

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 2415
103RD GENERAL ASSEMBLY

4066H.02C

JOSEPH ENGLER, Chief Clerk

AN ACT

To repeal sections 137.016 and 138.390, RSMo, and to enact in lieu thereof two new sections relating to the assessment of real property.

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

Section A. Sections 137.016 and 138.390, RSMo, are repealed and two new sections
2 enacted in lieu thereof, to be known as sections 137.016 and 138.390, to read as follows:

137.016. 1. As used in Section 4(b) of Article X of the Missouri Constitution, the
2 following terms mean:

3 (1) "Residential property", all real property improved by a structure which is used or
4 intended to be used for residential living by human occupants, vacant land in connection with
5 an airport, land used as a golf course, manufactured home parks, bed and breakfast inns in
6 which the owner resides and uses as a primary residence with six or fewer rooms for rent, and
7 time-share units as defined in section 407.600, except to the extent such units are actually
8 rented and subject to sales tax under subdivision (6) of subsection 1 of section 144.020, but
9 residential property shall not include other similar facilities used primarily for transient
10 housing. For the purposes of this section, "transient housing" means all rooms available for
11 rent or lease for which the receipts from the rent or lease of such rooms are subject to state
12 sales tax pursuant to subdivision (6) of subsection 1 of section 144.020;

13 (2) "Agricultural and horticultural property", all real property used for agricultural
14 purposes and devoted primarily to the raising and harvesting of crops; to the feeding,
15 breeding and management of livestock which shall include breeding, showing, and boarding
16 of horses; to dairying, or to any other combination thereof; and buildings and structures
17 customarily associated with farming, agricultural, and horticultural uses. Agricultural and
18 horticultural property shall also include land devoted to and qualifying for payments or other

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.

19 compensation under a soil conservation or agricultural assistance program under an
20 agreement with an agency of the federal government. Agricultural and horticultural property
21 shall further include any reliever airport. Real property classified as forest croplands shall not
22 be agricultural or horticultural property so long as it is classified as forest croplands and shall
23 be taxed in accordance with the laws enacted to implement Section 7 of Article X of the
24 Missouri Constitution. Agricultural and horticultural property shall also include any sawmill
25 or planing mill defined in the U.S. Department of Labor's Standard Industrial Classification
26 (SIC) Manual under Industry Group 242 with the SIC number 2421. Agricultural and
27 horticultural property shall also include urban and community gardens. For the purposes of
28 this section, "urban and community gardens" shall include real property cultivated by
29 residents of a neighborhood or community for the purposes of providing agricultural
30 products, as defined in section 262.900, for the use of residents of the neighborhood or
31 community, and shall not include a garden intended for individual or personal use;

32 (3) "Utility, industrial, commercial, railroad and other real property", all real property
33 used directly or indirectly for any commercial, mining, industrial, manufacturing, trade,
34 professional, business, or similar purpose, including all property centrally assessed by the
35 state tax commission but shall not include floating docks, portions of which are separately
36 owned and the remainder of which is designated for common ownership and in which no one
37 person or business entity owns more than five individual units. All other real property not
38 included in the property listed in subclasses (1) and (2) of Section 4(b) of Article X of the
39 Missouri Constitution, as such property is defined in this section, shall be deemed to be
40 included in the term "utility, industrial, commercial, railroad and other real property";

41 (4) "Assessment value", for real property assessment purposes:

42 (a) For a building, the value of the building using the replacement cost approach,
43 reconciled with other applicable approaches to real property valuation;

44 (b) For land other than agricultural or horticultural land, such land's value as
45 determined by the market; and

46 (c) For agricultural and horticultural land, the productive capability of the land
47 as determined under section 137.021.

48 2. Pursuant to Article X of the state Constitution, any taxing district may adjust its
49 operating levy to recoup any loss of property tax revenue, except revenues from the surtax
50 imposed pursuant to Article X, Subsection 2 of Section 6 of the Constitution, as the result of
51 changing the classification of structures intended to be used for residential living by human
52 occupants which contain five or more dwelling units if such adjustment of the levy does not
53 exceed the highest tax rate in effect subsequent to the 1980 tax year. For purposes of this
54 section, loss in revenue shall include the difference between the revenue that would have been
55 collected on such property under its classification prior to enactment of this section and the

56 amount to be collected under its classification under this section. The county assessor of each
57 county or city not within a county shall provide information to each taxing district within its
58 boundaries regarding the difference in assessed valuation of such property as the result of
59 such change in classification.

60 3. All reclassification of property as the result of changing the classification of
61 structures intended to be used for residential living by human occupants which contain five or
62 more dwelling units shall apply to assessments made after December 31, 1994.

63 4. Where real property is used or held for use for more than one purpose and such
64 uses result in different classifications, the county assessor shall allocate to each classification
65 the percentage of the true value in money of the property devoted to each use; except that,
66 where agricultural and horticultural property, as defined in this section, also contains a
67 dwelling unit or units, the farm dwelling, appurtenant residential-related structures and up to
68 five acres immediately surrounding such farm dwelling shall be residential property, as
69 defined in this section, provided that the portion of property used or held for use as an urban
70 and community garden shall not be residential property. This subsection shall not apply to
71 any reliever airport.

72 5. All real property which is vacant, unused, or held for future use; which is used for a
73 private club, a not-for-profit or other nonexempt lodge, club, business, trade, service
74 organization, or similar entity; or for which a determination as to its classification cannot be
75 made under the definitions set out in subsection 1 of this section, shall be classified according
76 to its immediate most suitable economic use, which use shall be determined after
77 consideration of:

78 (1) Immediate prior use, if any, of such property;

79 (2) Location of such property;

80 (3) Zoning classification of such property; except that, such zoning classification
81 shall not be considered conclusive if, upon consideration of all factors, it is determined that
82 such zoning classification does not reflect the immediate most suitable economic use of the
83 property;

84 (4) Other legal restrictions on the use of such property;

85 (5) Availability of water, electricity, gas, sewers, street lighting, and other public
86 services for such property;

87 (6) Size of such property;

88 (7) Access of such property to public thoroughfares; and

89 (8) Any other factors relevant to a determination of the immediate most suitable
90 economic use of such property.

91 6. All lands classified as forest croplands shall not, for taxation purposes, be
92 classified as subclass (1), subclass (2), or subclass (3) real property, as such classes are

93 prescribed in Section 4(b) of Article X of the Missouri Constitution and defined in this
94 section, but shall be taxed in accordance with the laws enacted to implement Section 7 of
95 Article X of the Missouri Constitution.

138.390. 1. The state tax commission shall equalize the valuation of real and tangible
2 personal property among the several counties in the state in the following manner: with the
3 abstracts of all the taxable property in the several counties of the state and the abstracts of the
4 sales of real estate in such counties as returned by the respective county clerks and the
5 assessor of the city of St. Louis, the commission shall classify all real estate situate in cities,
6 towns, and villages, as town lots, and all other real estate as farming lands, and shall classify
7 all tangible personal property as follows: banking corporations, railroad corporations, street
8 railroad corporations, all other corporations, horses, mares and geldings, mules, asses and
9 jennets, neat cattle, sheep, swine, goats, domesticated small animals and all other livestock,
10 poultry, power machinery, farm implements, other tangible personal property.

11 2. (1) The state tax commission shall equalize the valuation of each class or subclass
12 of property thereof among the respective counties of the state in the following manner:

13 ~~[(1)]~~ (a) It shall add to the valuation of each class, subclass, or portion thereof of the
14 property, real or tangible personal, of each county which it believes to be valued below its real
15 value in money such amount or percent as will increase the same in each case to its true value;

16 ~~[(2)]~~ (b) It shall deduct from the valuation of each class, subclass, or portion thereof
17 of the property, real or tangible personal, of each county which it believes to be valued above
18 its real value in money such amount or percent as will reduce the same in each case to its true
19 value.

20 (2) (a) **For the purposes of this subsection, the state tax commission shall utilize**
21 **ratio studies to determine whether a class or subclass of property is valued below or**
22 **above its true value in money.**

23 (b) **A class or subclass of property shall be considered to be valued below its true**
24 **value in money if:**

25 a. **The weighted median ratio is less than seventy percent and the coefficient of**
26 **dispersion is greater than twenty-five percent; or**

27 b. **The weighted median ratio is less than seventy percent and the upper bound**
28 **of the ninety-five percent confidence interval for the weighted median is less than**
29 **seventy percent.**

30 (c) **A class or subclass of property shall be considered to be valued above its true**
31 **value in money if:**

32 a. **The weighted median ratio is greater than one hundred percent and the**
33 **coefficient of dispersion is greater than twenty-five percent; or**

34 **b. The weighted median ratio is greater than one hundred percent and the upper**
35 **bound of the ninety-five percent confidence interval for the weighted median is greater**
36 **than one hundred percent.**

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