

HCS HB 461 -- ASSESSMENT OF BUSINESS PERSONAL PROPERTY

SPONSOR: Sutherland

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 15 to 0.

This substitute adds studio broadcast equipment, transmitter and antenna equipment, and broadcast towers to the property tax depreciation schedules for broadcasting equipment. Depreciation tables are established to determine the true value in money of television broadcasting equipment beginning January 1, 2008, and radio broadcasting equipment beginning January 1, 2006.

For tax rate setting purposes, the substitute requires each taxing authority to exclude from its total assessed valuation 72% of the total amount of business personal property that is the subject of an appeal at the State Tax Commission or in a court. This exclusion will only apply to the portion of property that is disputed in the appeal. If the taxing authority uses a multi-rate approach, this exclusion is made from the personal property class.

The commission will provide the total assessed value for which an appeal is pending no later than August 20 of each year. Whenever an appeal is resolved and the result causes money to be paid to the authority, the taxing authority is not required to make an additional adjustment to its rates during the same fiscal cycle once the deadline for setting rates has passed. However, the taxing authority will adjust its rates due to the payment in the next rate setting cycle to offset the payment in the next taxable year.

"Business personal property" is defined as tangible personal property used in a trade or business or used to produce income and has a determinable life of longer than one year, with some exceptions. In order to establish uniformity, each assessor will use the standardized schedule of depreciation established in the substitute to determine the assessed valuation of depreciable tangible personal property. Each assessor will value depreciable tangible personal property by applying the class life and recovery period to the original cost of the property according to the federal Modified Accelerated Cost Recovery System life tables. The estimated value of property determined using the life tables is presumed to be correct; however, an estimation may be disproved by substantial and persuasive evidence of the true value under any method approved by the commission. These methods include appraisal using accepted techniques in accordance with the Uniform Standards of Professional Appraisal Practice or by proof of functional or economic obsolescence or physical

deterioration. The salvage or scrap value of depreciable tangible personal property may only be considered if the property is not in use on the assessment date.

The substitute does not apply to business personal property placed in service before January 2, 2006.

FISCAL NOTE: No impact on state funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say that the bill provides direction for the assessment of property and leads to better consistency, fairness, uniformity, and stability. The bill will also improve the appeal process so that the State Tax Commission does not lose so many appeals providing more money to schools.

Testifying for the bill were Representative Sutherland; East Central Community College; Missouri Assessor's Association; Missouri State Teachers Association; Miller County Assessor; Missouri School Boards Associations; Missouri School Administrators Coalition; Cooperating School Districts of Greater Kansas City; Missouri Library Association; Ryan Robb; Missouri Chamber of Commerce and Industry; and Missouri Broadcasters Association.

OPPOSERS: Those who oppose the bill say that the substitute is a good step forward resolving the issue of appeals. The original bill would have been adverse to business and could cause some businesses to go elsewhere like Iowa and Illinois which do not assess personal property. Chrysler's engineering and design for their vehicles is completed in Detroit and taxed there, so they should not be taxed here. With their business connections around the world, they could do business somewhere else. This amounts to a couple \$100 for each car.

Testifying against the bill were Associated Industries of Missouri; and DaimlerChrysler Corporation.

Karla Strobel, Legislative Analyst