HCS SS SCS SBs 1066 & 1088 -- PROPERTY TAXATION

SPONSOR: Brown (26)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Special Committee on Property Tax Reform by a vote of 11 to 5. Voted "Do Pass" by the Standing Committee on Rules-Legislative by a vote of 9 to 2.

The following is a summary of the House Committee Substitute for SB 1066.

The bill prohibits any political subdivision or election authority from advertising or describing any proposed property tax as a "no tax increase" tax proposal (Section 67.496, RSMo).

This bill requires political subdivisions or special districts to label property tax-related ballot measures numerically or alphabetically. Ballot measures must not be labeled in a descriptive manner (Section 115.240).

Beginning January 1, 2027, the bill requires that ballot language for a vote to levy a real property tax or personal property tax include elements as specified in the bill.

This bill requires ballot language to describe the desired tax as a specified amount per $100,000 or per $10,000 of appraised value, depending on whether the property is residential, commercial, agricultural, or a motor vehicle.

The bill prohibits any political subdivision or election authority from advertising or describing any proposed property tax as a "no tax increase" tax proposal, unless failing to adopt the proposed measure will actually increase the tax and adopting the proposed measure will cause the tax rate to stay the same or decrease.

The bill requires ballot language statements to be fair, true, and accurate (Section 115.706).

This bill modifies the definition of "residential property" for the purposes of the taxation of real property by providing that such definition must include single family homes that are owned by a sole proprietor, individual, partnership, or limited liability company and leased, in whole or in part, for a term of less than 30 consecutive days, provided that this provision may

not apply to any such property in excess of 15 such properties owned by the same individual or business or by any business entity in which the individual or business holds any ownership, membership, or beneficial interest (Section 137.016).

This bill provides that each political subdivision that adopts or has adopted any tax abatement or similar economic incentive must decrease the levy of real property tax rates to reduce the amount of tax revenues the political subdivision received from the additional tax abatement revenue (Section 137.039).

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 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.

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.

The bill requires that, if voters in a political subdivision approve a levy increase prior to the expiration of a previously-approved temporary levy increase, the new tax rate ceiling will remain in effect only until the temporary levy increase expires under the terms originally approved by voters. At that time, the tax rate ceiling will be decreased by the amount of the temporary levy increase unless voters of the political subdivision are asked to approve an additional permanent increase and such increase is approved.

This bill requires that, when voters in a political subdivision pass a tax rate increase, the political subdivision must use the current tax rate ceiling and the increase approved by the voters in establishing the rates of levy for the tax year immediately following the election. If the assessed valuation of real property in a political subdivision sees a reduction in value in the tax year immediately following the election, the political subdivision can raise its tax rates so that the revenue received from the local real property tax rates equals the amount the political subdivision would have received from the increased rates of levy had there been no reduction in the assessed valuation of real property in the political subdivision. In the event of an increased tax rate ceiling, the rate must be revenue neutral as required in Article X, Section 22 of the Constitution of Missouri (Section 137.073).

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

This bill provides that when a valuation of utility, industrial, commercial, railroad, and other real properties is made by a computer, computer-assisted method, or a computer program, the burden of proof to sustain the valuation must be on the assessor at any hearing or appeal.

The bill provides that, before any assessor may increase the assessed valuation of any parcel of utility, industrial, commercial, railroad, or other real property by more than 15% since the last assessment, the assessor must conduct a physical inspection of the property.

Currently, any county and city not within a county can opt out of implementing the provisions of certain sections of House bill 1150 (2002) and certain provisions of Senate bill 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 House Bill 1150 (2002) and certain provisions of Senate Bill 960 as they relate to tax rate ceilings, blended tax rates, tax rate calculations, and credit card usage to pay property taxes.

This bill repeals the references to the provisions of House Bill 1150 (2002) and Senate Bill 960 (2004), as well as the corresponding procedures to opt out of or to implement these provisions.

The bill requires that, beginning January 1, 2027, each county and city not within a county must determine the assessed valuation, set and revise rates of levy, and make adjustments to current levies for each subclass of real property, individually, and for personal property, in the aggregate (Section 137.115).

Under the provisions of this bill, once an eligible taxpayer qualifies for the Homestead Property Tax Credit for seniors citizens, such taxpayer must maintain his or her eligibility without needing to reapply each year. The tax credit must continue to be automatically applied to the eligible taxpayer's homestead until the tax year in which such taxpayer relocates or dies, which must be certified within 90 days of the date of either event. If a credit is granted in error due to the taxpayer failing to notify the collector of relocation or death, the county can remedy the error.

This bill requires the tax statement to include a note informing the taxpayer that it is his or her responsibility to notify the county if he or she is no longer eligible for the tax credit.

The bill clarifies that real property tax imposed by a county or by a political subdivision within the county includes, but is not limited to: tax levies for debt service, tax levies for operating purposes, and tax levies for capital improvements and projects.

This bill requires the Department of Heath and Senior Services (DHSS) to establish a secure electronic portal that is accessible to each county if an appropriation is provided. This portal must allow county designees to access certain information to determine the death status of recipients of the senior property tax credit. If no appropriation is provided to establish this portal, DHSS must provide to each county a list of all individuals whose deaths were recorded within the county between July 1st of the

preceding year to June 30th of the current year. This list must be provided by July 30th of each year.

The bill requires each county designee to implement procedures to determine whether a change of ownership has occurred for any homestead receiving the senior property tax credit before issuing the property tax statement each year.

This bill requires any payment of real or personal property taxes made through the United States Postal Service (USPS) to be postmarked by January 5th, and payments made through other means must be received by December 31st.

The bill allows township collectors to accept partial or installment payments of real and personal property taxes prior to delinquency.

This bill allows counties to extend the deadline for real or personal property tax payments by no more than 30 days if a county experiences certain difficulties that delay the preparation of mailing of real or personal property tax statements.

The bill allows assessors or certain other county designees a grace period of no more than 10 days following the deadline for certain forms that are sent through USPS and postmarked prior to the due date (Section 137.1050).

Currently, the eligible credit amount in "five percent counties" may be increased by no more than 5% per year or the percent increase in inflation, whichever is higher. The bill changes the language to provide that the eligible credit amount in "five percent counties" may be increased by no more than 5% per year or the percent increase in inflation, whichever is lower (Section 137.1055).

Currently, no school district can receive more state aid for its education program than it received per weighted average daily attendance for the school year 2005-06 from the foundation formula, unless it has an operating levy for school purposes of not less than $2.75. This bill sets an end date for this operating levy floor. The bill provides that, for school districts that imposed a levy of $2.75 in 2026, their maximum levy must be $2.75 in 2027. After 2027, these school districts must set their levy as provided by the Missouri Constitution (Section 163.021).

This bill contains a severability clause.

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 in some counties, single family homes that are used as rentals are being classified as commercial property, and this bill addresses the classification of these properties. Those in support of the bill state that if these single family homes were to sell, they would sell at a residential rate because they are used for residential purposes. Hotels are different because they generate income from other activities beyond sleeping, such as through spas, restaurants, and bars in the hotels. Supporters say that there is currently ambiguity in the law regarding the classification of these single family homes that are used as rentals, and this bill provides clarity and fairness for homeowners. Those in support of the bill state that some people rent out their homes for short term leases to pay utilities and taxes. If these homes were reclassified as commercial properties, some homeowners would not be able to keep that home.

Testifying in person for the bill were Senator Brown; Missouri Vacation Home Association; Jim Brown; and Missouri Association of Realtors.

OPPONENTS: Those who oppose the bill say that those who purchase a home for the sole purpose of renting it out collect sales taxes just like other businesses, so they should be classified as a business. The 15-home cap in the bill does not keep people from creating a limited liability company for each home to avoid ever hitting that cap.

Testifying in person against the bill was Missouri Hotel & Lodging Association.

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.