each 0.01% rate reduction will occur for every \$20 million over the \$6,235,800,984 collected each fiscal year.

Tax Year 2026

B&P notes that this proposal would become effective in December 2026. The language only states “for a given calendar year” a reduction shall occur. Since this would begin during

calendar year 2026, the first reduction would be triggered for tax year 2026. The size of the reduction would be based on FY25 collections compared to the partial FY27 collections.

FY25 net general revenue collections were \$13,430,978,645. This is \$7,195,177,661 more than the base net general revenue amount (see above under trigger amounts). While this would yield a total reduction of 3.6% ($\$7,195,177,661 / \$20,000,000$), the maximum allowed in a year is 1.6%.

Therefore, the tax rate for 2026 would be reduced from 4.7% to 3.1% for tax year 2026.

Tax Year 2027

The rate for tax year 2027 would be calculated comparing FY26 net general revenue collections. The FY26 revised CRE anticipates \$13.15 billion in collections, which is \$6,914,199,016 above the base net general revenue amount (see above under trigger amounts). While this would yield a total reduction of 3.46% ($\$6,914,199,016 / \$20,000,000$), the maximum allowed in a year is 1.6%.

Therefore, the tax rate for 2027 would be reduced from 3.1% (based on the new 2026 rate) to 1.5%.

Tax Year 2028

The rate for tax year 2028 would be calculated comparing FY27 net general revenue collections. The FY27 CRE anticipates \$13.65 billion in collections, which is \$7,414,199,016 above the base net general revenue amount (see above under trigger amounts). While this would yield a total reduction of 3.63% ($\$6,914,199,016 / \$20,400,000$), the maximum allowed in a year is 1.6%.

Therefore, the tax rate for 2028 would be reduced from 1.5% (based on the new 2027 rate) to 0%.

Impact

Table 1 shows actual/forecasted net general revenue collections each year compared to the base amount. While Table 2 shows the new tax rates for each year.

Table 1: Estimated Annual Revenue versus Base

Fiscal Year	Actual / Forecast	Est. Base*	Amount over Base
FY25	\$13,430,978,645	\$6,235,800,984	\$7,195,177,661
FY26	\$13,150,000,000	\$6,235,800,984	\$6,914,199,016
FY27	\$13,650,000,000	\$6,235,800,984	\$7,414,199,016

*Anticipated collections from July 2026 through December 2026, based on FY27 CRE forecast of \$13.65 billion.

Table 2: Proposed Tax Rates

Tax Year	Current Rate	Reduction	Proposed Rate
2026	4.70%	1.60%	3.1%
2027	4.70%	1.60%	1.5%
2028	4.70%	1.60%	0.0%

While there are still two 0.1% reductions under current law waiting to be triggered based on different net GR growth requirement, they are not currently anticipated to occur until tax year 2029 and 2030, after this proposal has eliminated the income tax.

Based on tax year 2023, the most recent complete year available, B&P estimates that this proposal could reduce individual income tax collections by \$2.26 billion in tax year 2026. By tax year 2028, this proposal would eliminate the individual income tax. Table 3 shows the estimated impact by tax year.

Table 3: Impact by Tax Year

Tax Year	GR Impact
2026	(\$2,261,991,318)
2027	(\$4,678,105,093)
2028	(\$8,510,330,087)

B&P notes that the final reduction for tax year 2026 will not be known until January 2027. Taxpayers will be unable to adjust withholdings and other estimated tax payments. Therefore, the full \$2.26 billion would have to be refunded to taxpayers during the spring of 2027 when they file their annual income tax return.

In addition, the remaining tax reductions will take effect January 1st of a tax year, individuals will adjust their withholdings and declarations during the first fiscal year. Based on actual collections data, B&P estimates that 41% of individual income taxes are paid during fiscal year 1 and 59% are paid during fiscal year 2.

Therefore, B&P estimates that these provisions could decrease individual income tax collections by \$4.18 billion in FY27. Once fully implemented, this proposal would reduce individual income tax collections by \$8.51 billion. Table 4 shows the estimated impact by fiscal year.

Table 4: Impact by Fiscal Year

Fiscal Year	GR Impact
2027	(\$4,180,014,406)
2028	(\$6,249,317,341)
2029	(\$8,510,330,087)

**FY27 will be impacted by 100% of tax year 2026 and 41% of tax year 2027 changes.*

Article X, Section 26 – Sales Tax Expansion

This provision would allow the general assembly to expand sales and use tax to cover additional goods and services beyond what is currently taxable. B&P notes that such expansion is not required to trigger the elimination of the income tax as laid out in Article X, Section 4(b). However, if enacted an expansion could speed up the elimination of the individual income tax beyond the estimates shown above.

Section 26.3 requires political subdivisions to adjust their sales / use tax rate, property tax levy, or earnings tax to offset increased revenue generated by the expansion of the sales tax base. This adjustment would begin January 1, 2029.

Section 26.4 requires that the existing constitutional sales tax rates for MDC (Article IV, Section 30(a)) and for DNR (Article IV, Section 47(a)) be adjusted to offset increased revenue generated by the expansion of the sales tax base. The new rates would become effective January 1, 2028.

Section 26.5 would exempt revenue generated from the expansion of sales tax from the calculation under Article X, Section 18(e) – which is the annual limit on new revenue generated by bills passed by the General Assembly in a legislative year.

Section 26.5 would also exempt revenues generated by a sales tax expansion from the diversion of sales taxes to state and local highway funds, as required under Article IV, Section 30(b), 30(c), and 30(d). This would allow increased sales taxes on motor vehicle sales to be deposited into general revenue. This exemption would only apply to bills passed within five years of December 2026.

Oversight notes this resolution 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 January 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.

Oversight assumes expanding the sales tax base would require additional enabling language. As such, Oversight assumes requirement to adjust local sales or use tax would require additional enabling language. Therefore, Oversight will address fiscal impacts in fiscal notes for such enabling legislation.

Section 26.4. – Constitutional Sales Tax Fund Rates

Oversight notes, beginning July 1, 2028, each constitutionally-imposed sales and use tax rate shall be adjusted in a manner provided by law in order to produce substantially the same amount of tax produced by any sales and use tax base expansion.

Oversight assumes this provision applies to the Conservation Sales Tax funds and the Park, Soil, and Water Sales Tax funds.

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.

Officials from the **Department of Natural Resources** defer to the Department of Revenue for the potential fiscal impact of this proposal.

Responses regarding the proposed legislation as a whole

Officials from the **Department of Revenue (DOR)** assume 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 would become effective in December 2026, and it would have the following fiscal impact.

This fiscal note assumes that no replacement sources of revenue is considered in the calculation of revenue impacting from the individual income tax.

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 institutes a formula to reduce and eliminate the individual income tax by January 1, 2032. The section says that should the individual income tax rate decrease below 1.4% then no individual income tax would be imposed. This section establishes a formula using revenue triggers to reduce the income tax over a period of years.

The income tax rate cut would occur if at least \$20 million more in general revenue is collected by the state for a full fiscal year over the amount collected between July 1, 2026, to December 31, 2026 (FY 2027). Therefore, if a full year's worth of revenue is greater than the six months of revenue collected in the first half of fiscal year 2027 the reduction will occur. If that trigger is met, then the tax rate will decrease by one-hundredth of one percent (0.01%) for each \$20 million over the base amount. This proposal would allow more than one reduction to occur annually based on the amount collected. This proposal requires the \$20 million trigger amount to be inflation adjusted annually.

DOR notes that the consensus revenue estimate for FY 2027 is estimated to be \$13.65 billion. Based on recent collections approximately 45.7% of the net general revenue is received July

through December while the remaining 54.3% is collected from January to June each year. Therefore, DOR can assume that the net general revenue base amount would be \$6,235,800,984.

This bill would be effective starting December 2026. Based on the language of the bill that says the reduction would occur “for a given calendar year” DOR assume the first rate reduction would occur in calendar year 2026. The calculation would be comparing the FY 25 collections to the partial FY 27 collections. FY 25 collections were \$13,430,978,645 which is \$7,195,177,661 more than the base amount. Based on the calculation $\$7,195,177,661 / \$20,000,000$ would result in a reduction of 3.6%. However, this proposal caps the reduction at 1.6%.

Using the revised CRE for FY 2026 would result in another 1.6% reduction in the tax rate for tax year 2027. Given the current projected CRE for FY 2027 another 1.6% reduction would be expected. However, this proposal has language that once the rate hits 1.4% it automatically reduces to 0%. Therefore, the rates would look like this in the next couple years.

Tax Year	Proposed Individual Income Tax Rate
2026	3.1%
2027	1.5%
2028	0%

This chart shows the actual/forecasted net general revenue collections each year compared to the base amount.

Estimated Annual Revenue versus Base

Fiscal Year	Actual / Forecast	Est. Base*	Amount over Base
FY25	\$13,430,978,645	\$6,235,800,984	\$7,195,177,661
FY26	\$13,150,000,000	\$6,235,800,984	\$6,914,199,016
FY27	\$13,650,000,000	\$6,235,800,984	\$7,414,199,016

*Anticipated collections from July 2026 through December 2026, based on FY27 CRE forecast of \$13.65 billion.

Using the DOR’s internal taxpayer data from tax year 2023, the most recent complete tax year available, DOR estimate the following impact to the state.

Impact by Tax Year

Tax Year	GR Impact
2026	(\$2,261,991,318)
2027	(\$4,678,105,093)
2028	(\$8,510,330,087)

DOR notes that changing the tax rate in December would not allow taxpayers to adjust their withholding and therefore, DOR would expect to have to refund the full amount to taxpayers when they file their return starting January 1, 2027. Based on actual collection data DOR

estimate that 41% of individual income taxes are paid during the first fiscal year and 59% are paid during the second fiscal year. Therefore, the impact per fiscal year would be:

Impact by Fiscal Year

Fiscal Year	GR Impact
2027	(\$4,180,014,406)
2028	(\$6,249,317,341)
2029	(\$8,510,330,087)

**FY27 will be impacted by 100% of tax year 2026 and 41% of tax year 2027 changes.*

DOR will be required to update the forms, instructions, website and computer programming each year for these changes. DOR assumes this would be done as part of the normal year end changes. Those changes are estimated at \$10,000 annually.

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	<u>\$65 million</u>
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 authorizing the expansion of any transaction-based tax (sales & use tax) to goods and services, for the purpose of helping with the elimination of the state individual income tax. This expansion is not required by this proposal as it just grants permission to the General Assembly to create enabling language if they wish.

Section 26.3

This proposal adds a Section 26.3 which wants local political subdivisions to adjust any existing tax rates they have to offset the increased amount of revenue they would receive if an expansion

of the sales tax is allowed per Section 26.2. The purpose of this language is to limit the local political subdivisions, so they only receive the same total amount of tax revenue they do under current law. This adjustment would begin January 1, 2029.

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 January 1, 2028, the Constitutionally created sales taxes (Conservation Commission and Park, Soil & Water) would need to be adjusted in order to produce the same amount of revenue as the amount of the three previous fiscal years and adjusted for inflation should an expansion of the sales tax occur. 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 January 1, 2028, regardless of such enabling language. This amendment requires the State Auditor to calculate the rate that would go into effect on January 1, 2028, and for it to become effective January 1, 2028. DOR assumes no adjustment would be needed if the sales tax was not expanded.

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(e) (the Hancock Amendment) nor would the revenue be subject to the motor fuel sales tax distribution rules established in Article IV, Sections 30 (b), 30(c) and 30(d). This would allow the increased motor vehicle sales tax to be deposited into general revenue.

SUMMARY

This proposal would implement required reductions in the individual income tax rate. This would allow the General Assembly to expand the sales and use tax, in the future if they so choose to offset it but that expansion is not required.

In response to similar legislation, SB 146 (2025), officials from the **Department of Revenue (DOR)** assumed the eventual elimination of 194 FTE and 106 temporary staff that work with the individual income tax.

Call Center – 64
Processing - 27
Quality Review – 77
Withholding – 9
Audits - 6

General Counsel office – 6
Mailroom – 4
Legislative Team - 1

DOR noted that this would also save future mailing costs, computer programming and other expenses. The savings will not come until staff is fully phased out.

Oversight notes DOR anticipated savings from the elimination of the individual income tax (pending voter approval); however, DOR does not anticipate these savings to occur until several years after the proposed elimination as taxpayers can still file/amend their income tax returns.

Oversight notes the following, assuming a 55% reduction in the General Revenue spending authority amounts for FY 2026.

\$15,422,075,546	General Revenue
(\$8,510,330,087)	Loss of income tax revenue (per DOR)
-55%	Estimated reduction in GR

HB	Agency	GR Spending Authority	If 55% Reduction in GR	FTE	If 55% GR FTE Reduction
2	Elementary and Secondary Education	\$4,719,558,700	\$2,595,757,285	797	438
3	Higher Education and Workforce Development	\$1,254,254,085	\$689,839,747	68	37
4	Revenue	\$78,122,173	\$42,967,195	841	463
4	Transportation	\$380,088,234	\$209,048,529	-	-
5	Office of Administration	\$462,597,613	\$254,428,687	761	418
5	Employee Fringe Benefits	\$1,010,583,670	\$555,821,019	-	-
6	Agriculture	\$23,839,374	\$13,111,656	121	67
6	Natural Resources	\$85,853,259	\$47,219,292	191	105
6	Conservation	\$0	\$0	-	-
7	Economic Development	\$187,440,459	\$103,092,252	100	55
7	Commerce and Insurance	\$3,787,416	\$2,083,079	21	12
7	Labor and Industrial Relations	\$5,099,399	\$2,804,669	22	12
8	Public Safety	\$201,526,686	\$110,839,677	467	257
8	National Guard	\$9,774,877	\$5,376,182	82	45
9	Corrections	\$943,964,771	\$519,180,624	10,040	5,522
10	Mental Health	\$1,742,358,769	\$958,297,323	4,952	2,724
10	Health and Senior Services	\$625,474,769	\$344,011,123	660	363
11	Social Services	\$2,602,072,399	\$1,431,139,819	2,530	1,391
12	Elected Officials	\$172,001,095	\$94,600,602	579	318
12	Judiciary	\$280,836,270	\$154,459,949	3,353	1,844
12	Public Defender	\$64,715,472	\$35,593,510	694	382
12	General Assembly	\$50,047,403	\$27,526,072	690	379
13	Statewide Real Estate	\$105,291,969	\$57,910,583	0	-
20	Coronavirus State Fiscal Recovery - ARPA	\$412,786,684	\$227,032,676	0	-
	Totals	\$15,422,075,546	\$8,482,141,550	26,968	14,832

Source: [Missouri House of Representatives Budget Fast Facts – FY 2026](#)

Oversight notes, per the [Governor’s Recommended Operating Budget for Fiscal Year 2027](#), proposed discretionary general revenue was estimated at \$7,183,176,446. Discretionary general revenue by agency is noted in the table below:

Agency	Discretionary General Revenue
Department of Elementary and Secondary Education	\$4,434,707,277
Department of Higher Education and Workforce Development	\$1,226,398,380
Department of Social Services	\$248,961,902
Department of Health and Senior Services	\$100,554,055
Department of Mental Health	\$102,337,855
Department of Corrections	\$80,480,063
Department of Public Safety	\$138,942,250
Missouri Department of Transportation	\$32,264,777
Department of Revenue	\$72,633,561
Other	\$745,896,326
Total	\$7,183,176,446

Oversight is uncertain how the reduction in spending authority would be applied but notes it could impact state agencies, colleges and universities, as well as local political subdivisions. For purposes of this fiscal note, Oversight will only show the loss to the general revenue fund.

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

In response to a previous version, officials from the **Joint Committee on Public Employee Retirement (JCPER)**’s review of HCS HJR 173 indicated 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 **County Employees Retirement Fund (CERF)** assume Section 26.2 and Section 26.3 would 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. Section 26.3 requires any political subdivision that imposes a sales and use tax to annually adjust the rate of such sales or use tax, the operating levy of personal property tax, the operating levy for residential real property tax, the operating levy for all property tax levied by a political subdivision that imposes the same rate of levy upon all taxable property, or the rate of any tax imposed on earnings.

In the absence of any existing enabling legislation to expand such sales and use tax base pursuant to this HJR, there is insufficient data to quantify the precise impact to CERF. However, CERF assumes a negative impact and reduction in revenues if a political subdivision chooses to reduce a property tax levy. 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. CERF estimates that this provision could result in revenue losses of approximately \$25 million annually. Such losses would be expected to increase annually in addition to not earning expected investment return on such revenues.

Sections 26.2 and 26.3 present 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. It would increase the likelihood in the future that the plan does not receive sufficient funding to pay benefits that are earned and expected by members. The plan could fall short of funds and be forced to reduce benefit payments to members and surviving beneficiaries.

Officials from the **Metro Saint Louis Sewer District Employees Pension Plan** assume that to the extent that this legislation reduces state or local services and benefits provided to residents of the district's service area that increases and/or results in an economic burden for some residents, the district would reasonably expect to see an increase in delinquent or nonpaying customers.

In response to a previous version, officials from the **Wellington-Napoleon R-Ix School District** assume HJR 173/174 which eliminates the state income tax would have potentially devastating effects on Missouri public schools, particularly in rural areas of the state. The concern raised for the district of Wellington-Napoleon R-IX, is the loss in general revenue would approach \$750,000 in district revenue. The district is currently a hold harmless district, but by all accounts this will be removed in the upcoming foundation formula rewrite. Removing hold harmless would cause the district to realize this revenue reduction, without a clear path to revenue replacement. This would equate to approximately 12 teaching staff, or 20 support staff for the district. The district has a total of 45 certified staff members, and 25 classified staff members currently. Cuts of this magnitude would be unsustainable in order to sustain the quality of education the district provides to its students and community.

In response to a previous version, officials from the **City of Kansas City** assumed the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **City of O'Fallon** assume Section 26.3 of the bill requires political subdivisions to reduce the rate of sales or use tax, property tax, and/or earnings tax in the manner and the frequency provided by law enacted by the general assembly. This language does not define what the process will be and could result in a loss of revenue based on the calculation and frequency provided. Is the city allowed to have growth based on the CPI? The City currently recognize growth in the cost of goods sold. Observing the current trends, the City tax would first

be reduced by Section 26.4 in the manner of a sales tax and then each year would be subject to this provision.

Section 26.4 of the bill requires the state auditor to reduce the city's sales and use tax in an amount substantially equal to the amount of tax produced by the sales and use tax base expansion. Without knowing how this would be calculated, the city can't determine if there will be a revenue loss for the City. Sales and use tax cannot be calculated based on an annual collected amount. These revenues are more volatile based on economic conditions. If CPI is high, then sales tax will be higher due to the cost of goods sold. When the City get new retailers, the city's sales tax will increase. If the economy is in a recession, sales tax drops due to the lack of spending. The City is concerned that the state will use the net sales tax collections as an indicator of future sales tax, yet that doesn't account for CPI or retail growth. If they calculate a rate that is too low, will they increase the city's rate in the future year?

In response to a previous version, officials from the **St Louis Budget Division** assumed a fiscal impact but did not provide any additional information.

In response to a previous version, officials from the **St Louis City Assessor** assumed if districts reduce their property tax collections due to increases in their sales and use taxes, the result will be a reduction in the Collector of Revenue Fund and the Assessment Fund used for the administration of the property tax system.

Currently, the Collector of Revenue receives 1.5% of property taxes collected. The Assessor receives 5/8 of 1% of property taxes collected.

In 2024, the amount of property taxes to the Collector and Assessor were as follows:

Collector = \$7.75 Million
Assessor = \$3.1 Million

While the fiscal impact from the legislation is unknown, if there is any significant or substantial loss to the Collector of Revenue and Assessor funds then it will impact the ability of the Collector and Assessor to continue to operate when those funds are reduced. There is no mechanism in the legislation to replace lost funds for these purposes.

In response to a previous version, officials from the **Eastern Clay Ambulance District** assumed a fiscal impact but did not provide any additional information.

In response to a previous version, officials from the **Adair County SB 40 Board** assumed 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 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.

These locally funded services include access to employment supports, service coordination, inclusive community opportunities, and critical resources that promote independence, stability, and quality of life. Property-tax revenue is a foundational component of this system, allowing Adair County SB40 to respond to individual needs while ensuring services remain accessible and community-based. Beyond the individuals served, these supports strengthen families, reduce reliance on more costly crisis services, and contribute to a more inclusive and resilient community overall.

Any changes to property-tax funding must be carefully evaluated in light of these impacts. If reductions to personal and/or real property taxes are pursued, it is essential that a sustainable and equitable replacement funding mechanism be established. Without such a replacement, the ability of Adair County SB40 to meet its statutory mission and continue providing vital supports to individuals with disabilities and their families would be significantly compromised, with broader consequences for the community as a whole.

In response to a previous version, officials from the **Callaway County SB 40 Board** assumed HCS HJR 173 proposes a constitutional amendment to phase out Missouri’s individual income tax while allowing expansion of sales and use taxes and requiring political subdivisions to reduce certain local tax revenues, including property tax levies, to offset increased sales tax collections. Callaway County Special Services (CCSS), a Senate Bill 40 board funded through a voter-approved property tax levy approved by Callaway County voters in 1988, relies on local property tax revenue to fund services for individuals with intellectual and developmental disabilities. CCSS currently supports more than 230 individuals and their families through employment supports, inclusive community programs, and essential family resources.

While HCS HJR 173 does not directly eliminate this revenue source, the amendment authorizes political subdivisions beginning in 2029 to reduce local property tax levies to offset additional revenue generated by expanded sales and use taxes.

Because SB40 boards rely on property tax revenue, required reductions to local property tax levies could indirectly constrain or reduce future funding available for disability services. The fiscal impact to CCSS is therefore unknown but potentially significant, depending on how local tax adjustments are implemented.

Because Senate Bill 40 boards provide essential services to individuals with intellectual and developmental disabilities—many of the state’s most vulnerable citizens—consideration should be given to exempting SB40 levies from any required reductions under this proposal, similar to the protections provided for public school funding, to ensure continuity of critical community-based supports.

In response to the previous version, officials from the **State Tax Commission, St. Louis City Board of Elections, Newton County Health Department, Public Education Employees’ Retirement System (PSRS/PEERS), St. Louis City Board of Elections, St. Louis County Board of Elections, Platte County Board of Elections, St. Louis County Police Dept, Kansas**

City Police Dept., Branson Police Dept, Office of the State Auditor and the Joint Committee on Public Employee Retirement each assumed 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)** assumed, 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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Transfer Out – SOS</u> Reimbursement of local election authority election costs if a special election is called by the Governor p.17	\$0 or (More than \$9,000,000)	\$0	\$0
<u>Revenue Loss – (Section 4(d))</u> Reduction of individual income tax rate, if approved by voters & certain revenue dependent triggers are met p.5	\$0 or (\$4,189,014,406)	\$0 or (\$6,249,317,341)	\$0 or (\$8,510,330,087)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (More than \$4,189,014,406)	\$0 or (\$6,249,317,341)	\$0 or (\$8,510,330,087)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - Local Election Authorities reimbursement of election costs by the State for a special election p.17	\$0 or More than \$9,000,000	\$0	\$0
<u>Cost</u> - Local Election Authorities - Cost of a special election if called for by the Governor p.17	\$0 or (More than \$9,000,000)	\$0	\$0
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

- Office of Administration - Budget and Planning
- Missouri Department of Conservation
- Department of Social Services
- Joint Committee on Public Employee Retirement
- City of Kansas City
- Adair County SB 40 Board
- Callaway County SB 40 Board
- State Tax Commission
- Platte County Board of Elections
- St. Louis City Board of Elections
- St. Louis County Board of Elections

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Newton County Health Department
St. Louis County Police Dept
Kansas City Police Dept.
Joint Committee on Administrative Rules
Department of Revenue
Department of Natural Resources
St Louis Budget Division
St Louis City Assessor
Branson Police Dept
Eastern Clay Ambulance District
County Employees' Retirement Fund (CERF)
Wellington-Napoleon R-Ix School District
Office of the State Auditor



Julie Morff
Director
April 13, 2026



Jessica Harris
Assistant Director
April 13, 2026