

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NOS. 1321 & 1695
94TH GENERAL ASSEMBLY

Reported from the Committee on Ways and Means March 13, 2008 with recommendation that House Committee Substitute for House Bill Nos. 1321 & 1695 Do Pass. Referred to the Committee on Rules pursuant to Rule 25(21)(f).

D. ADAM CRUMBLISS, Chief Clerk

3243L.03C

AN ACT

To repeal sections 135.010, 135.025, 135.030, and 137.720, RSMo, and to enact in lieu thereof four new sections relating to property taxation.

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

Section A. Sections 135.010, 135.025, 135.030, and 137.720, RSMo, are repealed and
2 four new sections enacted in lieu thereof, to be known as sections 135.010, 135.025, 135.030,
3 and 137.720, to read as follows:

135.010. As used in sections 135.010 to 135.030 the following words and terms mean:
2 (1) "Claimant", a person or persons claiming a credit under sections 135.010 to 135.030.
3 If the persons are eligible to file a joint federal income tax return and reside at the same address
4 at any time during the taxable year, then the credit may only be allowed if claimed on a combined
5 Missouri income tax return or a combined claim return reporting their combined incomes and
6 property taxes. A claimant shall not be allowed a property tax credit unless the claimant or
7 spouse has attained the age of sixty-five on or before the last day of the calendar year and the
8 claimant or spouse was a resident of Missouri for the entire year, or the claimant or spouse is a
9 veteran of any branch of the armed forces of the United States or this state who became one
10 hundred percent disabled as a result of such service, or the claimant or spouse is disabled as
11 defined in subdivision (2) of this section, and such claimant or spouse provides proof of such
12 disability in such form and manner, and at such times, as the director of revenue may require, or
13 if the claimant has reached the age of sixty on or before the last day of the calendar year and such

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.

14 claimant received surviving spouse Social Security benefits during the calendar year and the
15 claimant provides proof, as required by the director of revenue, that the claimant received
16 surviving spouse Social Security benefits during the calendar year for which the credit will be
17 claimed. A claimant shall not be allowed a property tax credit if the claimant filed a valid claim
18 for a credit under section 137.106, RSMo, in the year following the year for which the property
19 tax credit is claimed. The residency requirement shall be deemed to have been fulfilled for the
20 purpose of determining the eligibility of a surviving spouse for a property tax credit if a person
21 of the age of sixty-five years or older who would have otherwise met the requirements for a
22 property tax credit dies before the last day of the calendar year. The residency requirement shall
23 also be deemed to have been fulfilled for the purpose of determining the eligibility of a claimant
24 who would have otherwise met the requirements for a property tax credit but who dies before
25 the last day of the calendar year;

26 (2) "Disabled", the inability to engage in any substantial gainful activity by reason of any
27 medically determinable physical or mental impairment which can be expected to result in death
28 or which has lasted or can be expected to last for a continuous period of not less than twelve
29 months. A claimant shall not be required to be gainfully employed prior to such disability to
30 qualify for a property tax credit;

31 (3) "Gross rent", amount paid by a claimant to a landlord for the rental, at arm's length,
32 of a homestead during the calendar year, exclusive of charges for health and personal care
33 services and food furnished as part of the rental agreement, whether or not expressly set out in
34 the rental agreement. If the director of revenue determines that the landlord and tenant have not
35 dealt at arm's length, and that the gross rent is excessive, then he shall determine the gross rent
36 based upon a reasonable amount of rent. Gross rent shall be deemed to be paid only if actually
37 paid prior to the date a return is filed. The director of revenue may prescribe regulations
38 requiring a return of information by a landlord receiving rent, certifying for a calendar year the
39 amount of gross rent received from a tenant claiming a property tax credit and shall, by
40 regulation, provide a method for certification by the claimant of the amount of gross rent paid
41 for any calendar year for which a claim is made. The regulations authorized by this subdivision
42 may require a landlord or a tenant or both to provide data relating to health and personal care
43 services and to food. Neither a landlord nor a tenant may be required to provide data relating to
44 utilities, furniture, home furnishings or appliances;

45 (4) "Homestead", the dwelling in Missouri owned or rented by the claimant and not to
46 exceed five acres of land surrounding it as is reasonably necessary for use of the dwelling as a
47 home. It may consist of part of a multidwelling or multipurpose building and part of the land
48 upon which it is built. "Owned" includes a vendee in possession under a land contract and one
49 or more tenants by the entireties, joint tenants, or tenants in common and includes a claimant

50 actually in possession if he was the immediate former owner of record, if a lineal descendant is
51 presently the owner of record, and if the claimant actually pays all taxes upon the property. It
52 may include a mobile home;

53 (5) "Income", Missouri adjusted gross income as defined in section 143.121, RSMo, less
54 [two] **ten** thousand **five hundred** dollars as an exemption for the claimant's spouse residing at
55 the same address, and increased, where necessary, to reflect the following:

56 (a) Social Security, railroad retirement, and veterans payments and benefits unless the
57 claimant is a one hundred percent service-connected, disabled veteran or a spouse of a one
58 hundred percent service-connected, disabled veteran. The one hundred percent
59 service-connected disabled veteran shall not be required to list veterans payments and benefits;

60 (b) The total amount of all other public and private pensions and annuities;

61 (c) Public relief, public assistance, and unemployment benefits received in cash, other
62 than benefits received under this chapter;

63 (d) No deduction being allowed for losses not incurred in a trade or business;

64 (e) Interest on the obligations of the United States, any state, or any of their subdivisions
65 and instrumentalities;

66 (6) "Property taxes accrued", property taxes paid, exclusive of special assessments,
67 penalties, interest, and charges for service levied on a claimant's homestead in any calendar year.
68 Property taxes shall qualify for the credit only if actually paid prior to the date a return is filed.
69 The director of revenue shall require a tax receipt or other proof of property tax payment. If a
70 homestead is owned only partially by claimant, then "property taxes accrued" is that part of
71 property taxes levied on the homestead which was actually paid by the claimant. For purposes
72 of this subdivision, property taxes are "levied" when the tax roll is delivered to the director of
73 revenue for collection. If a claimant owns a homestead part of the preceding calendar year and
74 rents it or a different homestead for part of the same year, "property taxes accrued" means only
75 taxes levied on the homestead both owned and occupied by the claimant, multiplied by the
76 percentage of twelve months that such property was owned and occupied as the homestead of
77 the claimant during the year. When a claimant owns and occupies two or more different
78 homesteads in the same calendar year, property taxes accrued shall be the sum of taxes allocable
79 to those several properties occupied by the claimant as a homestead for the year. If a homestead
80 is an integral part of a larger unit such as a farm, or multipurpose or multidwelling building,
81 property taxes accrued shall be that percentage of the total property taxes accrued as the value
82 of the homestead is of the total value. For purposes of this subdivision "unit" refers to the parcel
83 of property covered by a single tax statement of which the homestead is a part;

84 (7) "Rent constituting property taxes accrued", twenty percent of the gross rent paid by
85 a claimant and spouse in the calendar year.

135.025. The property taxes accrued and rent constituting property taxes accrued on each return shall be totaled. This total, up to [seven] **eleven** hundred [fifty] dollars, shall be used in determining the property tax credit. The director of revenue shall prescribe regulations providing for allocations where part of a claimant's homestead is rented to another or used for nondwelling purposes or where a homestead is owned or rented or used as a dwelling for part of a year.

135.030. 1. As used in this section:

(1) The term "maximum upper limit" shall, for each calendar year after December 31, 1997, but before calendar year 2008, be the sum of twenty-five thousand dollars. For [the] **all** calendar [year] **years** beginning on **or after** January 1, 2008, the maximum upper limit shall be the sum of [twenty-seven] **thirty-two** thousand five hundred dollars **for any claimant whose filing status is single, head of household, qualifying widow(er), or married filing separately, and the sum of forty-three thousand dollars for any claimant whose filing status is married filing combined;**

(2) The term "minimum base" shall, for each calendar year after December 31, 1997, but before calendar year 2008, be the sum of thirteen thousand dollars. For [the] **all** calendar [year] **years** beginning **on or after** January 1, 2008, the minimum base shall be the sum of [fourteen] **seventeen** thousand [three hundred] dollars.

2. If the income on a return is equal to or less than the maximum upper limit for the calendar year for which the return is filed, the property tax credit shall be determined from a table of credits based upon the amount by which the total property tax described in section 135.025 exceeds the percent of income in the following list:

17 If the income on the return is:	The percent is:
18 Not over the minimum base	0 percent with credit not to
19	exceed actual property tax
20	or rent equivalent paid up
21	to [\$750] \$1,100
22 Over the minimum base but	1/16 percent accumulative
23 not over the maximum upper	per \$300 from 0 percent
24 limit	to 4 percent.

The director of revenue shall prescribe a table based upon the preceding sentences. The property tax shall be in increments of twenty-five dollars and the income in increments of three hundred dollars. The credit shall be the amount rounded to the nearest whole dollar computed on the basis of the property tax and income at the midpoints of each increment. As used in this subsection, the term "accumulative" means an increase by continuous or repeated application of the percent to the income increment at each three hundred dollar level.

32 3. Notwithstanding subsection 4 of section 32.057, RSMo, the department of revenue
33 or any duly authorized employee or agent shall determine whether any taxpayer filing a report
34 or return with the department of revenue who has not applied for the credit allowed pursuant to
35 section 135.020 may qualify for the credit, and shall notify any qualified claimant of the
36 claimant's potential eligibility, where the department determines such potential eligibility exists.

137.720. 1. A percentage of all ad valorem property tax collections allocable to each
2 taxing authority within the county and the county shall be deducted from the collections of taxes
3 each year and shall be deposited into the assessment fund of the county as required pursuant to
4 section 137.750. The percentage shall be one-half of one percent for all counties of the first and
5 second classification and cities not within a county and one percent for counties of the third and
6 fourth classification.

7 2. For counties of the first classification, counties with a charter form of government, and
8 any city not within a county, an additional one-eighth of one percent of all ad valorem property
9 tax collections shall be deducted from the collections of taxes each year and shall be deposited
10 into the assessment fund of the county as required pursuant to section 137.750, and for counties
11 of the second, third, and fourth classification, an additional one-quarter of one percent of all ad
12 valorem property tax collections shall be deducted from the collections of taxes each year and
13 shall be deposited into the assessment fund of the county as required pursuant to section 137.750,
14 provided that such additional amounts shall not exceed one hundred thousand dollars in any year
15 for any county of the first classification and any county with a charter form of government and
16 fifty thousand dollars in any year for any county of the second, third, or fourth classification.

17 3. The county shall bill any taxing authority collecting its own taxes. The county may
18 also provide additional moneys for the fund. To be eligible for state cost-share funds provided
19 pursuant to section 137.750, every county shall provide from the county general revenue fund
20 an amount equal to an average of the three most recent years of the amount provided from
21 general revenue to the assessment fund; provided, however, that capital expenditures and
22 equipment expenses identified in a memorandum of understanding signed by the county's
23 governing body and the county assessor prior to transfer of county general revenue funds to the
24 assessment fund shall be deducted from a year's contribution before computing the three-year
25 average, except that a lesser amount shall be acceptable if unanimously agreed upon by the
26 county assessor, the county governing body, and the state tax commission. The county shall
27 deposit the county general revenue funds in the assessment fund as agreed to in its original or
28 amended maintenance plan[,] . State reimbursement funds shall be withheld until the amount
29 due is properly deposited in such fund.

30 4. Four years following the effective date, the state tax commission shall conduct a study
31 to determine the impact of increased fees on assessed valuation.

32 5. Any increase to the portion of property tax collections deposited into the county
33 assessment funds provided for in subsection 2 of this section shall be disallowed in any year in
34 which the state tax commission certifies an equivalent sales ratio for the county of less than or
35 equal to thirty-one and two-thirds percent pursuant to the provisions of section 138.395, RSMo.
36 6. The provisions of subsections 2, 4, and 5 of this section shall expire on December 31,
37 [2009] **2012**.

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