

HCS HBs 2709 & 2671 -- TAXATION OF PROPERTY

SPONSOR: Reedy

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Special Committee on Property Tax Reform by a vote of 14 to 5.

The following is a summary of the House Committee Substitute for HBs 2709 & 2671.

This bill requires any ballot seeking approval to add or change a tax of real property to express the effect of the change in the ballot in terms of real dollars owed per \$100,000 of a property's market valuation. (Section 137.067, RSMo)

Currently, any political subdivision that received approval for a tax rate increase may levy a property tax rate to collect substantially the same amount of tax revenue as the amount of revenue that would have been derived by applying the voter-approved increased tax rate ceiling to the total assessed valuation of the political subdivision. However, the tax rate must not exceed the greater of the most recent voter-approved rate or the most recent adjusted voter-approved rate.

The bill removes mention of the single tax rate in the exception, and provides that the rates of levy for each subclass of real property, individually, and personal property, in the aggregate, must not exceed the greater of the most recent voter-approved rate or most recent adjusted voter approved rate.

Currently, if the tax revenue from various tax rates is different than the tax revenue that would have been determined from a single tax rate, then the political subdivision must revise the tax rates of those subclasses of real property, individually, and/or personal property, in the aggregate that had a tax rate reduction. This revision must yield an amount equal to the difference and must be apportioned among the subclasses of real property, individually, and/or personal property, in the aggregate, based on the relative assessed valuation of the class or subclasses that experienced the tax rate reduction.

Additionally, for school districts that levy separate tax rates on each subclass of real property and personal property, in the aggregate, or that had voter-approved ballots that set or increased the subclass rates differently prior to 2011, a blended tax rate must be used to calculate the single tax rate. Finally, personal property tax rates are not allowed to increase above the

personal property levy of the previous year, even as a part of this revenue-balancing adjustment.

This bill repeals this language. Political subdivisions are no longer required to compare revenues generated by multiple levies to a single-rate baseline or to adjust multiple levies based on a single-rate baseline.

Currently, the term "improvements" applies to both real and personal property. Additionally, the aggregate increase in valuation of personal property for the current year compared to the previous year must be equivalent to the new construction and improvements factor for personal property. The bill provides that the term "improvements" applies only to real property and repeals the provision setting the aggregate increase in valuation of personal property equal to the new construction and improvements factor for personal property.

This bill requires all voter-approved tax levy increases applied to any real and personal property to be applied to each subclass of property equally.

The bill provides that, if voters approve a subsequent levy increase prior to the expiration of a temporary levy increase, the new tax rate ceiling must remain in effect until the temporary levy expires. At that time, the tax rate ceiling must be decreased by the amount of the temporary levy increase. If voters of a political subdivision are asked to approve an additional permanent tax rate ceiling increase prior to the expiration of a temporary levy increase, voters must be provided ballot language that indicates that the temporary levy must be made permanent if the permanent levy increase is approved.

A reduction or an increase to the tax rate ceiling in a nonreassessment year must be applied in the following year of general reassessment.

This bill provides that, when voters pass an increase of a tax rate, the political subdivision must use the current tax rate ceiling and the approved increase to establish the rates of the levy for the tax year immediately following the election. If the assessed valuation of real property is reduced in the tax year following the election, the political subdivision can raise its levy rates so that the revenue received from its local real property equals the amount the political subdivision would have received from the increased rates of levy if there had been no

reduction in the valuation. Using the increased tax rate ceiling must be revenue neutral. (Section 137.073, RSMo)

As it relates to setting property tax rates, the bill repeals mention of a single property tax rate and replaces the language with that relating to multiple tax rates. (Section 137.079, RSMo)

Currently, any county and city not within a county can opt out of implementing the provisions of certain sections of HB 1150 (2002) and certain provisions of SB 960, which includes setting separate levies to be calculated for each subclass of real property and for personal property using the assessed valuation for each class of real property and of personal property. Any county and city not within a county may also opt out of implementing certain provisions of HB 1150 (2002) and certain provisions of SB 960 as they relate to tax rate ceilings, blended tax rates, tax rate calculations, and credit card usage to pay property taxes.

The bill repeals the references to the provisions of HB 1150 (2002) and SB 960 (2004), as well as the corresponding procedures to opt out of such provisions. (Section 137.115, RSMo)

As it relates to borrowed money and issued bonds by school boards of certain districts, notice of the submission of the question of any loan for a ballot must include the amount of the loan required and the purpose of the loan. (Section 164.121, RSMo)

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that the bill requires separate levies for the three subclasses of real property and for personal property, and this will allow each levy to rollback on its own. Supporters say this bill will make ballot language clearer and that taxation by subclass allows for a more effective use of the Hancock Amendment and will allow homeowners to see the benefit of their taxes.

Testifying in person for the bill were Representative Reedy; Missouri Association Of Counties; State Tax Commission; and Kenny Mohr, Missouri State Assessors Association.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say the state depends on local governments to help fund education, and they voice wariness toward bills that limit local revenues.

Testifying in person on the bill was Mike Lodewegen, Missouri Council Of School Administrators.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.