

State Tax Commission of Missouri Original Assessment Outreach Training

<https://stc.mo.gov>

<https://moftp.mo.gov>

OriginalAssessment@stc.mo.gov

Original Assessment Process

Appraisal Process – A systematic and orderly approach by which the problem of real estate valuation is defined; the work necessary to solve the problem is planned; and the data involved is acquired, classified, analyzed and interpreted into an estimate of value.

Approaches to Value – The traditional methods or techniques by which market data may be processed into an indication of value. The three approaches to value include the; Cost Approach, Income Approach, and the Market Approach.

Cost Approach - Historical cost should be the cost of the property when first put into service. Appraisers should inspect the balance sheet and subsidiary depreciation schedules of the centrally assessed company to ensure that the historical costs of all unitary property has been included. This is the reason that **historical cost is sometimes referred as book cost**. When possible, seek historical costs that come from independently audited financials.

2021 ABC Pizza		Account 1070056
<u>Cost Approach</u>		
<u>Original Costs</u>		
Telecommunications Plant In Service (Less CWIP)		53,908,644
Construction Work in Progress (CWIP) (Betterment)		2,737,443
Construction Work in Progress (CWIP) (Maintenance)		10,097
Plant Acquisition Adjustment		0
Materials and Supplies		1,273,859
Gross Plant in Service		57,930,043
Less: Accumulated Depreciation & Amortization	(27,131,269)	
Indicated Value - Net Telecommunications Plant:		30,798,774
Adjustment Calculation	85.00%	
Indicated Value - Cost Approach:		26,178,958

Income Approach – Is the value that may be described as any method that converts future anticipated income into present value.

- Premised on the assumptions that investors buy and sell property based on the income it is expected to yield and that investors discount expected income at its attendant risk rate over its anticipated duration.
- For appraisal purposes, income is the anticipated net benefits a property will provide to its owners or users over time.

2021 ABC Pizza				Account 1070056
<u>Income Approach</u>				
Year Ending	NOI (After Taxes)	Change in Income	Performance Ratio	Net Property (Less CWIP)
2015	3,024,393	--	11.80%	25,631,121
2016	2,005,441	-33.69%	8.16%	24,584,552
2017	3,875,873	93.27%	16.37%	23,679,821
2018	2,722,239	-29.76%	11.63%	23,414,360
2019	2,716,952	-0.19%	11.39%	23,858,480
2020	2,255,441	-16.99%	7.63%	29,551,234
Current Year Income				2,255,441
Current Year Income Adjusted for Five Year Average Change in Income				2,312,459
Three Year Average Income				2,564,877
Three Year Weighted Average Income				2,487,078
Three Year Average Performance Ratio Adjusted Income				3,019,151
Three Year Weighted Average Performance Ratio Adjusted Income				2,822,143
Five Year Average Income				2,715,189
Five Year Weighted Average Income				2,671,261
Five Year Average Performance Ratio Adjusted Income				3,261,274
Five Year Weighted Average Performance Ratio Adjusted Income				3,142,281
Correlated Income Stream:				2,487,000
<u>Adjustments to Income</u>				
Adjustment for CWIP				187,325
Total Adjustments to Income				187,325
Total Income to Discount				2,674,325
Discount Rate				11.50%
Indicated Value - Income Approach:				23,255,000

Market Approach – Stock and Debt

Debt - The conceptual basis for the stock and debt indicator is that the total value of a firm's assets is equal to the total value of its liabilities and stockholders' equity.

- Firms purchase assets using equity or debt financing. Purchases of assets from internal cash flows are usually considered a contribution from existing shareholders.
- For firms that have publicly traded securities (stocks and bonds), market prices can be obtained for sales of fractional portions of these debt and equity securities.
- Accordingly, the market prices can be applied to the total group of securities to obtain the market value of the firms' assets.

2021 ABC Pizza		Account 1070056
<u>Market Approach</u>		
<u>Stock</u>		<u>Market Value</u>
Proprietary Capital		43,760,922
Total Stock		43,760,922
Operating Unit Allocation		100.00%
Stock Applicable to Operating Unit		43,760,922
<u>Debt</u>		
Total Debt and Other Obligations		7,268,511
Stock and Debt Applicable to Operating Unit		51,029,433
Operating Component		60.00%
Indicated Value - Market Approach:		30,617,660



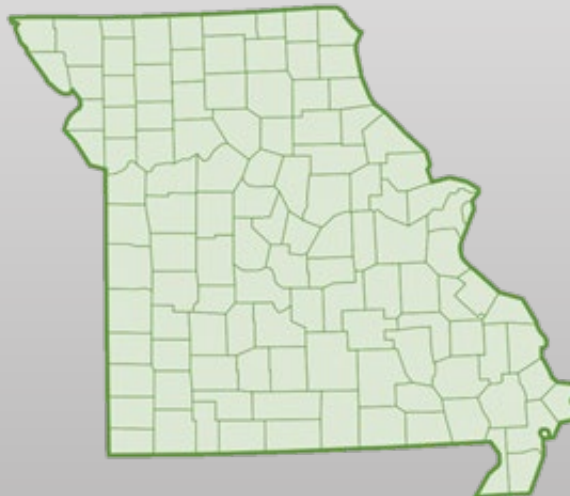
Unit Market Value – The Whole Company

- \$ 26,200,000 – Determined from the three Approaches to Value.



Allocation to Missouri

- $\$ 26,200,000 \times 97.31870\% = \$ 25,497,499$
- The Allocation Percentage comes from 12 CSR 30-2.016.





State – Market Approach



State – Income Approach



State – Cost Approach



Local – Operating Property



Local – Construction Work in Progress



Local – Tangible Personal Property



Remove Locally Assessed Operating Property

- $\$25,497,499 - \$3,925,914 = \$21,571,585$
(Missouri Distributable Market Value)



Examples of Locally Assessed Property:

1. Buildings and Land associated with local property
2. Office furniture, equipment and fixtures
3. Motor Vehicles
4. Materials and supplies
5. Construction-work-in-progress (CWIP)



Locally Assessed property is NOT used in the movement of services.

Missouri Statutes define Locally Assessed Real Property and Tangible Personal Property of Railroad and Utility Companies. The statutory references are: RSMo 151.020.3, 153.032.2, 153.034.2, and 153.036.2, Revised Statutes of Missouri.





State – Market Approach



State – Income Approach



State – Cost Approach



Local – Operating Property



Local – Construction Work in Progress



Local – Tangible Personal Property





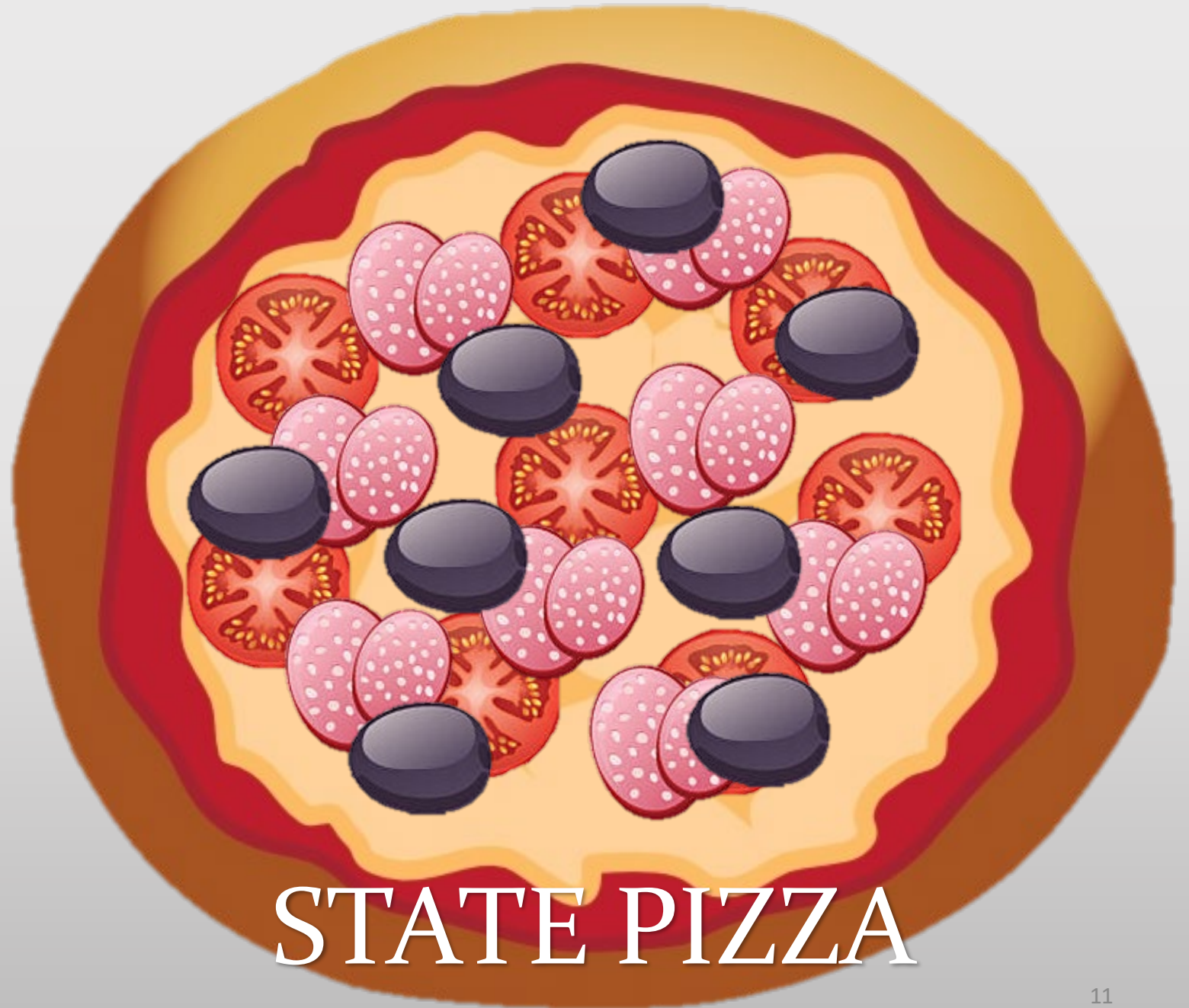
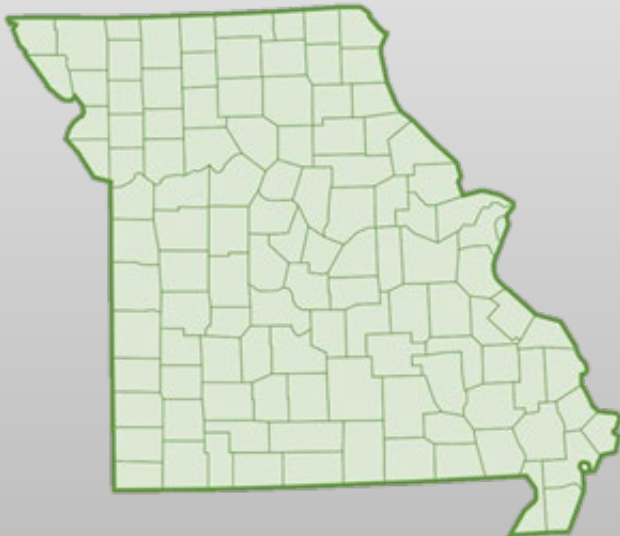
State – Market Approach



State – Income Approach



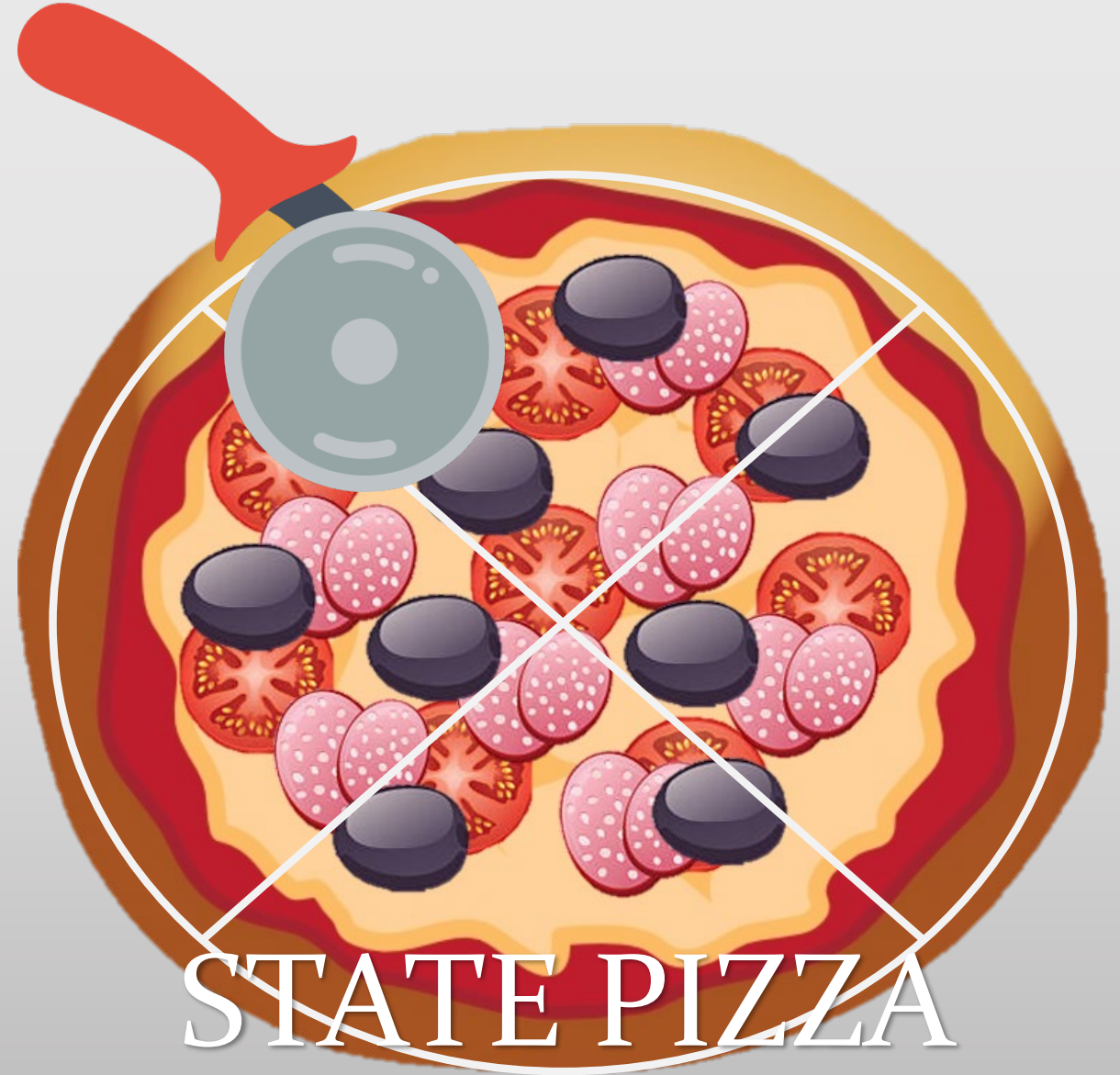
State – Cost Approach



STATE PIZZA

Slice the Missouri Distributable Market Value into Real Market Value and Personal Market Value

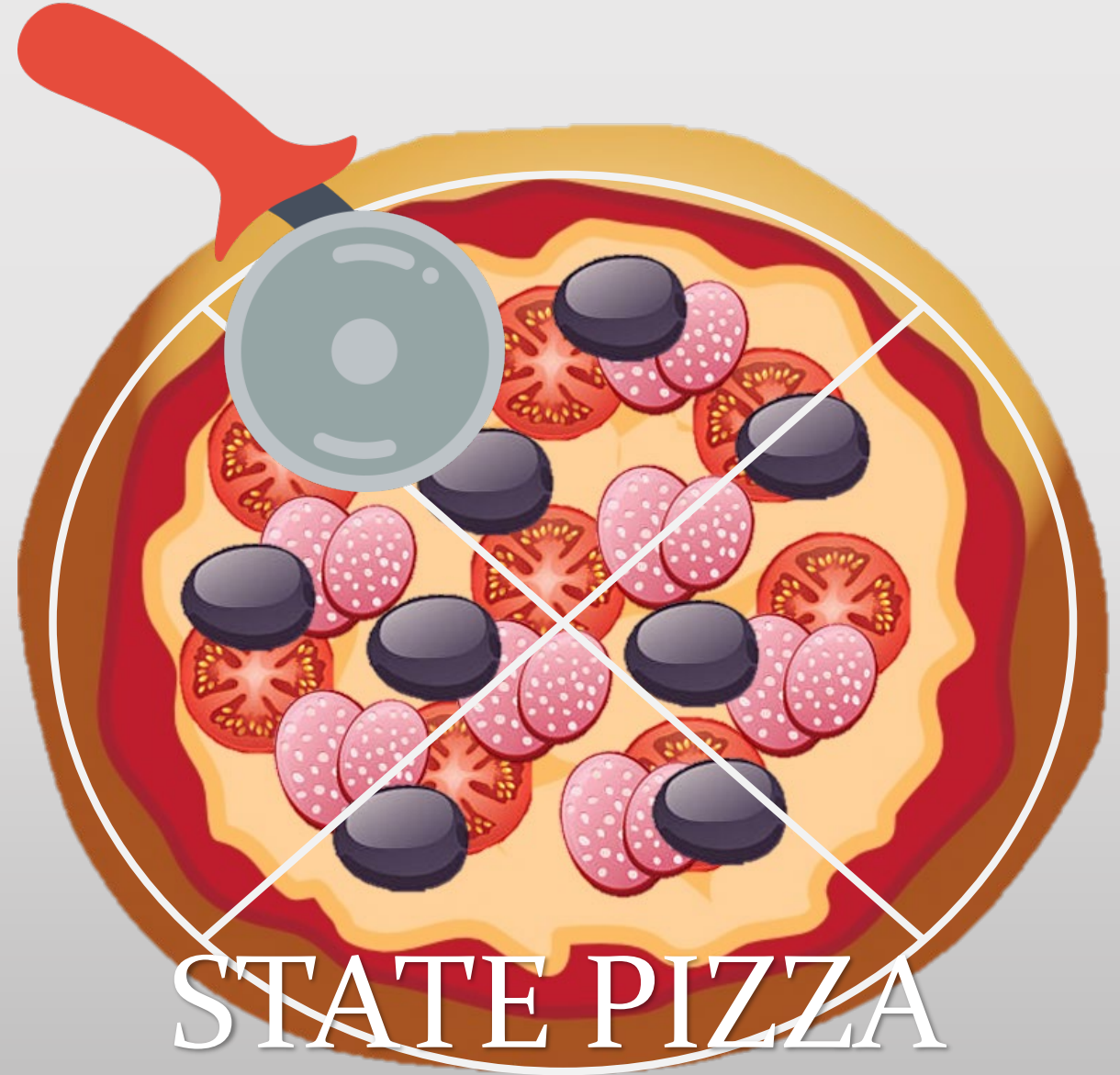
- Real Market Value;
 $\$21,571,585 \times 59.77\% = \$12,893,336$
 - $\$12,893,336 \times 32\% = \$4,125,868$ (Assessed Value Real)
- Personal Market Value;
 $\$21,571,585 \times 40.23\% = \$8,678,249$
 - $\$8,678,249 \times 33.33\% = \$2,892,750$ (Assessed Value Personal)
- $\$4,125,868 + \$2,892,750 = \$7,018,618$
(Total Missouri Assessed Value)



Slice the Missouri Assessed Value per Mile and the Distributable Assessed Value for each Missouri County

County Assessed Value
(Distributable Assessed Value for Missouri County)

- Total Missouri Assessed Value x County Mileage Percentage (County miles / State miles)
- \$7,018,618 x 2.47768% = \$173,899



Unit Market Value

- \$26,200,000

Allocation to Missouri

- $\$26,200,000 \times 97.31870\% = \$25,497,499$



Remove Locally Assessed Operating Property

- $\$25,497,499 - \$3,925,914 = \$21,571,585$ (Missouri Distributable Market Value)

Split the Missouri Distributable Market Value into Real Market Value and Personal Market Value

- Real Market Value; $\$21,571,585 \times 59.77\% = \$12,893,336$
 - $\$12,893,336 \times 32\% = \$4,125,868$ (Assessed Value Real)
- Personal Market Value; $\$21,571,585 \times 40.23\% = \$8,678,249$
 - $\$8,678,249 \times 33.33\% = \$2,892,750$ (Assessed Value Personal)
- $\$4,125,868 + \$2,892,750 = \$7,018,618$ (Total Missouri Assessed Value)



County Apportionment (Missouri Assessed Value per Mile)

- Total Missouri Assessed Value / Total Missouri Miles
- $\$7,018,618 / 799.94 = \$8,774$ per mile

County Assessed Value (Distributable Assessed Value for Missouri County)

- Total Missouri Assessed Value x County Mileage Percentage (County miles / State miles)
- $\$7,018,618 \times 2.47768\% = \$173,899$ apportioned to county





State Tax Commission of Missouri
P.O. Box 146, Jefferson City, MO 65102-0146
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Tax Year: 2021

Certification of Company Assessed Value County-District Summary

Account Number: 1070056

Company: ABC Pizza

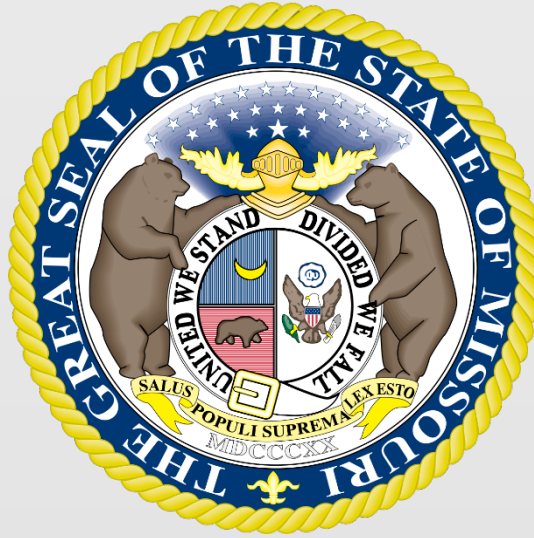
Total Assessed Value - Statewide: 7,018,618
Total Miles or % - Statewide: 799.94
Commercial Real Property \$ per Mile: 5,157.72
Personal Property \$ per Mile: 3,616.21

County Number: 26

County: Cole

Taxing Jurisdiction	District	Miles or % in the County	Commercial Real Property	Personal Property	Total Assessed Value*
1 COUNTY WIDE					
Dallas County Library	10-030-0001	19.82	102,226	71,673	173,899
Dallas County Health	18-030-0001	19.82	102,226	71,673	173,899
Dallas County-General Revenue	35-030-0000	19.82	102,226	71,673	173,899
Dallas County-Road and Bridge	35-030-0000	19.82	102,226	71,673	173,899
Dallas County-Senior Services	35-030-0000	19.82	102,226	71,673	173,899





For additional assistance contact:

- Stacey Cowan, Appraisal Specialist – 573-751-1708
- Peter Chari, Appraisal Specialist – 573-751-1729
 - Jeffrey Smith, Manager – 573-526-6403

State Tax Commission - Original Assessment