

STATE TAX COMMISSION REPORTS

JEFFREY SMITH, ORIGINAL ASSESSMENT MANAGER
STACEY JACOBS, ADMINISTRATIVE SECRETARY
LARRY JONES, LOCAL ASSISTANCE MANAGER

MSAA CONFERENCE – OCTOBER 2023

State Tax Commission Reports

- Original Assessment Section
- Property Tax Collections History
- Budget Process
- Ratio Studies Process
- Letters of Concern and Memorandums of Understanding

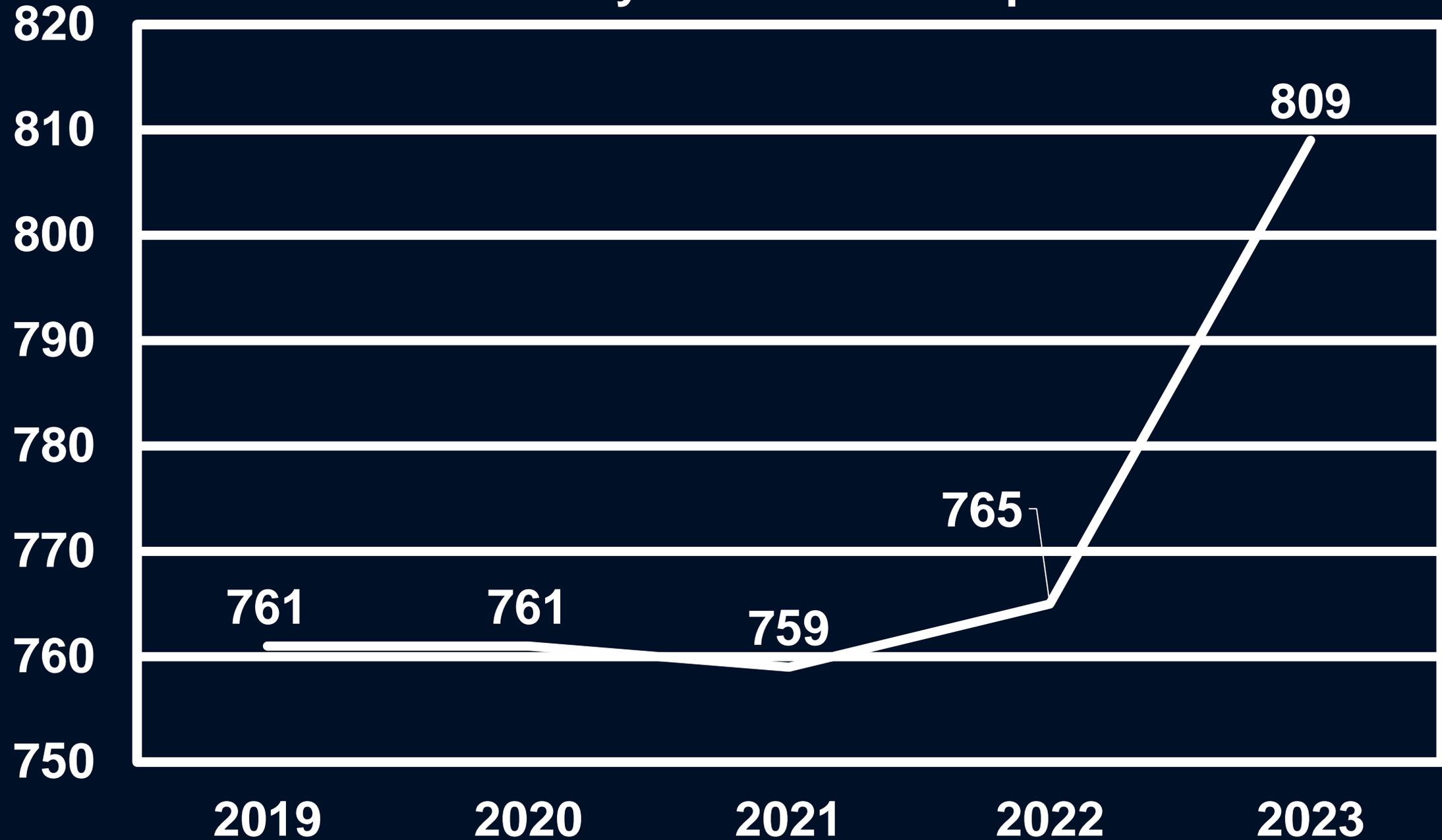
Original Assessment Section

JEFFREY SMITH, ORIGINAL ASSESSMENT MANAGER

Overview

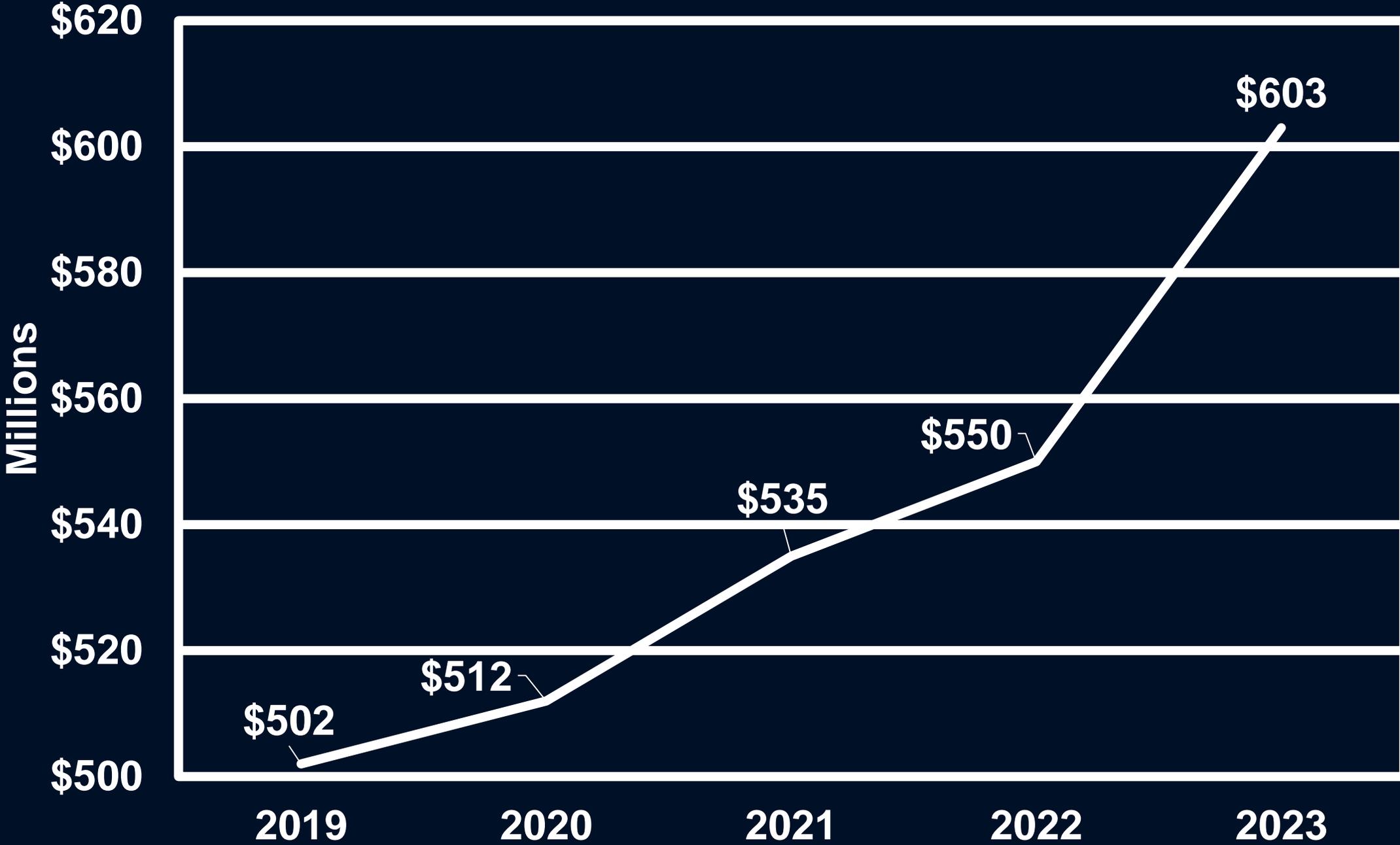
- Centrally Assessed Companies
- Estimated Revenue Generated
- Proportion of Total Property Taxes
- Industry Contributions
- Original Assessment Priorities

Centrally Assessed Companies



5 Year
Review

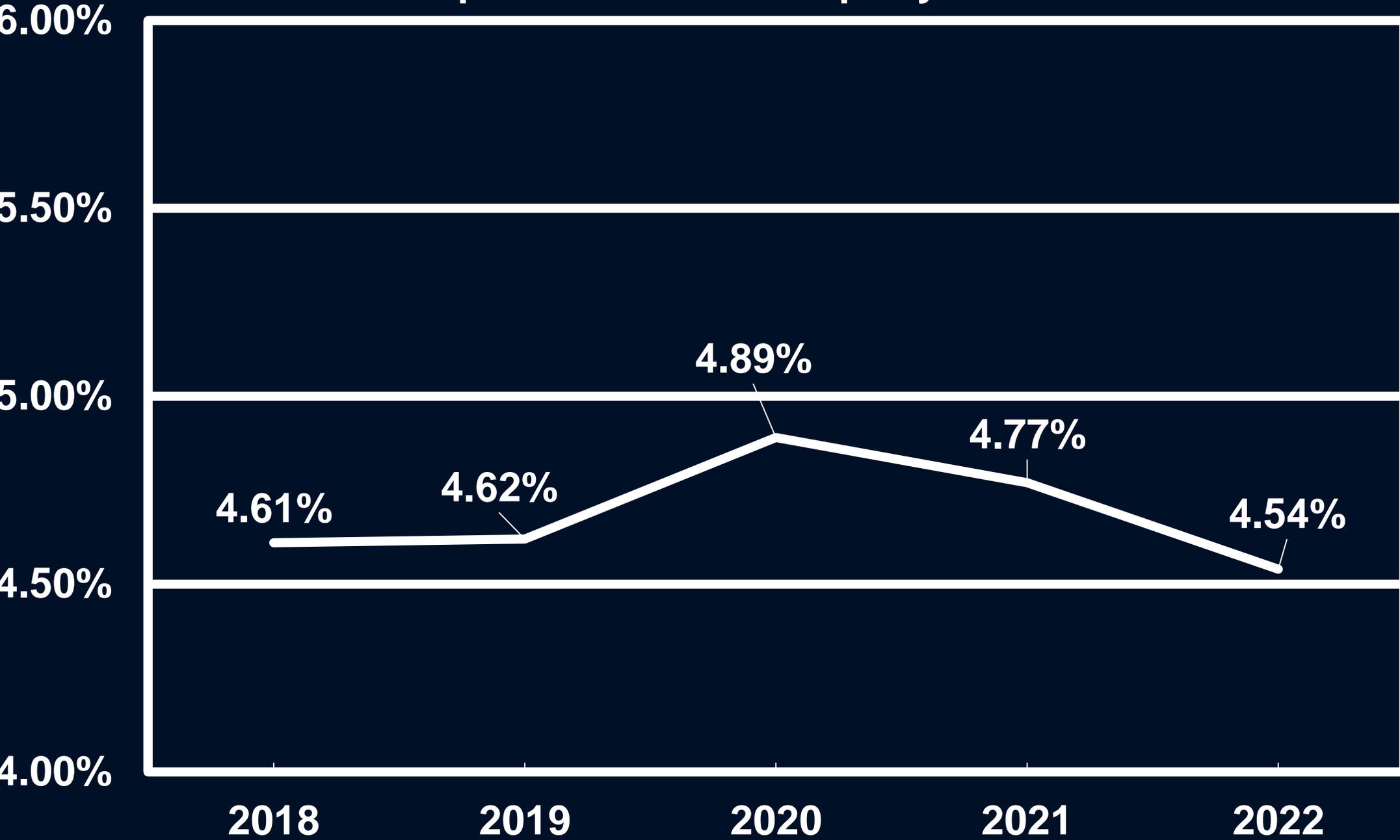
Estimated Revenue Generated



5 Year Review

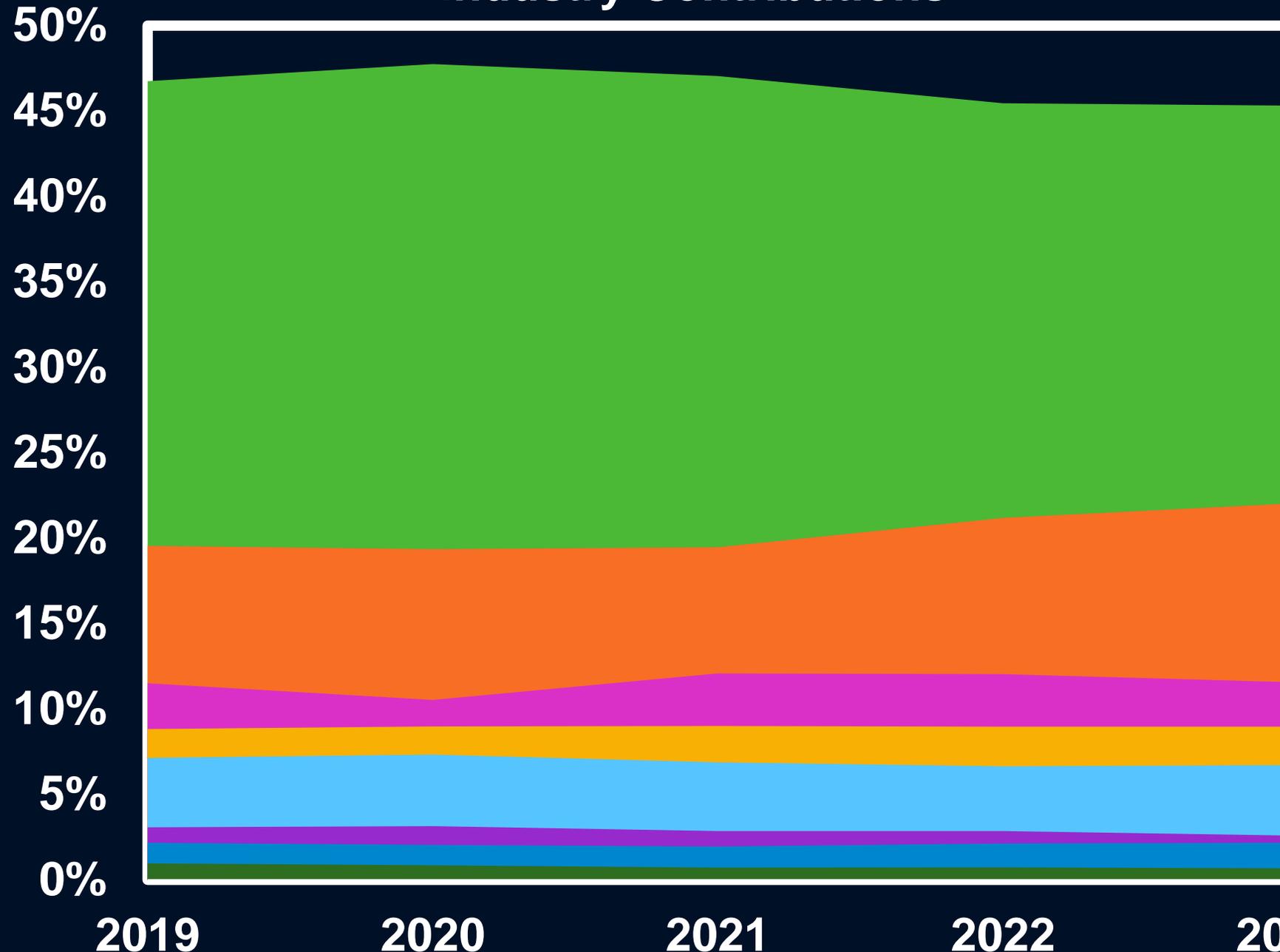
Proportion of Total Property Taxes

5 Year Review



Industry Contributions

5 Year Review



- Electric
- Railroad
- REC
- Fluid Pipe
- Telecom
- Natural Gas Pipe
- Commercial Aircraft
- Private Cars

Original Assessment Priorities

Private Car Companies

Continue enhanced identification of private car companies to ensure compliance with filing requirements.

Commercial Aircraft

Collaborate with county officials to clarify reporting language on personal property declarations to facilitate and enhance reporting of centrally assessed commercial aircraft owned by others (CAOBO), and improve compliance with filing requirements.

Fiber Companies

Enhance identification and onboarding of new fiber telecommunication companies to improve compliance with filing requirements.

Summary

Over 800 centrally assessed companies contribute approximately 4.5% of total property tax revenue in Missouri.



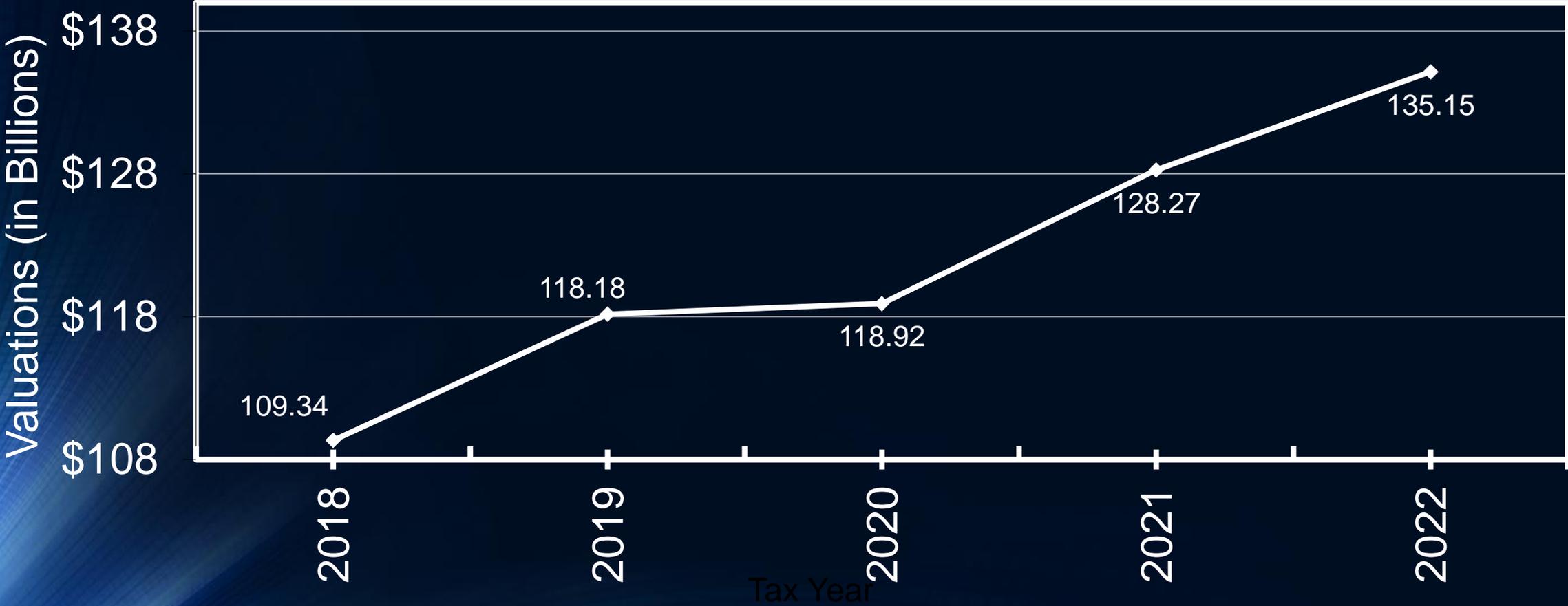
Thank you

Property Tax Collections, Revenues, and Budget Process

STACEY JACOBS, ADMINISTRATIVE SECRETARY

Assessed Valuations History

Assessed Valuations History



2022 Assessed Valuations

Total Assessed Value \$135,148,692,788

Residential \$70.95 billion

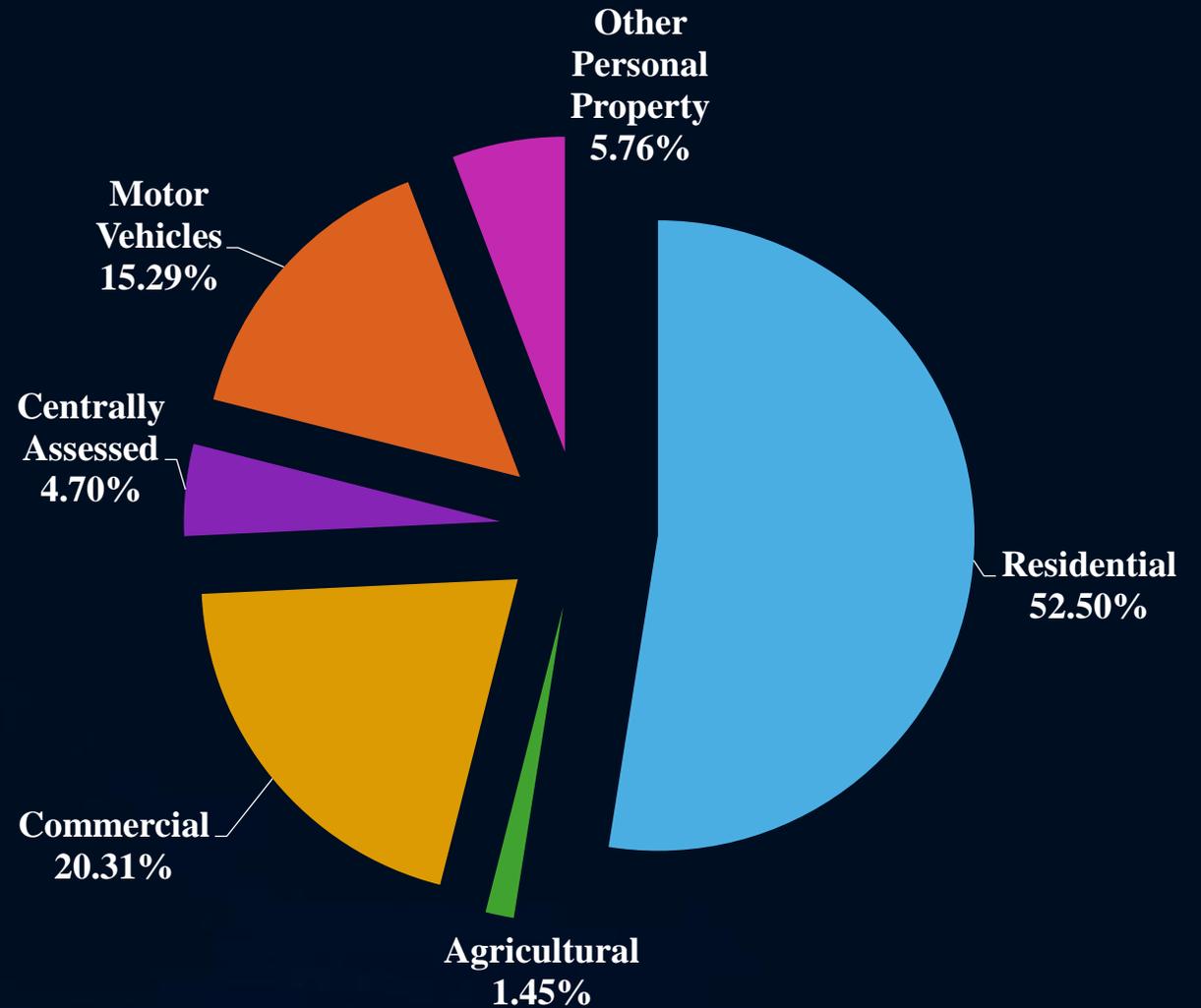
Agricultural \$2.0 billion

Commercial \$27.45 billion

Centrally Assessed \$6.35 billion

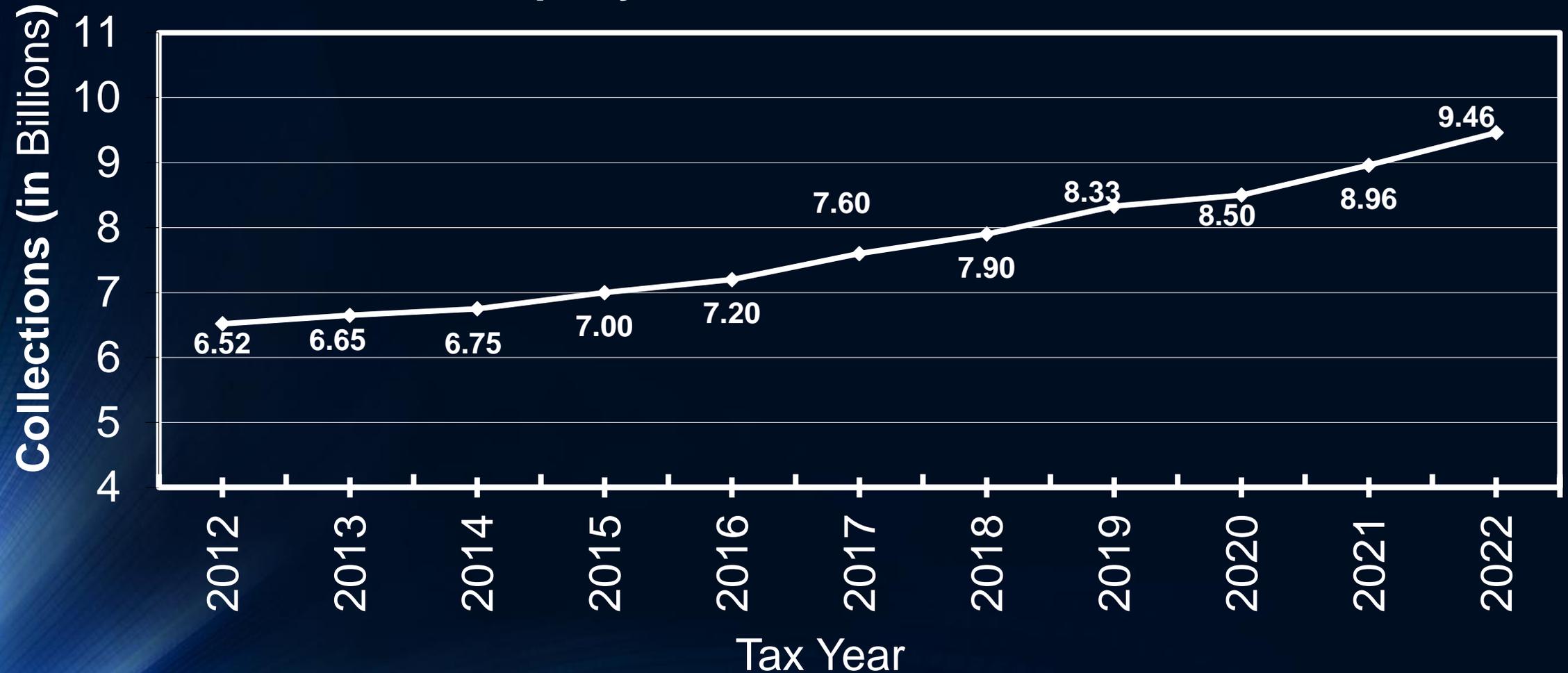
Motor Vehicles \$20.66 billion

Other Personal Property \$7.78 billion



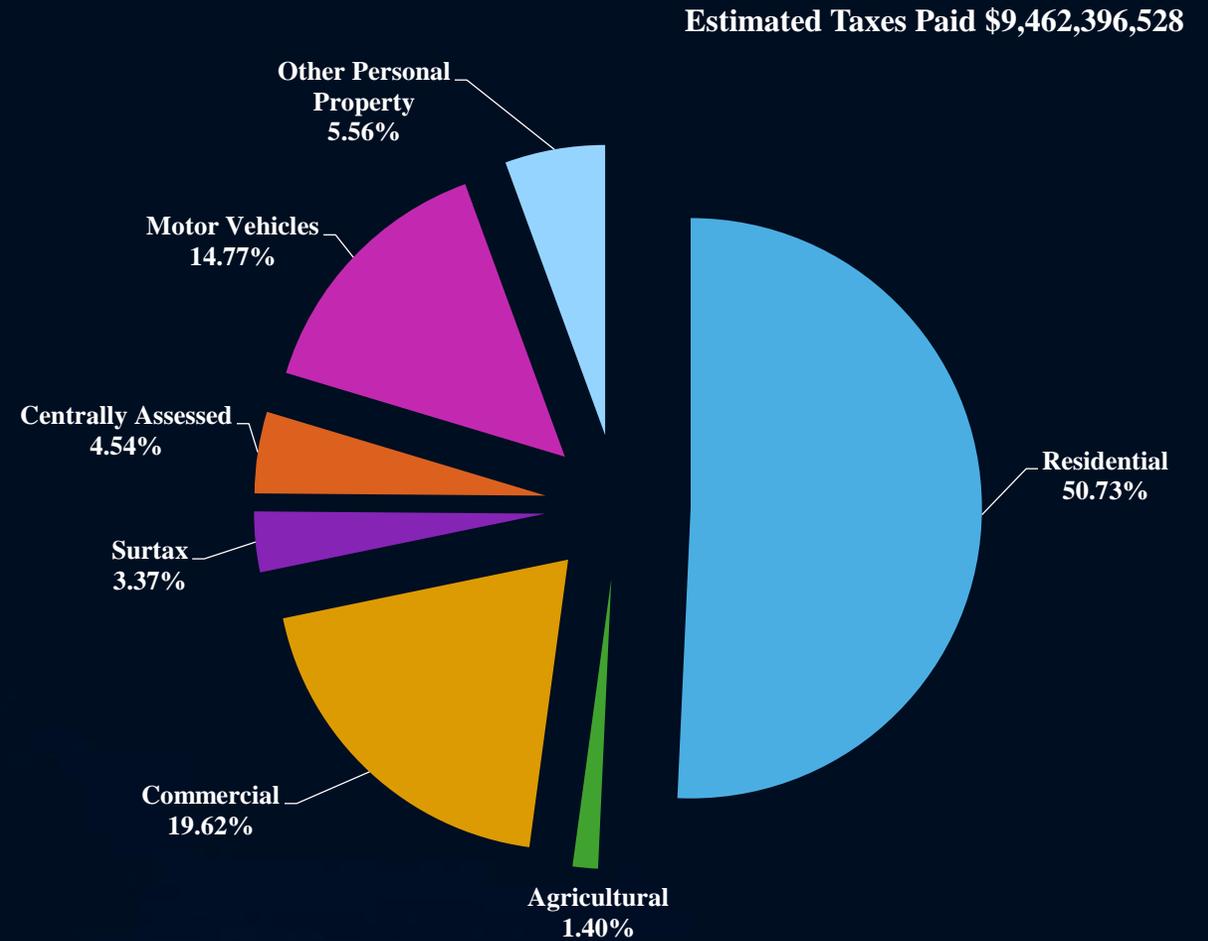
Property Tax Collections History

Property Tax Collections



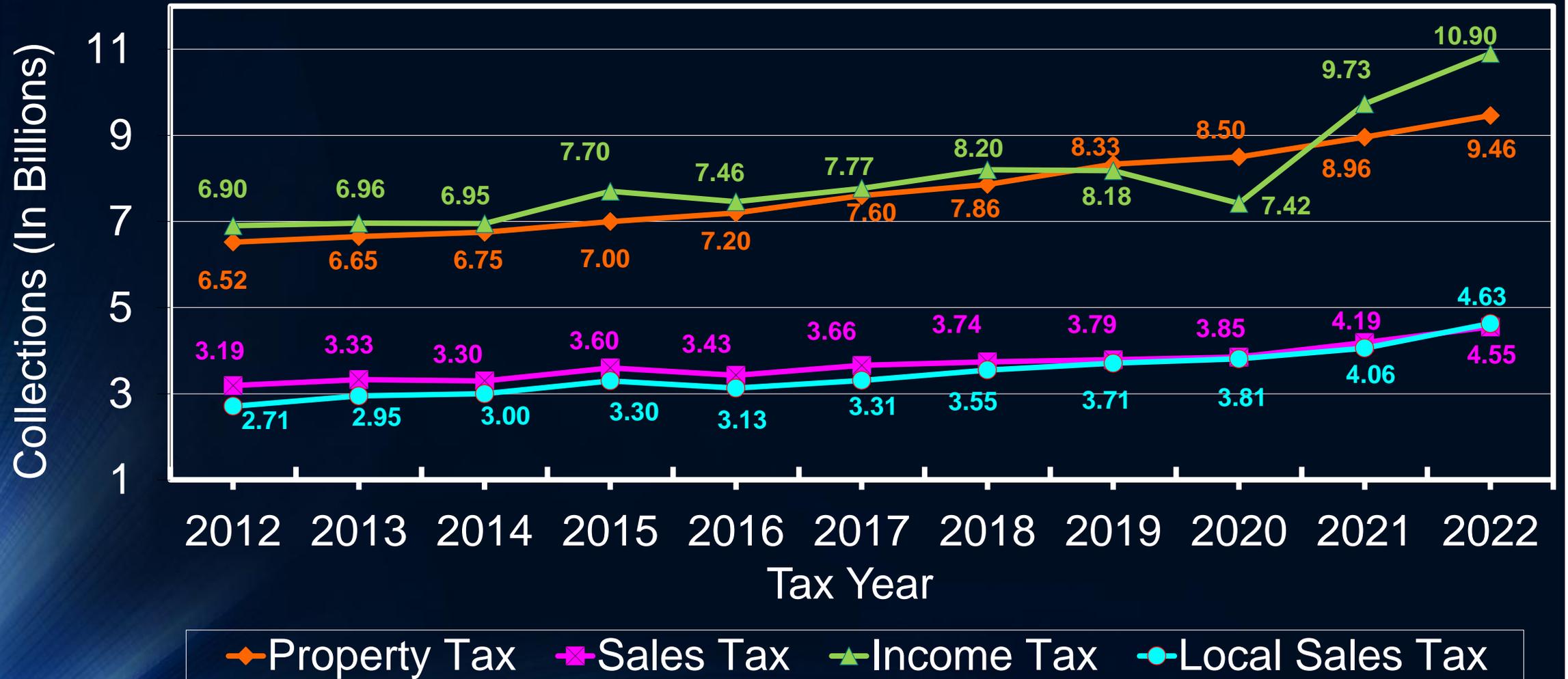
Who Paid the 2022 Property Tax?

Residential \$4.80 billion
Agricultural \$133 million
Commercial \$1.86 billion
Surtax \$319 million
Centrally Assessed \$430 million
Motor Vehicles \$1.40 billion
Other Personal Property 526 million

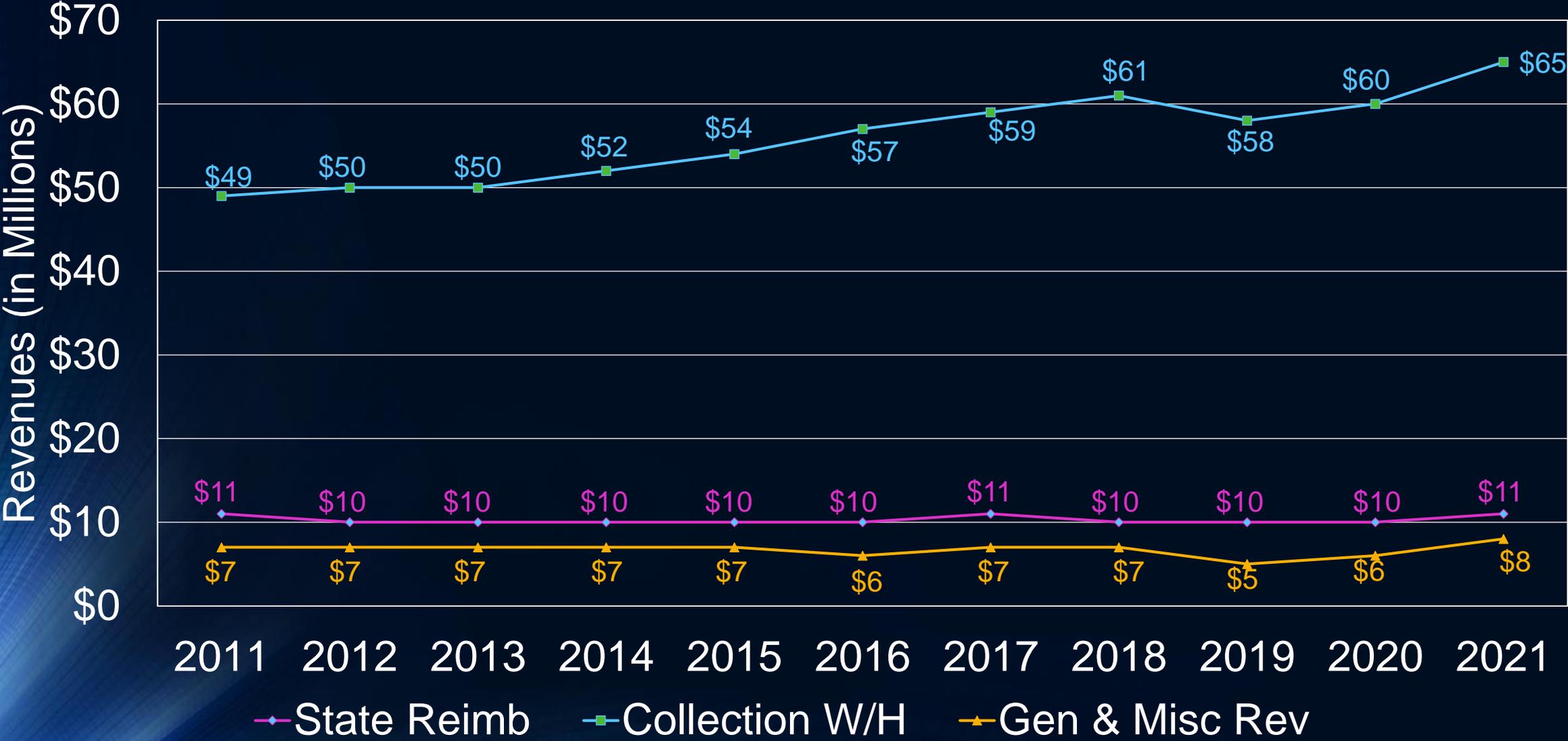


TAX COLLECTIONS HISTORY

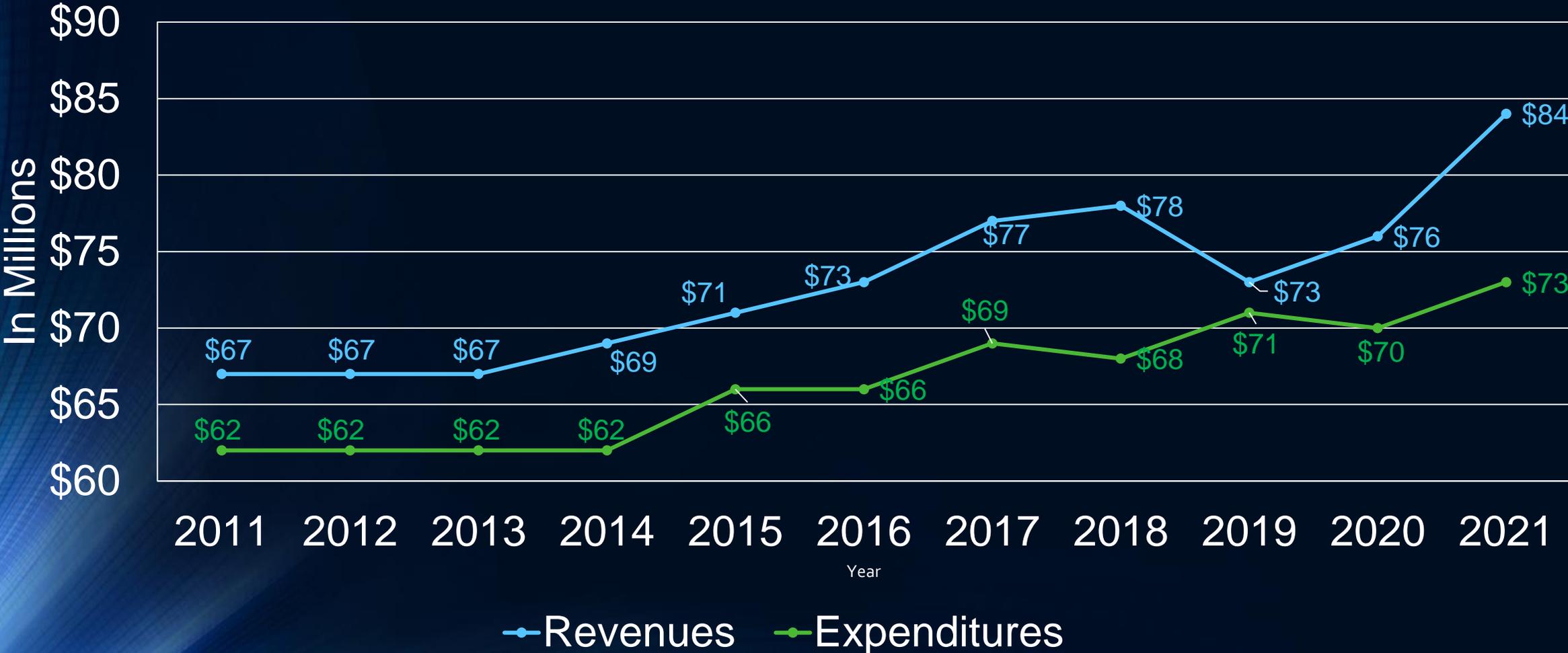
Tax Collections



Revenue Sources for Assessment Fund



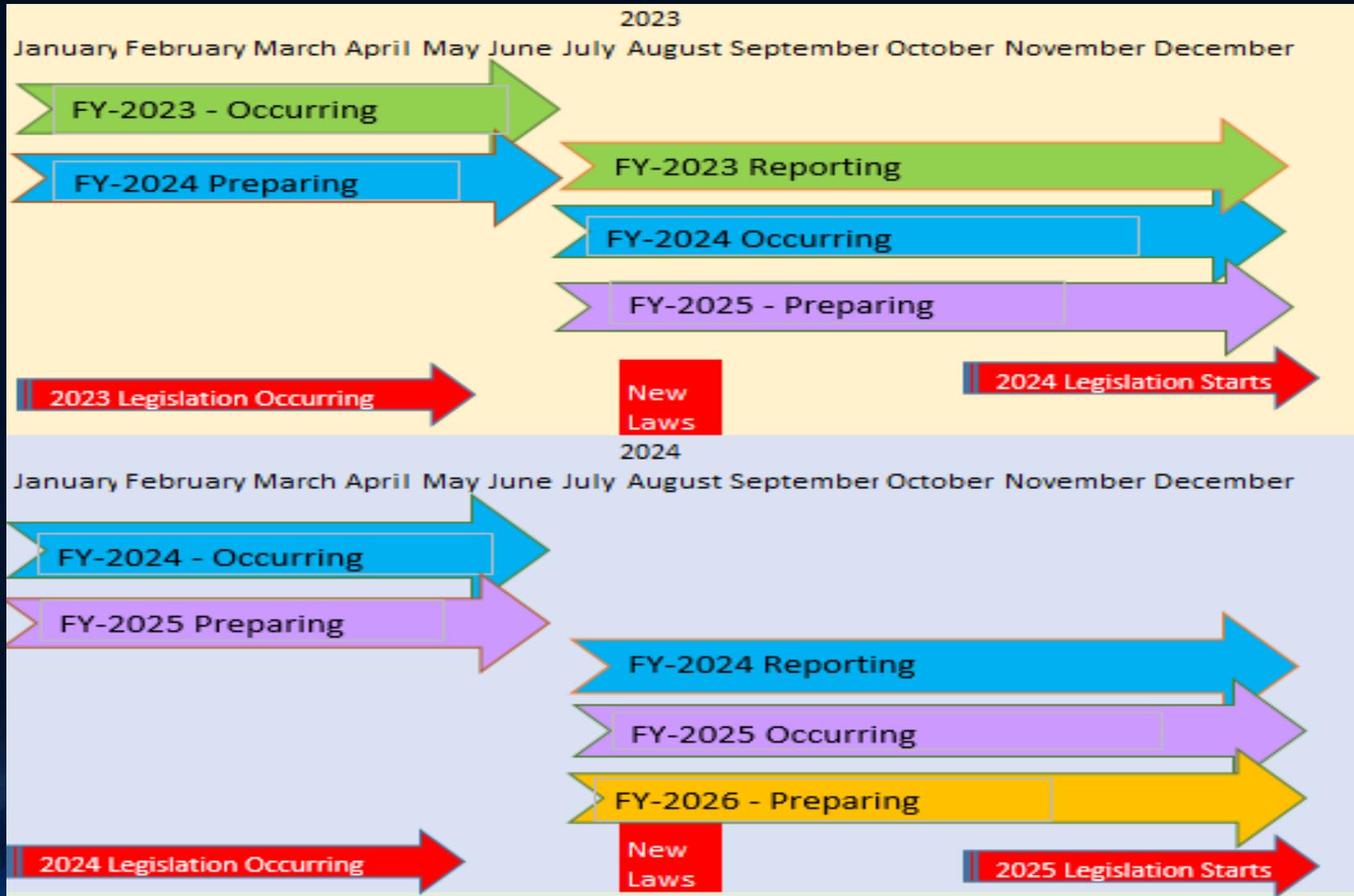
Assessment Maintenance Expenditures/Funding



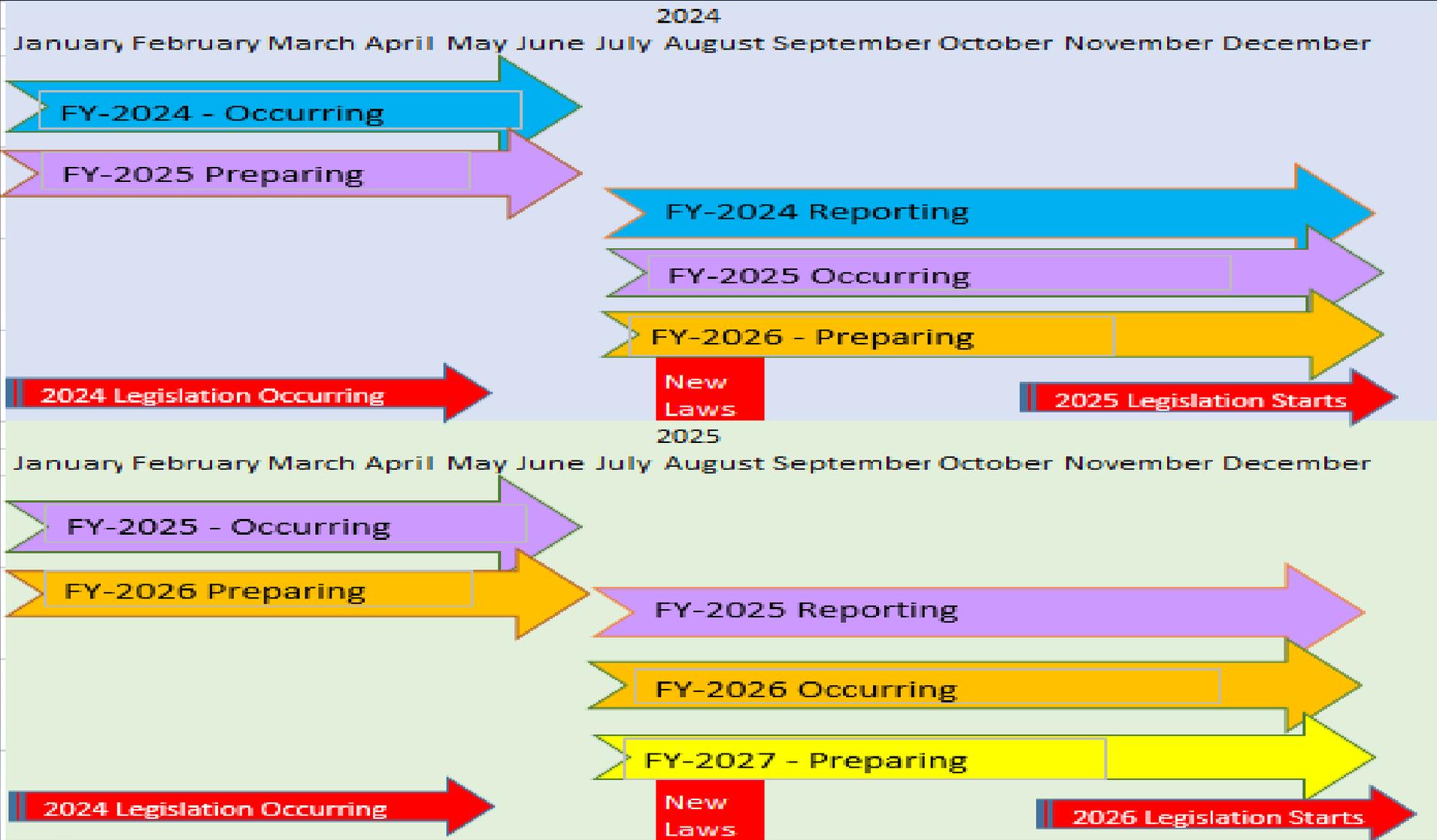
State of Missouri Budget Process

- At any given time, the State of Missouri is working through three (3) budget years
 - Reporting is required for the fiscal year that just closed on June 30, 2023 (FY-2023)
 - The current fiscal year is going on, July 1, 2023 through June 30, 2024 (FY-2024)
 - Preparation is happening for the next fiscal year beginning July 1, 2024 (FY-2025)
 - Initial budget submissions are due October 1, 2023, agencies must prepare almost a year in advance
- If a new law is passed that required funding, it will have to be presented during the next fiscal year's budget process

State of Missouri Budget Process (Chaos)



State of Missouri Budget Process (Chaos Continues)



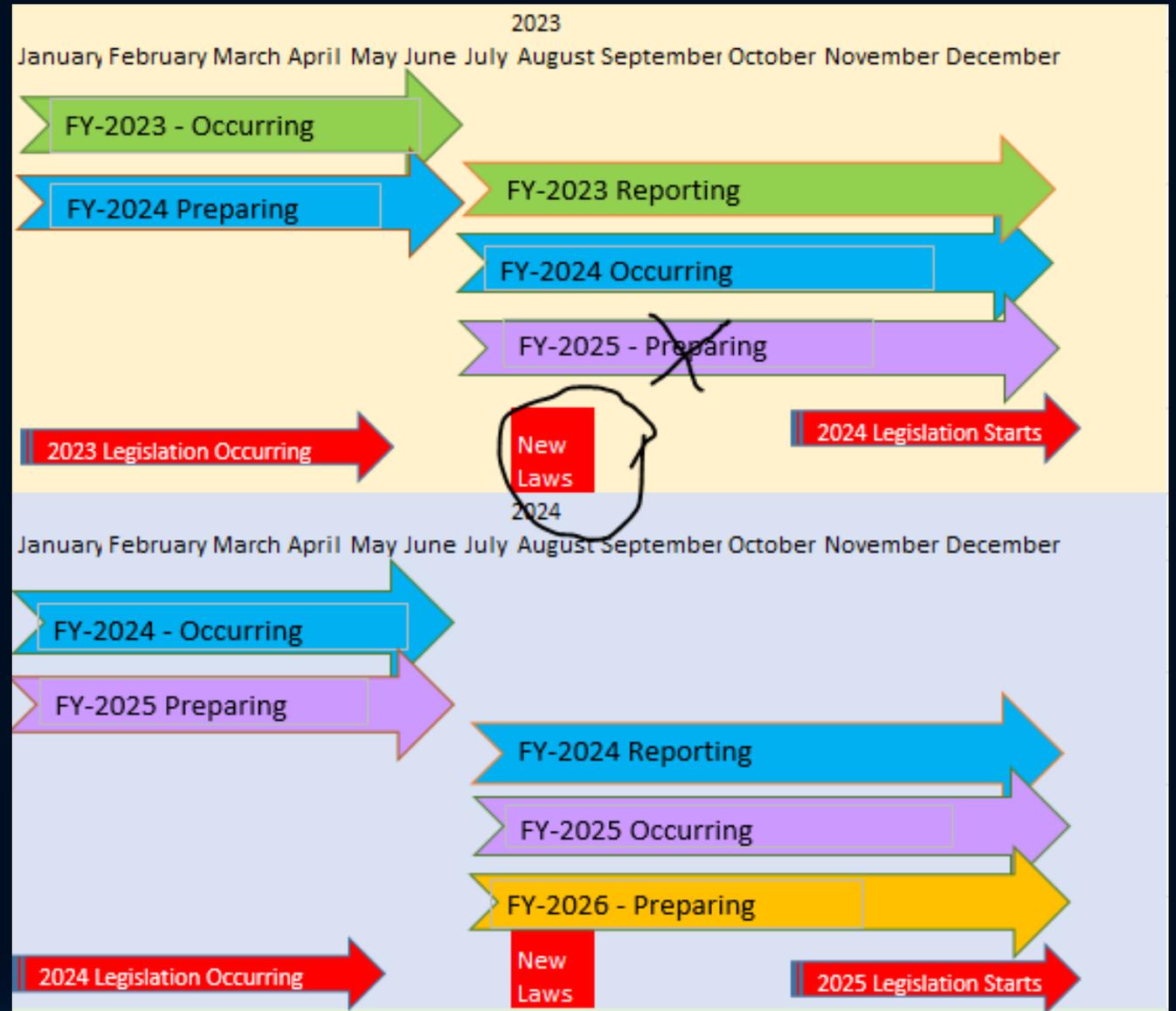
State of Missouri Budget Process

- What does all this mean??
 - Budget Example – the STC wants to prepare for a new contract for fiscal year 2026 (begins July 1, 2025), we need to present it as part of our FY-2026 budget in September, 2024). Almost a year in advance, we would have to know it is happening. And there is no guarantee the funding will be approved.
 - Agencies can request a supplement to their current budget. We are currently in fiscal year 2024 (started July 1, 2023). An emergency occurs and we need to request more funding. We submit the request, hopefully before January 1, 2024. It still goes through the budget process and we may get the money in April, 2024. Approximately, two/three months prior to the start of the fiscal year, if approved.

State of Missouri Budget Process

- New Law that Requires Funding
 - If a new law passes and takes effect August 28, 2023, but needs funding...(the new law only gives the authority)
- We request the funding in September 2023 as part of our fiscal year 2025 budget that begins July 1, 2024 (once the authority has been established then agencies request the money)

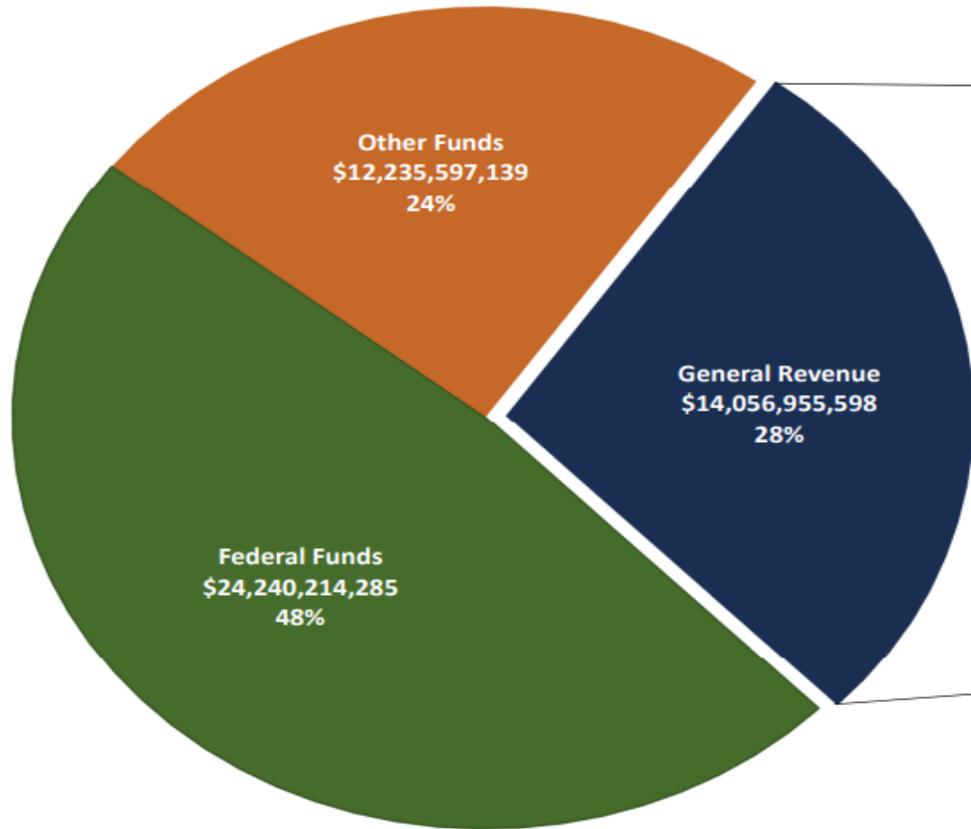
CLEAR AS MUD AND WHY IT TAKES TWO YEARS



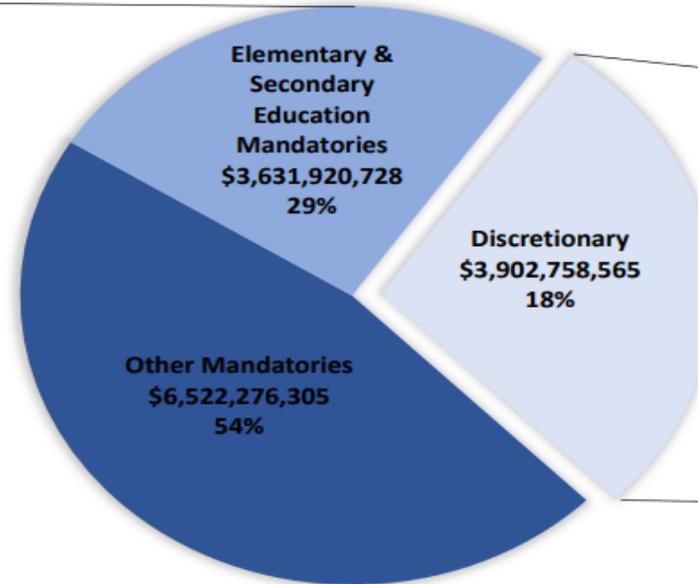
State of Missouri Budget for FY-2024

FISCAL YEAR 2024 GOVERNOR'S RECOMMENDED OPERATING BUDGET

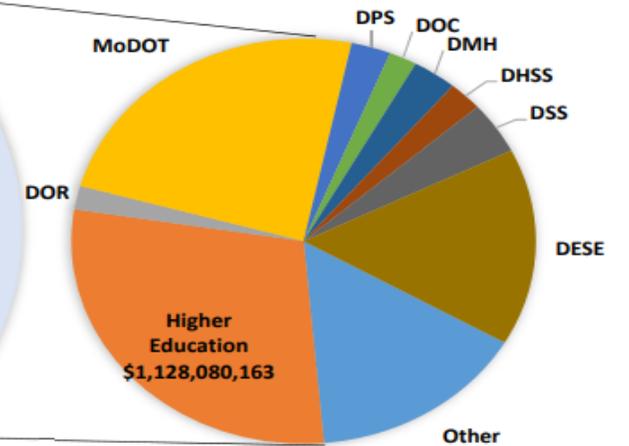
TOTAL BUDGET (ALL FUNDS)
***\$50,532,767,022**



TOTAL GENERAL REVENUE
\$14,056,955,598



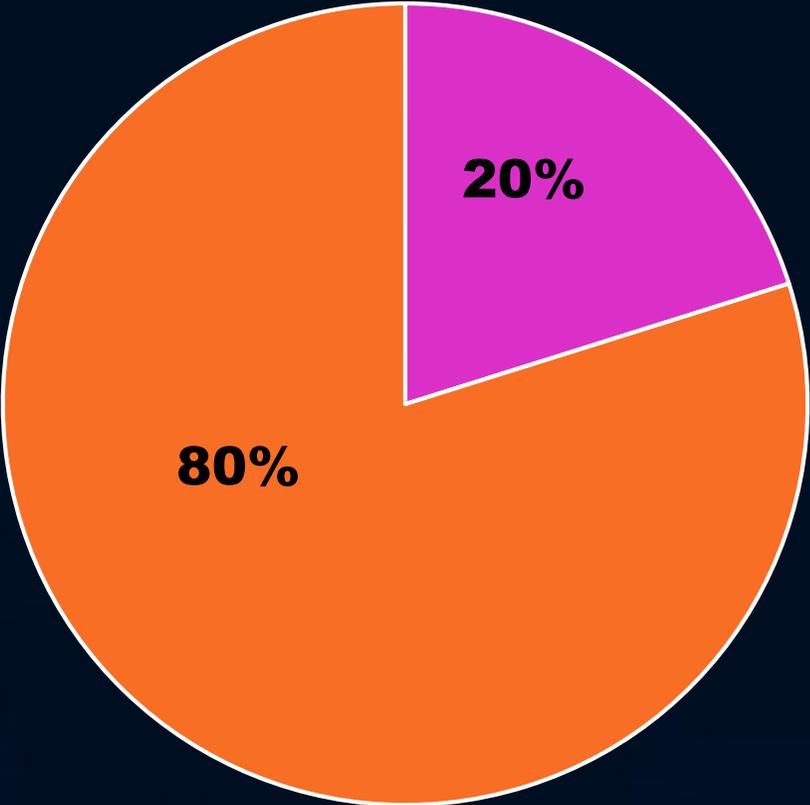
DISCRETIONARY GENERAL REVENUE
\$3,902,758,565



DOR - Revenue \$73M
 MoDOT - Transportation \$934M
 DPS - Public Safety \$107M
 DOC - Corrections \$76M
 DMH - Mental Health \$120M
 DHSS - Health & Senior Services \$93M
 DSS - Social Services \$162M
 DESE - Elementary & Secondary Ed \$613M
 Other - \$596M

State Tax Commission Budget FY-2024

STC Budget for FY-2024
\$14,045,533 (.10% of State Budget)



■ STC Core **■ Assessment Maintenance Core**

Legislation Process Example

Introduced piece of legislation

At the Capitol it "grows" arms, legs, and a head

Truly Agreed to and Finally Passed legislation, a shell of itself



Ratio Studies Process

LARRY JONES, LOCAL ASSISTANCE MANAGER

Ratio Studies Process



- The Local Assistance Section of the STC conducts the Residential Sales Studies, Residential Hybrid Studies, and Commercial Appraisal Studies
- The results of these studies are used to gauge the quality and uniformity of a county's Assessment Program
- These statistics are used as a tool to help provide insight to the Assessor and the STC
- The goal...uniformity and equality through all assessments and provide assistance to counties to maintain or progress toward fair market value

Ratio Studies Process

- Residential Sales Studies are completed every two-year cycle for each county
- Commercial Appraisal Studies are completed over a six-year cycle
 - Beginning with the 2019 cycle, 38 counties had commercial appraisal studies completed
 - The 2021 cycle had another 38 counties completed
 - The 2023 cycle will have 39 counties completed

Residential Sales Studies

- Each even numbered year, Local Assistance will distribute a request for residential sales data from the prior 2 years

- 2023 Cycle Example

- Request for each counties sales database will be distributed in February 2024
- All sales (both improved/vacant) that occurred between January 1, 2022 and December 31, 2023
- A minimum of 50 sales or 1% of total residential assessments (whichever is greater) are needed to conduct a sales study; otherwise, a hybrid or appraisal study will be required

- The sales are analyzed and filtered, leaving only residential sales for this part of the study

- All mixed use, commercial, and agricultural sales would not be included in the Residential Sales Study

```
ddrental=# select title, release_year, length, replacement_cost from film
ddrental=# where length > 120 and replacement_cost > 29.99
ddrental=# order by title desc;
```

title	release_year	length	replacement_cost
west Lion	2006	159	29.99
Virgin Daisy	2006	179	29.99
Uncut Daisies	2006	172	29.99
Tracy Cider	2006	142	29.99
Song Hedwig	2006	165	29.99
Slacker Liaisons	2006	179	29.99
Sassy Packer	2006	154	29.99
River Outlaw	2006	149	29.99
Eight Cranes	2006	153	29.99
Quest Mussolini	2006	177	29.99
Poseidon Forever	2006	159	29.99
Loathing Legally	2006	140	29.99
Lawless Vision	2006	181	29.99
Jingle Sagebrush	2006	124	29.99
Jericho Mulan	2006	171	29.99
Japanese Hun	2006	135	29.99
Gilmore Boiled	2006	163	29.99
Flaatt Garden	2006	145	29.99
Fantasia Park	2006	131	29.99
Extraordinary Conquerer	2006	122	29.99
Everyone Craft	2006	163	29.99
Dirty Ace	2006	147	29.99
Clyde Theory	2006	139	29.99
Clockwork Paradise	2006	143	29.99
Ballroom Mockingbird	2006	173	29.99

(25 rows)

Residential Sales Studies

- The results of the study are emailed to the county as a tentative
- The Assessor has the opportunity to review the study and provide feedback to the STC, this could be an error or to ask questions
- If the Assessor provides information that is persuasive to change/delete or correct any sales information, the changes are made and the study is emailed back to the County as a final with the finalized report
- If after a review of the tentative study the Assessor communicates all information is accurate, the study is advanced to a final and the finalized report is emailed to the County

Residential Hybrid Study

- A hybrid study is a combination of sales data and residential appraisal data
- If a county cannot submit at least 50 sales (or 1% of the total residential assessments) the remaining parcels will have to have appraisals completed
 - Example: Sample County only has 35 sales for the time period, an Appraiser from the STC will be provided with 15 random residential samples to conduct appraisals
- These combined studies will provide the level of assessment needed to evaluate the county

Commercial Appraisal Studies

- Starting in 2019 the commercial appraisal studies began a six-year rotation with approximately $\frac{1}{3}$ of the counties completed each two-year cycle
- 2023 Cycle Example
 - Requests for Assessment Rolls were distributed in June 2023
 - The Assessment Roll in an odd-numbered year is used not only to arrive at a parcel count for each county, but also for the random sampling process for the commercial samples that will be used for the appraisal study for that cycle



Commercial Appraisal Studies



- Once the Assessment Roll is received, our Statistician utilizes a statistical program to randomly select 30 commercial samples for the counties that will have studies completed that cycle
- The sampling is broken out into quartiles based on Assessed Value
- The theory is to not only have a random sampling based on commercial assessments, but to then randomize by assessed value to have a better representation of the commercial population by having a mixture of low to high valued properties in the study

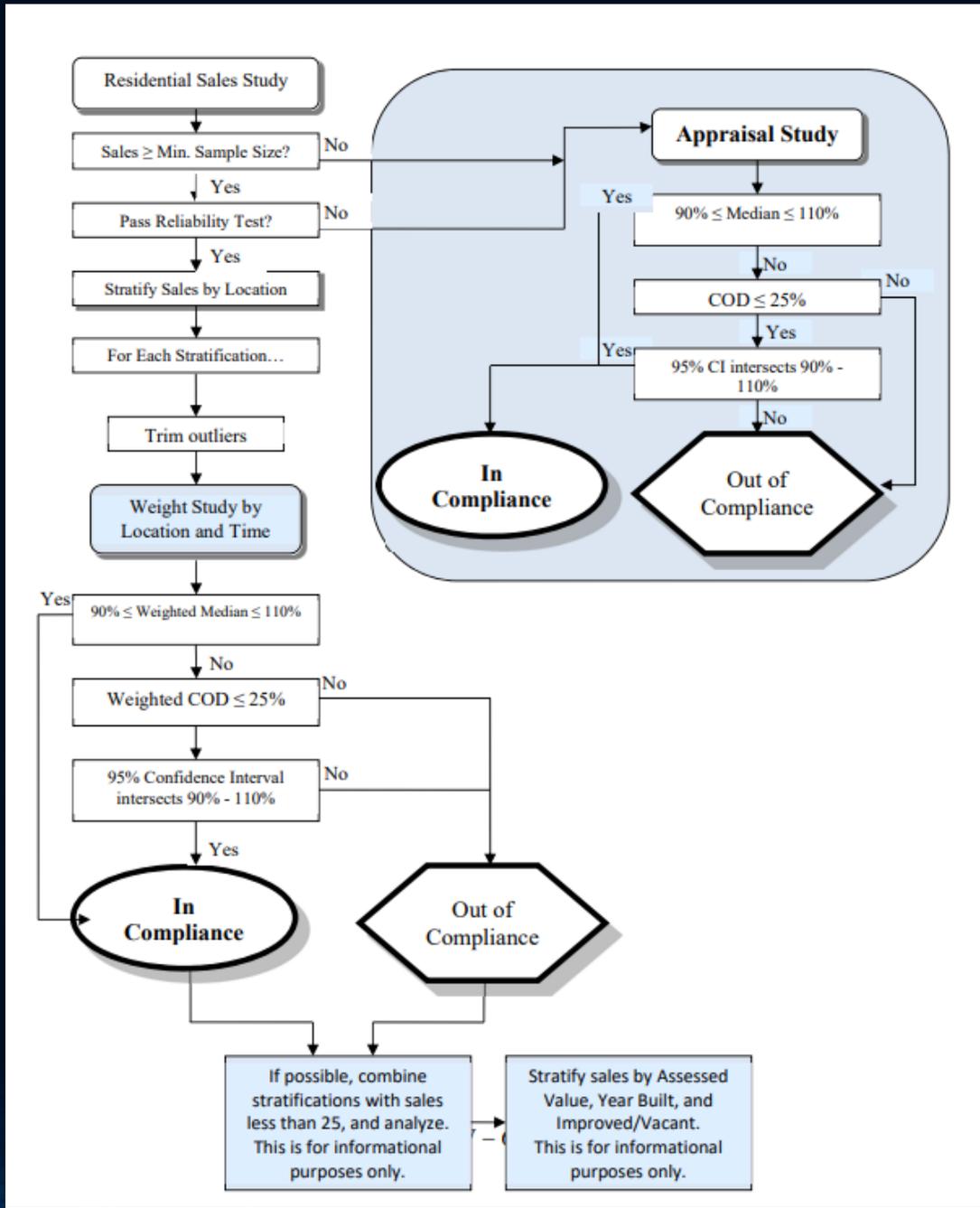
Commercial Appraisal Studies

- Once the random samples have been selected they are distributed to our Appraisers
- STC Appraisers will physically inspect the property, analyze sales, develop applicable approaches to value, and submit the study to the Local Assistance Supervisor for review
- Once modifications are made and the review is complete, the tentative results are sent to the STC Office for proofing and auditing

Commercial Appraisal Studies

- Once all review is completed at the STC, the results of the study are emailed to the county as a tentative
- The Assessor has the opportunity to review the study and meet with the Appraiser and Supervisor to discuss the results
- If additional information is provided, it will be considered and changed if necessary
- The study is advanced to a final and the finalized report is emailed to the County

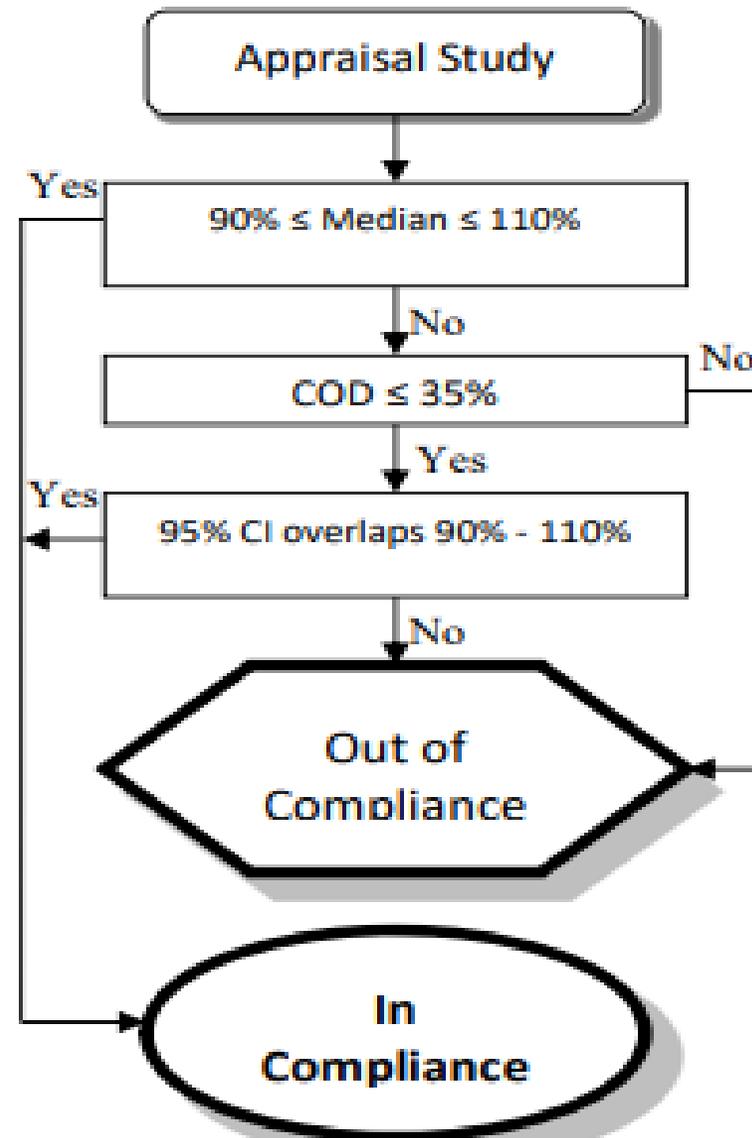
Residential Sales Study Decision Model



Residential Sales Study Results

- The weighted median needs to be **between 90-110%** to be considered in compliance
- If the weighted median is below 90% or above 110%, the COD (coefficient of dispersion) is evaluated
 - If the COD is less than or equal to 25% **AND** the 95% confidence intervals overlap between 90-110%, the county is considered to be in compliance

Commercial Appraisal Study Decision Model



Commercial Appraisal Study Results

- The median needs to be **between 90-110%** to be considered in compliance
- If the median is below 90% or above 110%, the COD (coefficient of dispersion) is evaluated
 - If the COD is less than or equal to 35% **AND** the 95% confidence intervals overlap between 90-110%, the county is considered to be in compliance

Ratio Study Results

- **IN COMPLIANCE** – is a median between 90-110% or by COD
- **OUT OF COMPLIANCE** – median is below 90% or above 110% and did not meet the criteria for being compliant by the COD (equal to or less than 25% for Residential or 35% for Commercial)
- If the county is determined to be out of compliance, they will receive either a Letter of Concern **OR** a Memorandum of Understanding
- Letters of Concern and Memorandums of Understanding are a county's resource and tool to assist in achieving fair market value to get back in compliance

Letter of Concern

- Letters of Concern (LOC) are issued to counties that have a median from 85 – 89.99%
- LOCs basically provide the ratio study results were below the compliance parameters and the Assessor should continue to follow their maintenance plan as it should provide the guidance to get the county back toward compliance

COMMISSIONERS

GARY ROMINE, CHAIRMAN
VICTOR CALLAHAN, MEMBER
DEBBI MCGINNIS, MEMBER



STACEY JACOBS
ADMINISTRATIVE SECRETARY

AMY S. WESTERMANN
CHIEF COUNSEL

STATE TAX COMMISSION OF MISSOURI

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FAX: 573/751-1341
www.stc.mo.gov

January 24, 2023

Ms. County Assessor
Sample County Assessor
123 Main St
Sample, MO 12345

Dear Ms. Assessor:

The State Tax Commission recently completed a ratio study of the 2021 residential assessments in your county. Per the final letter and report sent to you on 01/12/2023, the study's conclusion indicates the median assessment level for the residential subclass is below the minimum standards at 16.50% or 86.87%. Section 137.115.5 RSMo states residential property shall be assessed at 19% of true value. The acceptable range of 17.10% - 20.90% or 90% - 110% must be satisfied for your county's residential subclass to meet the requirements.

Your mutually agreed and approved 2022-2023 Assessment Maintenance Plan outlines a parcel by parcel review to verify accuracy of parcel data. Market studies, a cost study and index update will be done to help determine if an adjustment to the index is needed. Sample County will also conduct a land study to help set market value on home sites and small acreages.

Complete implementation of the various phases outlined in your approved 2022-2023 Assessment Maintenance Plan should result in your future residential assessments falling in the acceptable compliance range.

Assessment Representatives of our Local Assistance staff have and will continue to address areas of concern with you, and are always available to assist with any further analyses needed to develop a successful course of action.

If you have any questions, feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "L. W. Jones".

Appraisal & Assessment Manager, Local Assistance

Memorandum of Understanding

- Memorandums of Understanding (MOU) are issued to counties that have a median below 85%
- MOUs are an agreement between the Assessor and the STC on a detailed plan to guide the county back to compliance and make progress towards fair market value for the next assessment cycle
- MOUs are developed jointly between the Assessor and STC and can realistically be accomplished
- MOUs are signed by the Assessor and the STC Commissioners

Memorandum of Understanding

This Memorandum of Understanding refers to the 2022-2023 XXXX County Assessment Maintenance Plan Agreement (hereby referenced as the "Plan") and signed by the Assessor on 12/31/2021, signed by the County Commissioners on 12/31/2021, and approved and signed by the Commissioners of the State Tax Commission on 03/22/2022.

This Memorandum of Understanding made and entered this 2nd day of May, 2023, by and between the XXXXX County Assessor and the Missouri State Tax Commission, sets out the parties' understanding to the following terms, pursuant to Missouri Revised Statutes 137.115 & 137.750. The 2021 Residential Sales Study results were not within the acceptable parameters.

1. The County Assessor's office will continue with a parcel-by-parcel review of the county to confirm that all data is correct for 2023.
2. The County Assessor will adjust the cost index from X.XX to X.XX for the 2023 XXXXX County Assessment Roll.
3. The County Assessor will review their depreciation tables and neighborhood factors with their CAMA provider. The County Assessor will seriously consider their recommendation to adjust the neighborhood factors, and depreciation tables to the market for the 2023 County Assessment Roll.
4. The County Assessor will continue to monitor the local market and analyze sales data to determine if additional adjustments are warranted for 2023.
5. The Assessor's Office will conduct a residential land study, including home sites, land values will be reviewed and adjusted as deemed necessary to progress toward fair market value for the 2023 County Assessment Roll.
6. The goal for the 2023 XXXXX County Assessment Roll is to make progress towards fair market value by implementing the items above. The State Tax Commission shall continue to monitor XXXXX County's progress as set forth in the 2022-2023 County Assessment Maintenance Plan. The State Tax Commission will also continue to monitor the items listed above.

The undersigned approve this Memorandum of Understanding:

County Assessor

Dated

STC Chairman

Dated

STC Commissioner

Dated

STC Commissioner

Dated

Memorandum of Understanding

- Local Assistance Representatives and Management will follow up on the progress and check the status of the agreed upon MOU to accomplish the goals



Ratio Study Information

- The majority of the information can be found in the STC Assessors' Manual on the STC website at <https://stc.mo.gov/assessmentmanual/>

