

State Tax Commission Annual Report – 2007

**RECOMMENDATIONS
TO
THE MISSOURI LEGISLATURE
SECTION 138.380(4), RSMO**

The 2007 reassessment year proved to be a very active period in the ad valorem assessment and taxation arena. The aggregate increase in the tax base for local government and public schools grew more than 12% when compared to the 2006 year. New construction and improvements in real property exceeded \$1.9 billion in assessed valuation marking the third consecutive year of record setting growth.

The Joint Committee on Tax Policy continued their in-depth study and analysis of the property assessment and taxation program in Missouri. Additionally, the Speaker of the House created the Task Force on Property Tax Reform which consists of members of the House of Representatives, local government officials and taxpayers of the state. These two committees independently held hearings throughout the state taking testimony from property assessment experts, representatives from academic institutions, members of the General Assembly, public school officials, local government officials and concerned citizens. The work of these committees will spawn numerous legislative proposals for consideration during the 2008 legislative session. One common theme incorporated in many of these legislative proposals will be the predominate focus on the strict adherence to the philosophical intent of the constitutional and statutory levy roll back provisions. Senator Gibbons has pre-filed legislation addressing property tax rollback loopholes and eliminating so called “backdoor” property tax increases. The State Tax Commission urges the General Assembly to adopt legislation which will ensure reassessment will result in the equitable redistribution of the tax base and not be a mechanism for additional revenues.

Despite criticisms labeling property tax as unpopular, the property tax system possesses many benefits and virtues. First and foremost, the property tax is a stable and reliable source of revenue providing the financial foundation to support the autonomy of local government and public schools. The property tax base changes only marginally from year to year. Property tax is also a highly visible and transparent tax in that there is a direct link to the public benefits received on the part of the property owners. The property tax is essential to ensure that local services are facilitated through local governing bodies.

Pursuant to Section 138.380(4), the State Tax Commission respectfully submits to the General Assembly recommendations designed to improve the assessment program in the State of Missouri.

1. **Certificate of Value:** The State Tax Commission cannot over-emphasize the need for sales disclosure in this State. We renew our appeal to the General Assembly to develop statutory language mandating the use of statewide certificates of value. Unequivocally, the most important tool for the assessor is the ability to secure critical market data accurately reflecting market behavior. Sales information is the cornerstone of an assessment program designed to provide uniform and equitable assessments. According to a 2003 survey

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published by the International Association of Assessing Officers, (IAAO) there are thirty-six states that have some form of sales disclosure codified in their state statutes and only six states, including Missouri, do not have either a sales disclosure or transfer taxes from which sales prices may be derived. In the State of Missouri, the political subdivisions of St. Louis City, St. Louis County, Jackson County and St. Charles County have passed, through local ordinances, certificates of value. The certificates of value used in these jurisdictions represent roughly 50% of locally assessed real estate in the State of Missouri. Counties that do not possess certificate of value only receive a return of 15-25% on sales letters submitted. This low return is woefully inadequate to accurately measure market behavior.

In its review of State Tax Commission ratio study procedures, the IAAO recommends that the Commission and the Missouri Assessors' Association work with the General Assembly toward the implementation of state mandated sales price disclosure in all counties. The IAAO study points out that the American Bar Association's Tax Section has also issued a recommendation on disclosure of essential data concerning real property transfers. The IAAO cites the IAAO Standard on Ratio Studies which states that assessing officers in jurisdictions without laws mandating full disclosure work under a severe handicap and should seek legislation providing for such disclosure.

Assessment uniformity cannot be achieved on a consistent basis without the benefit of having accessibility to accurate sales data. The absence of certificate of value severely thwarts the attempt by assessors to facilitate uniform and equitable assessments throughout the State. The State Tax Commission has experienced budget cuts over the past few years resulting in a significant decrease in field staffing. Passage of statewide certificate of value will provide critical sales data, which will pave the way for the implementation of a sales/appraisal ratio study that requires fewer personnel.

The Commission respectfully requests that the General Assembly reconsider this issue and provide assessing officials of this State with an invaluable instrument to help preserve the integrity of the assessment program. As an alternative to mandatory sales disclosure, the State Tax Commission respectfully requests funding to provide for a sales questionnaire program to be initiated at the state level to enhance the number of usable sales for analysis. The State Tax Commission has executed a prototype program in five counties and has experienced a significant increase of the number of usable sales. Other states have implemented programs in which the state is responsible for contacting buyers and sellers of real estate transactions and have recognized similar successes.

2. Statewide Computer Assisted Mass Appraisal (CAMA) System: The inception of mandated statewide reassessment in 1985 did not provide for a standard appraisal system to be utilized throughout the State. Consequently, a myriad of cost systems, market systems and supporting computer systems are in use in Missouri. There are twenty-five different vendors providing software for assessments and taxes and there are eighteen vendors that provide automated

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cost approach software. Currently, counties throughout Missouri use nine different cost appraisal systems; consequently, State Tax Commission personnel must develop an expertise of these different appraisal systems to assist counties as well as ensure that properties are assessed according to their true value in money as required by the Missouri Constitution.

The Commission envisions a statewide, centrally located, web-based CAMA system. This would provide the assessors access to a cost and market system which would reflect data indigenous to their county. This system would provide the technical and analytical support necessary for assessors to make sound appraisal conclusions. A statewide standardized appraisal system would ensure uniformity and efficiencies in the assessment process. The State Tax Commission respectfully recommends, as did the Joint Committee on Tax Policy, that the General Assembly provide resources for the development and implementation of a statewide CAMA system.

3. Assessors Education: The Joint Committee on Tax Policy recommended in their 2006 report that an educational curriculum be established under the purview of the State Tax Commission for the purpose of realizing a mass appraisal accreditation for assessors and their staff. Surrounding states have developed such programs and have reported that it enhances the professionalism and the expertise of assessment personnel in their states. Implementation would require resources necessary for the hiring of a statewide education coordinator whose responsibility would be to develop an educational curriculum for assessors to complete in order to receive a professional designation. The Commission respectfully requests the General Assembly adopt legislation enabling the development of a program providing educational opportunities and professional designations to the assessors of this state.
4. Effective Roll-back Language: As previously discussed, the State Tax Commission respectfully requests the General Assembly adopt effective property tax levy roll-back language to prevent “back door” taxation increases. Such legislation would provide fundamental property tax reform.

The State Tax Commission stands ready to provide assistance to the General Assembly in improving the ad valorem taxation policies of this State.

Respectfully submitted,
STATE TAX COMMISSION OF MISSOURI
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Jennifer Tidwell, Commissioner
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