

STATE TAX COMMISSION REPORT

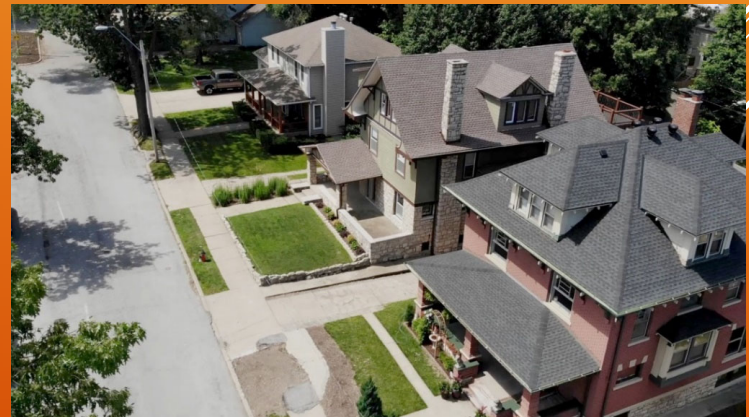
GARY ROMINE, CHAIRMAN

VICTOR CALLAHAN, COMMISSIONER

WILL KRAUS, COMMISSIONER

STATE TAX COMMISSION REPORT

- ▶ In the middle of the challenges of a pandemic, the diligent work of Missouri Assessors in 2020 accounted for \$118,918,883,729 total assessed valuation for the State of Missouri, and generated from that \$8,497,323,362 total property taxes paid.
- ▶ Assessors, as part of that figure, valued 6,856,895 vehicles registered in Missouri and in total assessed 3,363,337 parcels.



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- ▶ Your work provided 70% of the funding for 518 school districts in the 114 counties and the City of St. Louis.
- ▶ Every one of the nearly 900,000 public school children and the teachers that educate them in public schools are able to do so because of the job that you do.



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- ▶ Beyond school funding, the work of the assessor provides the indispensable funding for the essential functions of over 2,900 local government and taxing jurisdictions.
- ▶ Everything from the fire fighter and fire engine, down to the lights in every government building and the building itself is dependent on your efforts.



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- ▶ Every legislative session, the Missouri General Assembly passes new legislation into law. Here are the changes made in the 2021 session.

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- ▶ House Bill 734 and Senate Bill 44
 - ▶ Section 137.123
 - ▶ Beginning January 1, 2022, for the purposes of assessing all real property, excluding land, or tangible personal property associated with a project that uses wind energy directly to generate electricity, 37 ½% of the original costs shall be the true value in money of such property. Such value shall begin the year immediately following the year of construction of the property.
 - ▶ Beginning January 1, 2022, this bill provides that any real and personal property owned by a public utility company that was constructed utilizing financing authorized under Chapter 100 financing shall, upon the transfer of such property to the public utility company, shall be assessed upon the local tax rolls.



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- ▶ Senate Bill 153 and 97
 - ▶ Section 137.155.3(4)
 - ▶ Historic aircraft which are at least twenty-five years old and which are used solely for noncommercial purposes and are operated less than two hundred (200) hours per year or aircraft that are home built from a kit.

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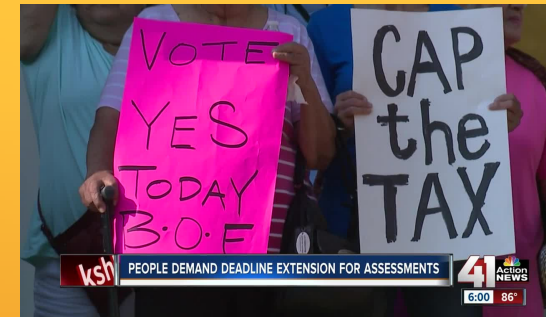
- ▶ House Bill 271
 - ▶ Section 137.280
 - ▶ THE ASSESSOR MAY UPON REQUEST OF THE TAXPAYER SEND PERSONAL PROPERTY TAX LISTS AND NOTICES IN ELECTRONIC FORM.
 - ▶ These lists must be signed and certified by the taxpayer as being a true and complete list of all taxable tangible personal property owned or held by the taxpayer.



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▶ Future Legislation

- ▶ Property tax is a stable, equitable, and reliable revenue source for local governments to do stuff – like providing schools, roads, parks, and police protection. Though generally regarded as a “good” tax for the above reasons, in the last several sessions legislation has been introduced which would limit or cap assessment increases. Some of these efforts are related to lockdown orders or other restrictions enacted by some local governments in response to the pandemic.
- ▶ The motivation behind most of this legislation is a common circumstance for the average homeowner of being “property rich, but income poor.” The home they bought 35 years ago has doubled in valuation as the market has dictated, but in that time, their circumstances have changed, they’ve retired and now live on a fixed income. However, their property taxes have more than tripled or more in that 35 year span as well. The good news for the homeowner is that their primary investment increased in value, the bad news their property taxes have increases substantially as well and they now live on fixed income. This circumstance has been a driver of efforts at property tax relief by policy makers. It has also contributed to the “unpopularity” of property taxes.



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- ▶ The property tax dates to 6,000 B.C. and it performs very well on criteria of sound taxation like efficiency, equity, and reliability.
- ▶ The property tax gives local taxpayers a measure of control over their local governments. Local governments retain a greater measure of their autonomy when they can rely on property taxes. This tax provides a relationship to services received, such as police and fire protection and local streets, although it does so imperfectly. In states that have limited assessment increases (most notably Proposition 13 in California) local governments specifically school districts have become more dependent on state funding, thus losing the autonomy and authority that taxpayers and local governments have in a system that provides checks and balances that protect taxpayers and taxing authorities.

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- ▶ Do not make the assumption that everyone has your knowledge and experience of property assessment and how it all works. Not every taxpayer, policy maker, or even school official will have your understanding. Your success as an assessor, in part, recognizes the perpetual challenge to provide the facts and knowledge you possess as the Assessor to individual taxpayers and decision makers. Every tax has its advantages and disadvantages; open communication and transparency of the assessment process are the best tools to address misconceptions.

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Historical Perspective of Assessments and
Agricultural Land Valuations for Property Tax
Purposes

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1945 – 1975

- ▶ All taxable property classified as Class
 - (1) Real Property and Class
 - (2) Personal Property

- ▶ Property assessed at full market value

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1975 AND 1976

- ▶ 1975

- A. 1973 Law effective tax year 1975
- B. Real and Personal Property assessed at 33.3% of market value

- ▶ 1976

- A. Legislation enacted providing for valuing agricultural property according to its productive capability (use value)

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1976 CONT.

1. Qualifications require that land be devoted for agricultural use for 5 successive year and.....
2. Gross sales of agricultural products must average \$2,500 for 5 previous years
3. STC may consider evidence from the University of MO in developing the range of values for the productivity (Grade 1-8)

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1979 CASSILLY V. RINEY

- A. St. Louis County Assessor violated the uniformity provisions of MO Constitution
- B. State mandated reassessment
- C. STC has Constitutional and statutory authority to remedy the discrimination
- D. All counties ordered to perform general reassessment
- E. Collection monies established in assessment fund

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1982 – 1983 CONSTITUTIONAL AMENDMENT

1. 3 Subclasses of real property established pursuant to constitution amendment in 1982
2. All property continues to be assessed at 33.3% of true value (productivity value for agricultural land)
3. Provisions of \$2,500 gross income and property being devoted to agricultural activity for previous 5 years is eliminated

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1982 – 1983 CONT.

4. STC must promulgate rules to publish range of values of the several classifications of land
5. Assessor must use values promulgated by the STC
6. General Assembly may disapprove within 60 calendar days of the regular session

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1984

- A. Roll back provisions codified to reflect constitutional mandates (Hancock)
- B. General Assembly codifies a formula to ensure same relative tax burden in 1984 is reflected in 1985
- C. General Assembly also passed legislation to provide override of the statutory formula

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1985

- A. Statewide reassessment completed
- B. General Assembly establishes fractional assessment ratios
 - 1. Residential – 19%
 - 2. Agricultural – 12% (Productive Capability)
 - 3. Commercial – 32%

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1987 – PRESENT

A. Biennial assessment plan established

1. Commencing January 1, 1987
2. Every odd numbered year – submit 2-year assessment and equalization maintenance plan to the STC
3. Per Parcel reimbursement established at \$5.50 per parcel (reduced in 2014 to \$3.00)

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Agricultural Productivity Valuation Process

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CURRENT PROCESS FOR AGRICULTURAL PRODUCTIVITY

1. STC holds hearings to take testimony regarding values (this year Dec 14th)
 - Values formulated utilizing income capitalization methodology developed by the University of Missouri School of Agriculture
2. STC promulgates rules by December 31st of the year to be effective on January 1st of the subsequent odd year
3. General Assembly has 60 calendar days to reject values by concurrent resolution

STATE TAX COMMISSION REPORT HISTORY

| AGRICULTURAL LAND ACTION BY STC AND GA | | |
|--|---|--|
| Calendar Year | STC Recommended | General Assembly Action |
| 2021 | (Grade 1 - 8) No Change | Allowed It |
| 2019 | (Grades 1-4) No Change (Grades 5-7) 7% Decrease (Grade 8) 3% Decrease | Allowed It Allowed It Allowed It |
| 2017 | (Grades 1-4) 5% Increase (Grades 5-8) No Change | Rejected It Rejected It |
| 2015 | (Grade 1-8) 5% Increase | Allowed It |
| 2013 | (Grade 1-4) 8% Increase (Grades 5-8) No Change | Rejected It Rejected It |

| | | |
|------|---|--|
| 2011 | (Grade 1-4) 29% Increase (Grades 5-8) 25% Decrease | Rejected It Rejected It |
| 1999 | (Grade 1-8) 13-14% Increase | Rejected It |
| 1995 | (Grade 1) \$985 9.24% Increase (Grade 2) \$810 6.91% Increase (Grade 3) \$615 3.25% Increase (Grade 4) \$385 6% Decrease (Grade 5) \$195 13.33% Decrease (Grade 6) \$150 13.33% Increase (Grade 7) \$75 8% Increase (Grade 8) \$30 66.67% Increase | Allowed It Allowed It Allowed It Allowed It Allowed It Allowed It Allowed It Allowed It |
| 1987 | (Grade 1-4) 20% Decrease (Grades 5-8) 35% Decrease | Allowed It Allowed It |
| 1986 | (Grade 1-4) 17% Decrease (Grades 5-8) 25% Decrease | Rejected It Rejected It |

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HISTORY ON GA ON STC RULE

| | Allowed | | | | Rejected | |
|-------------|----------------------------|-----------------|--|-------------|----------------|-----------------|
| 2019 | 3-7% | Decrease | | 2017 | 5% | Increase |
| 2015 | 5% | Increase | | 2013 | 8% | Increase |
| 1995 | Combination Inc/Dec | | | 2011 | 29% Inc | 25% Dec |
| 1987 | 20-35% | Decrease | | 1999 | 13-14% | Increase |
| | | | | 1986 | 17-25% | Decrease |

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AGRICULTURAL PRODUCTIVITY

VALUATION PROCESS

- ▶ Current Productivity Values and statewide percentage by grade for agricultural land

| | Use Value | Percentage |
|---------|------------------|-------------------|
| Grade 1 | \$1035 | 0.55% |
| Grade 2 | 850 | 3.00% |
| Grade 3 | 645 | 11.73% |
| Grade 4 | 405 | 19.84% |
| Grade 5 | 191 | 17.24% |
| Grade 6 | 147 | 23.64% |
| Grade 7 | 73 | 22.67% |
| Grade 8 | 30 | 1.10% |

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AGRICULTURAL PRODUCTIVITY VALUATION PROCESS

► Historical Progression of Productivity Values in Missouri

| Soil Grade | 1985/ 1986 | 1987/ 1988 | 1989/ 1994 | 1995/ 1998 | 1999/ 2000 | 2001/ 2010 | 2015/ 2018 | 2019/ 2022 |
|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1 | \$1,117 | \$894 | \$894 | \$985 | \$985 | \$985 | \$1035 | \$1035 |
| 2 | 953 | 754 | 754 | 810 | 810 | 810 | 850 | 850 |
| 3 | 767 | 595 | 595 | 615 | 615 | 615 | 645 | 645 |
| 4 | 548 | 408 | 408 | 385 | 385 | 385 | 405 | 405 |
| 5 | 330 | 221 | 221 | 195 | 195 | 195 | 205 | 191 |
| 6 | 194 | 130 | 130 | 150 | 150 | 150 | 158 | 147 |
| 7 | 109 | 69 | 69 | 75 | 75 | 75 | 79 | 73 |
| 8 | 28 | 10 | 10 | 30 | 30 | 30 | 31 | 30 |

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▶ State Tax Commission Budget Process

- ▶ August/September – the STC prepares the initial budget to be submitted to Budget and Planning. This includes the existing (core) operating budget and any new decision items the STC would like to pursue.
- ▶ October – schedule meeting with Governor's Office and Budget and Planning staff to review STC budget and potential legislation.
- ▶ January (after the Governor's State of the State Address) – the Governor's budget recommendations are released to state agencies and they are to update their budget documents with the Governor's recommendation.
- ▶ January and February – the Commissioners present the STC budget to the House Subcommittee on Appropriations, the House Budget Committee, and the Senate Appropriations Committee.

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▶ Committee Process

- ▶ Constitutionally, the budget officially begins in the House.
- ▶ The budget is built predominately by the Legislature during the Budget Committee process.
- ▶ Line items can be amended (added or removed) during this process.
- ▶ Occasionally, the budget can be amended (added or removed) on the House or Senate Floor.

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- ▶ The General Assembly is required to have the budget completed by the Friday before the last Friday of session (a week before sessions ends).
- ▶ The Governor has until June 30th to take any action on the budget (can sign or line item veto).
- ▶ This entire process is for the fiscal year that begins July 1st.

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- ▶ For fiscal year 2023, which begins July 1, 2022, the Commission has requested two new decision items that impact county assessors.
 - ▶ Assessment Maintenance funding increase of \$53.046. If approved through the budget process, this would reimburse counties at the 2021 parcel count at \$3.15 per parcel.
 - ▶ Additional Compensation (tied to education) funding of \$99,900. Section 53.255 RSMo, requires assessors to attend an approved course of study no later than two years after taking office to become certified. To remain certified, an assessor must attend an additional course of study every two years. Section 53.084, RSMo, stipulates that all assessors, other than an assessor of a first class charter county, will receive additional compensation in the amount of \$225 each quarter. This program has not been funding since fiscal year 2009.

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- ▶ Legislative Liaison/Policy Analyst Roles and Responsibilities
 - ▶ Currently, accepting applications for this position
 - ▶ The Legislative Liaison will coordinate legislative affairs
 - ▶ Represent the Commission before the legislature and other government agencies; preparing testimony before legislative committees
 - ▶ Develop and implement strategies to accomplish the Commission's legislative goals
 - ▶ Monitor, analyze, and report state and federal legislation affecting the STC
 - ▶ Coordinating the STC's response to legislative inquiries and requests
 - ▶ Tracking and submitting fiscal notes
 - ▶ Participate in policy development and research; conduct research for Commissioners and section managers