

HCS HB 591 -- PROPERTY TAXATION

SPONSOR: Sutherland

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 8 to 3.

This substitute changes the laws regarding property taxation and requires tax rate rollbacks by school districts in reassessment years. In its main provisions, the substitute:

- (1) Authorizes political subdivisions, for tax year 2009, to levy a property tax rate sufficient to generate as much revenue as was produced in the 2007 tax year, excluding new construction and improvements, as long as the rate does not exceed the greater of the rate in effect for the 1984 tax year or the most recent voter-approved rate;
- (2) Changes the time line for the assessment, levy, and appeal of property taxes for certain counties;
- (3) Allows school districts to levy an operating levy for school purposes required for the current year, less any required adjustments, if the rate does not exceed the highest tax rate in effect after the 1980 tax year;
- (4) Changes the term base year for new homeowners who are approved for the first time after satisfying the three-year ownership requirement for the homestead preservation tax credit so that the base year for the taxpayers will be the year following the first year in which the taxpayer acquired ownership of the homestead. Currently, the homestead exemption limit for the credit is based on the increase in tax liability from the base year to the year prior to the application year for all applications for credits filed between December 31, 2008, and December 31, 2011;
- (5) Adds two alternate members to the St. Louis City Board of Equalization and changes the date on which members must be appointed from the second Monday in May to the first day of July;
- (6) Allows the City of St. Louis and all charter counties to opt-out of the requirement that they must provide taxpayers with notices of projected tax liability for the 2011 reassessment year. The effective date for all other counties for the projected tax liability notice requirement is moved back to January 1, 2013;
- (7) Requires assessors and collectors to submit estimates of their costs to comply with the projected tax liability notice

requirement to the State Tax Commission; and

(8) Authorizes voters to petition for an election to lower the tax rate ceiling of a political subdivision when at least 33% of the registered voters within the taxing authority's boundaries sign the petition. If at least 66% of the votes cast are in favor of lowering the ceiling, the lowered tax rate ceiling will become effective. The petition to lower the tax rate ceiling cannot include debt service levies.

The substitute contains an emergency clause.

FISCAL NOTE: No impact on state funds in FY 2010, FY 2011, and FY 2012.

PROPOSERS: Supporters say that the bill gives taxpayers a voice in the taxation process by providing a mechanism to file a petition to put a referendum on the ballot to lower the property tax rate. The taxpayers of a district can then decide what services they want to support such as schools, fire and police departments, ambulance services, etc. Taxpayers in local jurisdictions feel powerless to make a significant impact on their property tax rates. The bill provides an opportunity to make adjustments when taxpayers don't believe their elected officials are listening. In many cases, the people who are setting these rates are not elected because they had no opposition and no vote was required. The bill sets a sufficiently high threshold to guard against frivolous attempts to roll back rates.

Testifying for the bill were Representative Sutherland; and Americans for Prosperity and Foundation.

OPPOSERS: Those who oppose the bill say that Missouri has about 5,000 political subdivisions with 1,000 as municipalities. The bill will allow a disgruntled taxpayer to get a petition signed, voted on by the people, and easily passed. Citizens have a voice every April when half the board is up for election. The current system works. Citizens need a school board that has the confidence of the community because 70% of property tax revenue goes to schools. Missourians should never forget the constitutional obligation to provide services to their public school students. Citizens already have the ability to lower tax rates by elected boards. It only takes four of the seven board members to vote to reduce taxes. All school districts are required by law to have a tax rate hearing at which time patrons may express their concern and request the board to lower the tax rate. Currently, 106 schools of the 523 in Missouri are levying lower rates than required by law. Many are very small. It will require effort and expense to defend a current levy. A reduction

in the tax rate could be detrimental to a school district. There is no limit to the number of petitions or the amount of a rate reduction. The bill will make it impossible for school districts to plan their budgets and offer consistent programs. Schools have long-term financial obligations. The degree of uncertainty will have a potentially devastating effect on school children and their education.

Testifying against the bill were Missouri Municipal League; Missouri National Education Association; Jason Hoffman, Missouri Association of School Business Officials; Missouri School Boards Association; and Cooperating School Districts of Greater St. Louis.