

FIRST REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 461
93RD GENERAL ASSEMBLY

Reported from the Committee on Ways and Means March 31, 2005 with recommendation that House Committee Substitute for House Bill No. 461 Do Pass. Referred to the Committee on Rules pursuant to Rule 25(26)(f).

STEPHEN S. DAVIS, Chief Clerk

0735L.06C

AN ACT

To repeal section 137.078, RSMo, and to enact in lieu thereof three new sections relating to assessment of business personal property.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Section 137.078, RSMo, is repealed and three new sections enacted in lieu thereof, to be known as sections 137.078, 137.079, and 137.122, to read as follows:

137.078. 1. For purposes of this section, the following terms shall mean:

(1) "Analog equipment", all depreciable items of tangible personal property that are used directly or indirectly in broadcasting television shows [and], **radio programs, or** commercials through the use of analog technology, **including studio broadcast equipment, transmitter and antenna equipment, and broadcast towers;**

(2) "Applicable analog fraction", a fraction, the numerator of which is the total number of analog television sets in the United States for the immediately preceding calendar year and the denominator of which is an amount representing the total combined number of analog and digital television sets in the United States for the immediately preceding calendar year. The applicable analog fraction will be determined on an annual basis by the Missouri Broadcasters Association;

(3) "Applicable analog percentage", the following percentages for the following years:

Year	2004	2005	2006	2007
of Acquisition	Tax Year	Tax Year	Tax Year	Tax Year
				1%
2006				1%

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

16	2005			25%	1%
17	2004		50%	25%	1%
18	2003	75%	50%	25%	1%
19	2002	75%	50%	25%	1%
20	2001	75%	50%	25%	1%
21	2000	75%	50%	25%	1%
22	1999	75%	50%	25%	1%
23	1998	75%	50%	25%	1%
24	Prior	75%	50%	25%	1%;

25 (4) "Applicable digital fraction", a fraction, the numerator of which is the total number
 26 of digital television sets in the United States for the immediately preceding calendar year and the
 27 denominator of which is an amount representing the total combined number of analog and digital
 28 television sets in the United States for the immediately preceding calendar year. The applicable
 29 digital fraction will be determined on an annual basis by the Missouri Broadcasters Association;

30 (5) **"Broadcast towers", structures with a function that includes holding television**
 31 **or radio broadcasters' antennae, repeaters, or translators at the height required or needed**
 32 **to transmit over-the-air signals or enhance the transmission of the signals. This term also**
 33 **includes the structures at least partially used by television broadcasters or radio**
 34 **broadcasters to provide weather radar information to the public. For property tax**
 35 **assessment purposes, broadcast towers are classified as tangible personal property;**

36 (6) "Digital equipment", all depreciable items of tangible personal property that are used
 37 directly or indirectly in broadcasting television shows [and], **radio programs, or** commercials
 38 through the use of digital technology, **including studio broadcast equipment, transmitter and**
 39 **antenna equipment, and broadcast towers;**

40 (7) **"Radio broadcasters", all businesses that own, lease, or operate radio**
 41 **broadcasting stations that transmit radio shows and commercials and that are required to**
 42 **be licensed by the Federal Communications Commission to provide such services;**

43 (8) **"Radio broadcasting equipment", both analog equipment and digital**
 44 **equipment;**

45 [(6)] (9) "Television broadcasters", all businesses that own, lease, or operate television
 46 broadcasting stations that transmit television shows and commercials and that are required to be
 47 licensed by the Federal Communications Commission to provide such services;

48 [(7)] (10) "Television broadcasting equipment", both analog equipment and digital
 49 equipment;

50 (11) **"Transmitter and antenna equipment", equipment with functions that include**
 51 **transmitting signals from broadcast studios by increasing the power, tuning signals to the**

52 frequency allowed by regulatory authorities, and broadcasting signals to the public for
53 television broadcasters or radio broadcasters;

54 (12) "Studio broadcast equipment", studio equipment that receives, produces,
55 modifies, controls, measures, modulates, adds to or subtracts from, or enhances signals in
56 the process that results in over-the-air signals for television broadcasters or radio
57 broadcasters.

58 2. In response to recent action by the Federal Communications Commission, as described
59 by the commission in the fifth report and order, docket number 97-116, for purposes of assessing
60 all items of television broadcasting equipment that are owned and used by television broadcasters
61 for purposes of broadcasting television shows and commercials:

62 (1) The true value in money of all analog equipment shall be determined by depreciating
63 the historical cost of such property using the depreciation tables provided in subdivision (1) of
64 subsection 3 of this section and multiplying the results by the applicable analog percentage. The
65 result of the second computation is multiplied by the applicable analog fraction to determine the
66 true value in money of the analog equipment; and

67 (2) The true value in money of all digital equipment shall be determined by depreciating
68 the historical cost of such property using the depreciation tables provided in subdivision (2) of
69 subsection 3 of this section and multiplying the results by the applicable digital fraction to
70 determine the true value in money of the digital equipment.

71 3. For purposes of subsection 2 of this section, the depreciation tables for determining
72 the [fair] true value in money of television broadcasting equipment are as follows:

73 (1) For analog equipment, the following depreciation tables will apply for the following
74 years:

75 Year	2004	2005	2006	2007
76 of Acquisition	Tax Year	Tax Year	Tax Year	Tax Year
77 2006				65%
78 2005			65%	45%
79 2004		65%	45%	30%
80 2003	65%	45%	30%	20%
81 2002	45%	30%	20%	10%
82 2001	30%	20%	10%	5%
83 2000	20%	10%	5%	5%
84 1999	10%	5%	5%	5%
85 1998	5%	5%	5%	5%
86 Prior	5%	5%	5%	5%;

87 (2) For digital equipment, the following depreciation tables will apply for the following
88 years:

89	Year	2004	2005	2006	2007
90	of Acquisition	Tax Year	Tax Year	Tax Year	Tax Year
91	2006				65%
92	2005			65%	45%
93	2004		65%	45%	30%
94	2003	65%	45%	30%	20%
95	2002	45%	30%	20%	10%
96	2001	30%	20%	10%	5%
97	2000	20%	10%	5%	5%
98	1999	10%	5%	5%	5%
99	1998	5%	5%	5%	5%
100	Prior	5%	5%	5%	5%.

101 **4. Beginning January 1, 2008, for purposes of assessing all items of television**
102 **broadcasting equipment that are owned and used by television broadcasters for purposes**
103 **of broadcasting television shows and commercials, the following depreciation tables will**
104 **be used to determine their true value in money. The percentage shown for the first year**
105 **shall be the percentage of the original cost used for January first of the year following the**
106 **year of acquisition of the property, and the percentage shown for each succeeding year**
107 **shall be the percentage of the original cost used for January first of the respective**
108 **succeeding year as follows:**

109	Year	Studio Broadcast	Transmitter and	Broadcast Tower
110		Equipment	Antenna Equipment	
111	1	65%	91%	96%
112	2	45%	82%	93%
113	3	30%	73%	89%
114	4	20%	64%	86%
115	5	10%	55%	82%
116	6	5%	46%	79%
117	7		37%	75%
118	8		28%	72%
119	9		19%	68%
120	10		10%	65%
121	11			61%
122	12			58%

123	13	54%
124	14	51%
125	15	47%
126	16	44%
127	17	40%
128	19	33%
129	20	30%
130	21	27%
131	22	24%
132	23	21%
133	24	18%
134	25	15%.

135

136 **Television broadcasting equipment in all recovery periods shall continue in subsequent**
 137 **years to have the depreciation percentage last listed in the appropriate column so long as**
 138 **it is owned or held by the taxpayer.**

139 **5. Effective January 1, 2006, for purposes of assessing all items of radio**
 140 **broadcasting equipment that are owned and used by radio broadcasters for purposes of**
 141 **broadcasting radio programs and commercials, the following depreciation tables will be**
 142 **used to determine their true value in money. The percentage shown for the first year shall**
 143 **be the percentage of the original cost used for January first of the year following the year**
 144 **of acquisition of the property, and the percentage shown for each succeeding year shall be**
 145 **the percentage of the original cost used for January first of the respective succeeding year**
 146 **as follows:**

147 Year	Studio Broadcast	Transmitter and	Broadcast Tower
148	Equipment	Antenna Equipment	
149 1	65%	91%	96%
150 2	45%	82%	93%
151 3	30%	73%	89%
152 4	20%	64%	86%
153 5	10%	55%	82%
154 6	5%	46%	79%
155 7		37%	75%
156 8		28%	72%
157 9		19%	68%
158 10		10%	65%

159	11	61%
160	12	58%
161	13	54%
162	14	51%
163	15	47%
164	16	44%
165	17	40%
166	19	33%
167	20	30%
168	21	27%
169	22	24%
170	23	21%
171	24	18%
172	25	15%.

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174 **Radio broadcast equipment in all recovery periods shall continue in subsequent years to**
 175 **have the depreciation percentage last listed in the appropriate column so long as it is**
 176 **owned or held by the taxpayer.**

137.079. Prior to setting its rates or rates as required by section 137.073, each
 2 **taxing authority shall exclude from its total assessed valuation seventy-two percent of the**
 3 **total amount of assessed value of business personal property that is subject of an appeal**
 4 **at the state tax commission or in a court of competent jurisdiction in this state. This**
 5 **exclusion shall only apply to the portion of the assessed value of business personal property**
 6 **that is disputed in the appeal, and shall not exclude any portion of the same property that**
 7 **is not disputed. If the taxing authority uses a multi-rate approach as provided in section**
 8 **137.073, this exclusion shall be made from the personal property class. The state tax**
 9 **commission shall provide each taxing authority with the total assessed value of business**
 10 **personal property within the jurisdiction of such taxing authority for which an appeal is**
 11 **pending no later than August 20 of each year. Whenever any appeal is resolved, whether**
 12 **by final adjudication or settlement, and the result of the appeal causes money to be paid**
 13 **to the taxing authority, the taxing authority shall not be required to make an additional**
 14 **adjustment to its rate or rates due to such payment once the deadline for setting its rates,**
 15 **as provided by this chapter, has passed in a taxable year, but shall adjust its rate or rates**
 16 **due to such payment in the next rate setting cycle to offset the payment in the next taxable**
 17 **year. For the purposes of this section, the term "business personal property", means**
 18 **tangible personal property which is used in a trade of business or used for production of**

19 income and which has a determinable life of longer than one year except that supplies used
20 by a business shall also be considered business personal property, but shall not include
21 livestock, farm machinery, property subject to the motor vehicle registration provisions
22 of chapter 301, RSMo, property subject to the tables provided in section 137.078, or
23 property assessed by the state tax commission under chapters 151, 153, and 155, RSMo,
24 section 137.022, and sections 137.1000 to 137.1030.

137.122. 1. As used in this section, the following terms mean:

2 (1) "Business personal property", tangible personal property which is used in a
3 trade of business or used for production of income and which has a determinable life of
4 longer than one year except that supplies used by a business shall also be considered
5 business personal property, but shall not include livestock, farm machinery, grain and
6 other agricultural crops in an unmanufactured condition, property subject to the motor
7 vehicle registration provisions of chapter 301, RSMo, property assessed under section
8 137.078, or property assessed by the state tax commission under chapters 151, 153, and
9 155, RSMo, section 137.022, and sections 137.1000 to 137.1030;

10 (2) "Class life", the class life of property as set out in the federal Modified
11 Accelerated Cost Recovery System life tables or their successors under the Internal
12 Revenue Code as amended;

13 (3) "Economic or functional obsolescence", a loss in value of personal property
14 above and beyond physical deterioration and age of the property. Such loss may be the
15 result of economic or functional obsolescence or both;

16 (4) "Original cost", the price the current owner, the taxpayer, paid for the item
17 without freight, installation, or sales or use tax. In the case of acquisition of items of
18 personal property as part of an acquisition of an entity, the original cost shall be the
19 historical cost of those assets remaining in place and in use and the placed in service date
20 shall be the date of acquisition by the entity being acquired;

21 (5) "Placed in service", property is placed in service when it is ready and available
22 for a specific use, whether in a business activity, an income-producing activity, a tax-
23 exempt activity, or a personal activity. Even if the property is not being used, the property
24 is in service when it is ready and available for its specific use;

25 (6) "Recovery period", the period over which the original cost of depreciable
26 tangible personal property shall be depreciated for property tax purposes and shall be the
27 same as the recovery period allowed for such property under the Internal Revenue Code.

28 2. To establish uniformity in the assessment of depreciable tangible personal
29 property, each assessor shall use the standardized schedule of depreciation in this section

30 to determine the assessed valuation of depreciable tangible personal property for the
31 purpose of estimating the value of such property subject to taxation under this chapter.

32 3. For purposes of this section, and to estimate the value of depreciable tangible
33 personal property for mass appraisal purposes, each assessor shall value depreciable
34 tangible personal property by applying the class life and recovery period to the original
35 cost of the property according to the following depreciation schedule. The percentage
36 shown for the first year shall be the percentage of the original cost used for January first
37 of the year following the year of acquisition of the property, and the percentage shown for
38 each succeeding year shall be the percentage of the original cost used for January first of
39 the respective succeeding year as follows:

40 Year	41 Recovery Period in Years					
	3	5	7	10	15	20
42 1	75.00	85.00	89.29	92.50	95.00	96.25
43 2	37.50	59.50	70.16	78.62	85.50	89.03
44 3	12.50	41.65	55.13	66.83	76.95	82.35
45 4	5.00	24.99	42.88	56.81	69.25	76.18
46 5		10.00	30.63	48.07	62.32	70.46
47 6			18.38	39.33	56.09	65.18
48 7			10.00	30.59	50.19	60.29
49 8				21.85	44.29	55.77
50 9				15.00	38.38	51.31
51 10					32.48	46.85
52 11					26.57	42.38
53 12					20.67	37.92
54 13					15.00	33.46
55 14						29.00
56 15						24.54
57 16						20.08
58 17						20.00

59

60 Depreciable tangible personal property in all recovery periods shall continue in subsequent
61 years to have the depreciation factor last listed in the appropriate column so long as it is
62 owned or held by the taxpayer. The state tax commission shall study and analyze the
63 values established by this method of assessment and in every odd-numbered year make
64 recommendations to the joint committee on tax policy pertaining to any changes in this
65 methodology, if any, that are warranted.

66 **4. Such estimate of value determined under this section shall be presumed to be**
67 **correct for the purpose of determining the true value in money of the depreciable tangible**
68 **personal property, but such estimation may be disproved by substantial and persuasive**
69 **evidence of the true value in money under any method determined by the state tax**
70 **commission to be correct, including, but not limited to, an appraisal of the tangible**
71 **personal property specifically utilizing generally accepted appraisal techniques, and**
72 **contained in a narrative appraisal report in accordance with the Uniform Standards of**
73 **Professional Appraisal Practice or by proof of economic or functional obsolescence or**
74 **evidence of excessive physical deterioration. For purposes of appeal of the provisions of**
75 **this section, the salvage or scrap value of depreciable tangible personal property may only**
76 **be considered if the property is not in use as of the assessment date.**

77 **5. This section shall not apply to business personal property placed in service**
78 **before January 2, 2006.**