

## *State Tax Commission Annual Report – 2023*

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

The Missouri State Tax Commission is the agency charged with overseeing Missouri's property tax assessment program. Our responsibilities include fair and equitable assessments, providing assistance to local assessing officials, assessing the property of railroads and utilities, and providing a remedy and recourse for taxpayers to appeal property assessments when an individual disagrees with the value or classification on their property.

Property tax remains the most reliable and stable source of revenue providing essential services demanded by the public. In 2022, over \$9.46 billion of property tax revenue was generated to provide the financial foundation to fund public schools, local government, and other local political subdivisions. In fact, there are over 2,800 taxing entities in this state that rely on property tax revenue. Property tax is the underpinning ensuring that autonomy is realized and retained at the local level.

Pursuant to Section 138.380(4) RSMo<sup>1</sup>, the State Tax Commission respectfully submits to the General Assembly recommendations designed to improve the assessment program in the State of Missouri.

#### 1. Vehicle Appraisal Guides

The State Tax Commission respectfully recommends amending the language of Section 137.115(9) to allow for a continuation of standardized assessments of motor vehicles through the use of a valuation guide that is the product of a competitive selection process that results in a cost efficient source of data for counties and creates a more equitable source of value data for taxpayers and taxing districts. The State Tax Commission further recommends that changes to the current language be drafted to address the situation that arises when the used vehicle market appreciates instead of depreciating. According to the current language of Section 137.115(9), “the assessor of each county and each city not within the county shall use the trade-in value published in the October issues of the National Automobile Dealers’ Association Official Used Car Guide (N.A.D.A), or its successor publication, as the recommended guide of information for determining the true value of motor vehicles described in such publication.” This source guide was adopted with the intention to standardize valuations applied to used vehicles across the State of Missouri. The unintended consequence of adopting a single source guide has created a sole provider environment, which is unfair to assessors and taxpayers. The fiscal impact of allowing for multiple valuation services to compete for the use of their source guide is unknown, but could result in a cost savings to assessors who currently are required to use the N.A.D.A. guide.

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<sup>1</sup> All statutory references are to the Revised Statutes of Missouri (2000), as amended, unless otherwise indicated.

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### 2. Standardizing the Assessment of Solar Property

The State Tax Commission respectfully recommends to the General Assembly that statutory language be enacted providing guidelines for the assessment of property used to generate solar energy.

The recent ruling by the Missouri Supreme Court in *Johnson v. Springfield Solar 1, LLC*, 648 S.W. 3d 101 (Mo. 2022) unanimously held that the property tax exemption for solar systems not held for resale was unconstitutional. A standardized process for assessing solar property, similar to the process for assessing wind energy property in Section 137.123, will ensure a consistent assessment process across the state.

### 3. Levy Rollbacks Under the Hancock Amendment

The State Tax Commission respectfully recommends that the General Assembly review the process used to calculate tax rates of local taxing districts to determine whether the process is in compliance with both the letter and the spirit of the Hancock Amendment. It is widely presumed and accepted that values of personal property, particularly motor vehicles, depreciate year to year. However, in 2022, unprecedented increases in values of motor vehicles due to computer chip shortages and supply chain disruptions caused in whole or in part by the COVID-19 pandemic and a 40-year-high inflation in the cost of goods and services resulted in higher personal property taxes on motor vehicles across Missouri. The levy rollback provision of the Hancock Amendment was not triggered to prevent the increase in taxes in this situation because the aggregate increase in the value of personal property within a county is specifically excluded from the levy rollback provision under Section 137.073.4. The STC was asked to suggest remedies to offset the increase; however, Section 138.340 specifically prohibits the State Tax Commission from fixing or supervising the fixing of any tax levies, and the STC does not calculate or collect taxes. The STC oversees the assessment process in Missouri and hears and decides appeals of assessments. The Missouri Auditor's Office has promulgated forms to assist local taxing entities in calculating their tax levies. The forms contain formulas used to determine the aggregate increase in value of personal property that is to be excluded for purposes of the rollback. The formulas potentially could be revised to determine the "aggregate increase in valuation of personal property" in a given year while deducting specifically the appreciation in value of motor vehicles that were already on the assessment roll in the previous year. It would be necessary for the Missouri Auditor's Office to be consulted as it is the agency with the knowledge and statutory authority to calculate tax levies.

### 4. Statewide Mapping

The State Tax Commission respectfully recommends that the Governor appoint a Blue Ribbon Panel to address the development of a statewide mapping system. A seamless statewide mapping system would create consistency and eliminate duplication of efforts across county boundaries and individual taxing districts, potentially saving taxpayer dollars. A seamless statewide mapping system would benefit local governments, taxing districts, 911 emergency responders, broadband deployment, and rural electric

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cooperatives. Many state agencies, such as the Departments of Conservation, Natural Resources, and Revenue, also have a need for a seamless statewide mapping system.

### 5. Short Term Rental Assessment

The State Tax Commission respectfully recommends to the General Assembly that statutory language be enacted providing guidelines for the assessment of short term rental properties.

Short term rental properties are defined as a rental that is a dwelling unit, or portion thereof, that is rented for a short duration (typically less than 30 days) to transient guests (such as tourists). This definition does not include hotels, motels, or Bed and Breakfast businesses. The properties could be classified for assessment as personal, commercial, or mixed use. The mixed use option would require a determination of a percentage use for rental and the remainder would be for personal use and then the classification of commercial and personal would align with those use percentages respectfully. The legislation would provide for a consistent assessment practice across the state.

### 6. Statewide Utilization of Certificates of Value

The Commission respectfully recommends to the General Assembly that statutory language be enacted providing for the statewide utilization of Certificates of Value (COV) to disclose sales data of real property. Undeniably, mandatory sales disclosure through the COV universally is recognized by the assessment community as the “silver bullet,” ensuring uniformity in the treatment of taxpayers in this state. The COV contains objective data regarding the sale of real property that reflects current market conditions, which enables the assessor to meet his/her statutory duty to assess property according to its true value in money. Sales information is the cornerstone of an assessment program intended to provide uniform and equitable assessments. However, any legislation requiring the use of COVs should protect the privacy of the homeowner by only allowing the assessor’s office to access the sales data of the property.

According to a survey published by the International Association of Assessing Officers (IAAO), 36 states have some form of uniform sales disclosure codified in their state statutes, and only six states, including Missouri, do not require property owners to disclose sales data through a uniform COV or to provide the assessor with another instrument 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, mandatory sales disclosure through the use of COVs. The COVs used in these jurisdictions represent nearly 50% of locally assessed real property sales in the State of Missouri. Counties that do not require the use of COV to report real property sales but allow voluntary disclosure only receive a return of

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15-25% of sales letters. 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.

Additionally, to enhance fair and equitable assessment and uniformity in taxation, there is a need to address the levy rollback language associated with Article X, Section 22 of the Missouri Constitution, commonly known as the Hancock Amendment. Notably, some school districts, including the Kansas City School District, are constitutionally exempt from the levy rollback requirement.

Adoption of a statewide COV system would not increase property taxes for Missourians; rather, the adoption of a statewide COV system, coupled with a balanced rollback procedure under the Hancock Amendment, would enhance the fair and equitable valuation of real property, thereby protecting taxpayers from automatic tax increases.

The Commission looks forward to working in concert with the General Assembly sharing the common goal of improving the property tax system in Missouri.

Respectfully submitted,  
STATE TAX COMMISSION OF MISSOURI  
Gary Romine, Chairman  
Victor Callahan, Commissioner  
Debbi McGinnis, Commissioner