

State Tax Commission Annual Report - 2010

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

The State Tax Commission applauds the General Assembly in the passage and enactment of Senate Bill 588 and House Bill 1316 during the 2010 legislative session. This essential legislation provides clarity and transparency in the dissemination of critical property tax information to the taxpayer. The statutory language provides the taxpayer timely data depicting the value of the taxpayer's real property and the potential tax implications associated with those assets. Additionally, the language in this legislation facilitates the efficient delivery of the assessment process resulting in the elimination of unnecessary expenditures.

The real estate market in the State of Missouri continues to be somewhat volatile. Market data indicates de minimus regression in the value of real property in 2010. Additional information further suggests that values will plateau in 2011 and a slight increase in values could be realized by the third quarter. The Commission continues to work in concert with the appraisal community to closely monitor the markets and communicate our findings to the General Assembly.

The property tax continues to be a reliable and stable source of revenue providing the fundamental local services demanded by the public. Property tax generated \$6.2 billion of revenue in 2010 providing the financial foundation to fund public schools, local government and other local political subdivisions. The property tax remains the underpinning which ensures that autonomy is realized and retained at the local level.

Traditionally in this annual report, the Commission offers a myriad of recommendations to the General Assembly to improve the quality of the assessment program in the State of Missouri. The Commission, although fully aware of the State's budgetary constraints, feels strongly that essential elements are needed to improve the assessment program. These elements include a centralized uniform assessment system, enhancement of assessor education and training, and fully funding the assessment maintenance program. In light of the limited financial revenues available, the Commission is providing a recommendation to the General Assembly which does not require additional resources but will result in significant savings.

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.

Sales Disclosure Declaration: 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

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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, that 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% 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.

Legislation will be introduced in 2011 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.

Respectfully submitted,
STATE TAX COMMISSION OF MISSOURI
Bruce E. Davis, Chairman
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