

State Tax Commission Annual Report - 2011

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

The State of Missouri's economy continues to show signs of stabilization and economic indicators reflect sustained improvement in the coming years. Volatility which has defined the real estate market in this state in recent years was less pronounced in 2011.

The certified aggregate wealth of taxable tangible real and personal property in Missouri reflected a nominal decrease in this past tax year. The overall decrease in assessed valuation was approximately 1%, reflecting little variation in the overall tax base in the state.

The property tax remains the most reliable and stable source of revenue providing the fundamental local services demanded by the public. In 2011, approximately \$6.4 billion of property tax was generated to provide the financial foundation to fund public schools, local government and other local political subdivisions. In fact, roughly \$4.25 of the \$6.4 billion in property tax revenues will be dedicated funds to support the local public school system. Property tax is the underpinning ensuring that autonomy is realized and retained at the local level.

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. Sales Disclosure Declaration: The Commission respectfully recommends to the General Assembly that statutory language be enacted providing for the statewide utilization of a sales disclosure declaration. Undeniably, mandatory sales disclosure universally is recognized by the assessment community as the "silver bullet" in ensuring uniformity in the treatment of taxpayers in this state. The State Tax Commission cannot over-emphasize the need for sales disclosure in Missouri. 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 intended to provide uniform and equitable assessments. According to a survey published by the International Association of Assessing Officers (IAAO), thirty-six states 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 other instrument for 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 sales disclosure documents used in these jurisdictions represent nearly 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%

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on sales letters submitted. This low return is woefully inadequate to accurately represent 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 inadequate sales data severely thwarts the attempt by assessors to facilitate uniform and equitable assessments throughout the State. Passage of a statewide certificate of value will provide critical sales data which will pave the way for the full implementation of a sales/appraisal ratio study resulting in lower operational costs and more concrete results.

It is anticipated that legislation will be introduced in 2012 to provide for the statewide utilization of sales disclosure. 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.

2. Cable Telephony Assessment: Technology in the field of telephony has been extremely fluid over the past few years. The lines of discipline between distinct industries have become blurred. Cable companies providing telephony services have now emerged and are providing telephony services in direct competition with traditional telephone companies.

Current statutory language does not enumerate cable telephony as a public utility and as such, valuation of tangible taxable property of cable telephony (Voice Over Internet Protocol) does not fall under the auspices of the State Tax Commission. It is anticipated that cable telephony providers have over \$15 million in assessed valuation in property that may escape taxation if the State Tax Commission does not centrally assess such properties.

The State Tax Commission respectfully requests amending Chapter 138 to include cable telephony as a public utility and thereby allowing the State Tax Commission to centrally assess all telephony services in Missouri thus ensuring uniformity in the treatment of taxpayers in this state.

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3. Adequate Resources: The State Tax Commission is cognizant of the dire budget constraints facing Missouri. However, in 2011 property tax revenues are expected to exceed \$6.4 billion and will be used to fund public schools, local government, and other local political subdivisions. Adequate resources are necessary to maintain the integrity of the assessment system, to prevent costly litigation and to ensure the financial foundation for local entities.

During recent years, the State Tax Commission's operating budget has witnessed a reduction of 30% in the staffing compliment and a 70% reduction in expense and equipment monies. The remaining staff of 54 FTE and supporting operational monies makes it difficult to effectively monitor and provide oversight and assistance required to ensure uniformity and equity in this state. With the current economic climate, determining market value will prove to be more of a challenge. The State Tax Commission will be faced with the necessity of enhancing the monitoring of markets, increasing the stratification of data and placing more emphasis on the timing of sales. This additional workload is coming at a point in time in which resources may be in fact declining. The State Tax Commission is respectfully requesting additional funds to fulfill an array of duties related to gathering data, determining real estate market values and trends, and further educating assessors concerning local markets. Specifically, market analysts would be employed to supply assessors and the Commission with in-depth market analysis. A portion of the funds would be used to develop a database program and a statewide sales program to ensure adequate data to measure local market conditions. The funds would also provide resources to hire a statewide coordinator whose responsibility would be to develop an educational curriculum for assessors and their staffs for the completion of a professional designation.

The State Tax Commission recommends that the state assessment maintenance be fully funded at the \$7 per parcel rate as provided by state statutes. The reimbursement rate was reduced in recent years by over 40%. It is virtually impossible for counties to comply with statutory and constitutional mandates with an assessment program which is significantly underfunded. It is critical that funding be provided to enable assessors to maintain the quality of assessments; to engage in technical advances in the assessment field and to adequately provide ongoing taxpayer assistance and service.

Without adequate resources, inter and intra county disparate treatment of taxpayers will become prevalent and could possibly result in court mandated statewide reassessment with significant cost borne by the State of Missouri. In 1979, court ordered statewide reassessment cost the State of Missouri \$125 million to implement.

The Commission is requesting legislation be enacted which provides for additional withholdings from political subdivisions to offset deficiencies in per

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parcel reimbursement appropriated through state general revenue funds. The Commission encourages the General Assembly to pass legislation to backfill reductions in per parcel reimbursements.

The Commission has always enjoyed a good working relationship with the General Assembly and stands ready to assist that body in maintaining and improving the property tax system of Missouri.

Respectfully submitted,
STATE TAX COMMISSION OF MISSOURI
Bruce E. Davis, Chairman
Randy B. Holman, Commissioner