

## HCS SS SCS SB 605 -- COUNTY CLASSIFICATIONS AND CITY SALES TAXES

SPONSOR: Mayer (Stevenson)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on General Laws by a vote of 14 to 0.

This substitute changes the laws regarding county classification assessed valuations and city sales taxes.

### COUNTY CLASSIFICATIONS

The substitute increases the assessed valuation thresholds for a county to move into a higher classification. The minimum assessed valuation threshold for counties of the first classification is increased from \$600 million to \$900 million and from \$450 million to \$600 million for counties of the second classification. All counties with an assessed valuation of less than \$600 million will be third classification counties.

The governing body of any county of the second classification which, on August 28, 2010, has had an assessed valuation of at least \$600 million for at least one year may, by resolution of the county governing body, elect to become a county of the first classification after it has maintained that valuation for the period of time required under Section 48.030, RSMo. Currently, only the counties of Lincoln and St. Francois qualify.

Any county of the second classification which, on August 28, 2010, has had an assessed valuation of at least \$600 million for at least five years may, by resolution of the county governing body duly adopted before December 31, 2010, elect to remain a county of the second classification until the assessed valuation of the county after 2009 results in placing it in another classification and it has maintained the necessary valuation for the period of time required under Section 48.030. Currently, only the counties of Christian and Newton qualify.

The required assessed valuation thresholds for changes in county classification will be increased each year by an amount equal to the change in the annual average of the federal Consumer Price Index or zero, whichever is greater. The State Tax Commission must calculate and publish the amount so that it is available to all the counties.

### CITY SALES TAXES

Currently, under the general city sales tax law, cities may impose a sales tax, upon voter approval, at a rate of one-half of 1%, seven-eighths of 1%, or 1%; and the City of St. Louis may

impose the tax at a rate not to exceed one and three-eighths percent, for the benefit of the city. The substitute specifies that the combined rate of sales taxes adopted under the city sales tax law cannot exceed 2%. This change is not to be construed as a new tax or an increase in the current levy of an existing tax for the purpose of Article X, Section 22, of the Missouri Constitution, commonly known as the Hancock Amendment, which requires voter approval. Cities that have already imposed and collected taxes under the city sales tax law can continue to do so without voter approval as a continuation of a tax previously approved by the voters of the city.

Currently, under the capital improvements city sales tax law, cities not in St. Louis County may impose a sales tax, upon voter approval, at a rate of one-eighth, one-fourth, three-eighths, or one-half of 1% for the purpose of funding, operating, and maintaining capital improvements. Municipalities in charter counties are authorized to impose a capital improvements tax under Section 94.890. The substitute specifies that the combined rate of sales taxes adopted under the capital improvement city sales tax law cannot exceed 1%. This change is not to be construed as a new tax or an increase in the current levy of an existing tax for the purpose of the Hancock Amendment which requires voter approval. Cities that have already imposed and collected taxes under the city sales tax law can continue to do so without voter approval as a continuation of a tax previously approved by the voters of the city. If any municipality which has imposed this tax changes or alters its boundaries, the municipality's clerk must forward to the Director of the Department of Revenue by registered or certified mail a certified copy of the ordinance adding or detaching the territory. Upon receipt of the ordinance, the taxes will be effective in the attached territory or abolished in the detached territory on the effective date of the boundary change.

The substitute contains an emergency clause for the provisions regarding county classifications.

FISCAL NOTE: No impact on state funds in FY 2011, FY 2012, and FY 2013.

PROPOSERS: Supporters say that many counties wish to remain at a lower level of classification to avoid additional costs. It is wise to adjust the county classification valuation requirements for inflation.

Testifying for the bill were Senator Mayer; and Missouri Association of Counties.

OPPOSERS: There was no opposition voiced to the committee.