

HCS SS SCS SB 711 -- PROPERTY TAXATION

SPONSOR: Gibbons (Sutherland)

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 8 to 0.

This substitute changes the laws regarding property taxation by requiring tax rate rollbacks by all political subdivisions in assessment years, changing the way voter-approved tax increases are applied to assessed values, changing the time line for the assessment and appeal of property taxes, and creating a voluntary property tax deferral program. In its main provisions, the substitute:

(1) Prohibits penalties and interest on the erroneous payment of property taxes when there is clear and convincing evidence that the county made an error in determining the tax amount due. Any penalty or interest paid by the taxpayer will be refunded upon the discovery of the error or omission;

(2) Allows individuals who are disabled or who are 60 years of age or older by October 15 of the year in which a claim is filed to elect to have the property tax on their homestead deferred if they have lived in their home for at least the previous five years, did not file a homestead exemption credit, had equity interest in the homestead of at least 25%, and have the homestead insured for at least the amount of the assessed valuation by filing a claim with the county assessor after January 1 and on or before October 15 of the first year in which a deferral is claimed. A lien for the amount of the deferred taxes, fees, and accrued interest will be placed against the property until the taxes are paid voluntarily, after the death of the taxpayer, upon the sale or transfer of the homestead, or after any outstanding indebtedness against the tax-deferred property is refinanced;

(3) Creates the Senior Property Tax Deferral Revolving Account to pay county tax collectors the property taxes deferred and for administrative expenses and to receive repayments of deferred property taxes. Interest will accrue annually on the actual amount of taxes advanced to the county for the tax-deferred property at the rate of the average annual interest rate paid on bonds plus 2% rounded up to the nearest whole percentage. If there is insufficient money in the account to make payments to the counties, as determined by the State Auditor, the necessary amount will be transferred from general revenue and repaid as funds become available or the account may be funded by bonds;

(4) Requires voter-approved property tax rate increases to be applied to a political subdivision's most recent total assessed

valuation, as certified by the city or county on or before the date of the election. Every political subdivision in a reassessment year must roll back its prior year's tax rate regardless of whether the political subdivision was levying the tax at its tax rate ceiling. A political subdivision can modify its tax rate, not to exceed its maximum authorized voter-approved levy, through the adoption of an ordinance, resolution, or policy statement in a non-reassessment year;

(5) Requires all counties and the City of St. Louis to allow public testimony at the public hearing prior to setting the tax rates;

(6) Allows charter counties and the City of St. Louis to set their tax rates by October 1 instead of September 20;

(7) Requires assessors for the City of St. Louis and all charter counties to notify taxpayers by June 15 of real property assessment increases and the county to provide an estimated tax liability for the property beginning January 1, 2009;

(8) Requires assessors for non-charter counties to notify taxpayers by June 15 of real property assessment increases and the county to provide an estimated tax liability for the property beginning January 1, 2011;

(9) Requires assessors to provide the city or county clerks with assessment books by March 1 of each year to assist with determining the estimated tax liability on properties with increased assessed valuations. The clerks must make abstracts of the assessment books showing the aggregate amount of different types of property and the valuation of each type for each political subdivision levying taxes on property;

(10) Requires governing bodies of political subdivisions to informally project non-binding tax rate levies from the information provided in the abstracts and provide the projected levies to the clerk by April 8 of each year;

(11) Requires the county collector to calculate the projected tax liability for each property for which the assessor intends to provide a notice of increased assessed valuation by April 30 by utilizing the projected tax levies;

(12) Reduces a political subdivision's tax levy by 20% for the tax year if it fails to provide projected tax levies by April 8 unless the failure is a direct result of a delinquency in providing, or failure to provide, the required information by either the clerk or the assessor;

(13) Extends the requirement that certain counties and the City of St. Louis must deduct a percentage of all ad valorem property tax collections and deposit the amount into the county's assessment fund from December 31, 2009, to December 31, 2015. The substitute increases the percentage deducted from either 1/8 of 1% or 1/4 of 1% to either 1/8 of 1% or 1/2 of 1% and increases the income limits from \$100,000 to \$125,000 in any year for first classification and charter counties and from \$50,000 to \$75,000 for second, third, and fourth classification counties. If the commission withholds state assessment reimbursement funds from a county for three consecutive quarters, the extra 1/8 of 1% or 1/2 of 1% collection revenues in the county assessment fund will be forfeited and returned by the county to the political subdivisions within the county;

(14) Changes which counties of the first classification are required to withhold 1% of all ad valorem taxes to be deposited into the county's assessment fund;

(15) Specifies that the true value in money for assessment purposes of any possessor interest in real property on or adjacent to a certain commercial airport and owned by a political subdivision will be the true value in money of the possessor interest in the real property less the total costs paid toward any new construction or improvements on the property if included in the possessor interest, unless paid by the political subdivision, regardless of the year the costs were incurred;

(16) Authorizes, beginning January 1, 2009, a property tax credit for expenses incurred to manufacture, maintain, or improve a freight line company's qualified rolling stock up to the amount of its tax liability. The state will annually reimburse a political subdivision for any loss in revenue;

(17) Changes the date that the St. Louis County Board of Equalization convenes from the first Monday in June to the second Monday in July;

(18) Requires the State Tax Commission to develop or enter into contracts for the development of computer software programs which will produce the notice of projected tax liability. Any collector that files a request with the commission before December 31, 2009, will be provided with the computer software programs;

(19) Requires the circuit court clerk to send the county collector a notice when a taxpayer timely files an appeal seeking exemption of a final decision of the local board of equalization. The notice must contain the taxpayer's name, the case number assigned by the court, and the parcel or locator number of the

property being appealed. The notice to the collector must state that the taxes in dispute are to be impounded;

(20) Requires the commission to send the county collector a notice of appeal when a taxpayer timely files an appeal. The notice must contain the taxpayer's name, the appeal number assigned by the commission, the assessed value provided to the local board of equalization, and the assessed value proposed by the taxpayer if the values are available to the commission when the appeal is filed. The notice must also specifically state that the taxes in dispute are to be impounded; and if the notice is filed in an odd-numbered year, it will serve as notice to the collector to impound taxes for the following even-numbered year if no decision has been rendered in the appeal;

(21) Relieves a taxpayer from the requirement of filing a statement of protest if the taxpayer filed an appeal from a local board of equalization to the commission or circuit court;

(22) Changes several provisions of law regarding the notification of appeal of assessment and the impounding, investing, and refunding of protested tax payments;

(23) Specifies that school districts which levy a tax rate below the performance levy due to mandatory roll-backs in the provisions of the substitute will continue to be eligible to receive grants currently provided to small school districts. Political subdivisions with voter-approved rate increases subsequent to setting their most recent tax rate are exempt from the provisions regarding the mandatory rollback in reassessment years;

(24) Repeals the requirement that the commission notify each school district of the equivalent sales ratio for the previous year which was adopted to determine the equalized assessed valuation of the property and the equalized operating levy of the school district for distributions under the previous school foundation formula; and

(25) Creates the position of taxpayer advocate within the commission to represent and protect the interests of taxpayers regarding property taxation.

FISCAL NOTE: Estimated Cost on General Revenue Fund of More than \$331,159 in FY 2009, More than \$356,973 in FY 2010, and More than \$4,365,631 in FY 2011. Estimated Effect on Other State Funds of an income of More than \$100,000 in FY 2009, a cost of Unknown in FY 2010, and a cost of Unknown in FY 2011.

PROPONENTS: Supporters say that the bill ends backdoor tax

increases through reassessment. The problem is with districts that are not at their tax rate ceiling. Currently, political subdivisions that are below their voter-approved levies are not required to roll back their rates. This is the biggest problem noted by taxpayers, and the failure to reduce rates has resulted in some large percentage increases in property taxes over the last couple of assessment cycles. The elderly have the most trouble paying their property tax bills and need time to get money. Currently, taxpayers feel powerless regarding property tax assessment. The bill will bring reasonableness, fairness, and predictability to the process. Early notification is important, and the bill will improve the assessment process and public opinion of the process. While the changes in the time line for mailing notices to taxpayers will be helpful to taxpayers, it presents a concern to county offices. The bill is a good, reasonable approach to the issue of property tax increases and balances the concerns of taxpayers and school districts and other public entities that rely on property tax revenues.

Testifying for the bill were Senator Gibbons and Representative Stream; Sarah Haenni, St. Louis County For Tax Relief Now; Taxpayers Research Institute of Missouri; Associated Industries of Missouri; Missouri Assessor's Association; National Federation of Independent Business; State Tax Commission; Missouri County Collectors Association; Cooperating School Districts of Greater St. Louis; and Penney Rector, School Administrators Coalition.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that it is well crafted and balanced. However, notifying the taxpayer of the amount of the tax early with the tax rate and assessment presented at the same time can cause confusion since a taxpayer can't appeal their taxes, but just their assessment.

Testifying on the bill was Steve Gardner, University of Missouri, St. Louis.