

State Tax Commission Annual Report – 2009

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

The real estate market in the State of Missouri continues to be in a position of fluctuation. The State did experience some stabilization in the housing market during the last two quarters of 2009, as the result of individuals taking advantage of low mortgage rates and government incentives. For the first time in several decades, the property tax base in Missouri actually declined by an aggregate of 2%. Economic forecasts reflect continuing stabilization of the real estate and personal property markets with nominal increase expected by 2011. It is anticipated that real estate prices will not return to the 2006 peak for several years.

Despite the current economic environment, the property tax remains a reliable and stable source of revenue providing the fundamental local services demanded by the public. It is anticipated that over \$6 billion of property tax revenue will be generated to provide the financial foundation to fund public schools, local government and other local political subdivisions. The 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. 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 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

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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.

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 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.

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3. Assessors Education: The Joint Committee on Tax Policy recommended in its 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. Adequate Resources: The State Tax Commission is cognizant of the dire budget constraints facing Missouri. However, in 2009, property tax revenues will exceed \$6 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 65% reduction in expense and equipment monies. The remaining staffing compliment of 55 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 2009 by over 30%. 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;

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to engage in technical advances in the assessment field and to adequately provide ongoing taxpayer assistance and service.

Legislation will be filed during the 2010 General Assembly session to provide the essential funding necessary to comply with the \$7 per parcel provisions codified in statute. The legislation will provide for additional withholding from political subdivisions to offset any deficiencies in per parcel reimbursement appropriated through State general revenue funds. The Commission encourages the General Assembly to pass the legislation to backfill reductions in funding.

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
Bruce E. Davis, Chairman
Jennifer Tidwell, Commissioner
Bill L. Ransdall, Commissioner