

SECOND REGULAR SESSION

# HOUSE BILL NO. 2153

## 93RD GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE SUTHERLAND.

Read 1st time March 31, 2006 and copies ordered printed.

STEPHEN S. DAVIS, Chief Clerk

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### AN ACT

To repeal section 137.122, RSMo, and to enact in lieu thereof one new section relating to business personal property tax.

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

Section A. Section 137.122, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 137.122, to read as follows:

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

(1) "Business personal property", tangible personal property which is used in a trade or business or used for production of income and which has a determinable life of longer than one year except that supplies used by a business shall also be considered business personal property, but shall not include livestock, farm machinery, grain and other agricultural crops in an unmanufactured condition, property subject to the motor vehicle registration provisions of chapter 301, RSMo, property assessed under section 137.078, the property of rural electric cooperatives under chapter 394, RSMo, or property assessed by the state tax commission under chapters 151, 153, and 155, RSMo, section 137.022, and sections 137.1000 to 137.1030;

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

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

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

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

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

28 2. To establish uniformity in the assessment of depreciable tangible personal property,  
 29 each assessor shall use the standardized schedule of depreciation in this section to determine the  
 30 assessed valuation of depreciable tangible personal property for the purpose of estimating the  
 31 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 personal  
 33 property for mass appraisal purposes, each assessor shall value depreciable tangible personal  
 34 property by applying the class life and recovery period to the original cost of the property  
 35 according to the following depreciation schedule. The percentage shown for the first year shall  
 36 be the percentage of the original cost used for January first of the year following the year of  
 37 acquisition of the property, and the percentage shown for each succeeding year shall be the  
 38 percentage of the original cost used for January first of the respective succeeding year as follows:

39 Year Recovery Period in Years

40		3	5	7	10	15	20
41	1	75.00	85.00	89.29	92.50	95.00	96.25
42	2	37.50	59.50	70.16	78.62	85.50	89.03
43	3	12.50	41.65	55.13	66.83	76.95	82.35
44	4	5.00	24.99	42.88	56.81	69.25	76.18
45	5		10.00	30.63	48.07	62.32	70.46
46	6			18.38	39.33	56.09	65.18
47	7			10.00	30.59	50.19	60.29
48	8				21.85	44.29	55.77
49	9				15.00	38.38	51.31
50	10					32.48	46.85
51	11					26.57	42.38

52	12	20.67	37.92
53	13	15.00	33.46
54	14		29.00
55	15		24.54
56	16		20.08
57	17		20.00

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

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

76           5. This section shall [not] apply to [business personal property placed in service  
77 before January 2,] **the assessment of business personal property for all taxable years**  
78 **beginning after December 31, 2006.**

79           6. The provisions of this section are not intended to modify the definition of tangible  
80 personal property as defined in section 137.010.

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