



Dear Friends,

I appreciate your concern regarding property tax legislation this session. Last year was a reassessment year in the two-year property tax cycle. Unfortunately, a combination of factors caused many property values to rise dramatically. In many cases, this growth in property values caused taxes to increase as well.

I understand that especially now, in the wake of extraordinary increases in food and gas prices, the idea of increased property taxes can seem daunting. I paid close attention to the Legislature's efforts to address property tax reform this session.

2008 Legislative Session

Presented with numerous proposals, the Legislature passed only one bill to address property assessment and taxation, Senate Bill 711. SB 711 changes the law to require that every taxing district roll back its prior year's tax rate to offset increasing property values. Currently, taxing districts have to roll back tax rates only when they reach their tax rate ceiling and can avoid roll backs if their tax rate is less than their tax rate ceiling. SB 711 requires taxing districts to roll back their tax rate in reassessment years regardless of whether or not they are at their tax rate ceiling.

The bill also includes a range of other changes set out to help taxpayers understand and navigate the property tax system. Beginning in 2009 for taxpayers in St. Louis County, the bill requires that taxpayers be notified of their projected tax liability on or before June 15th in reassessment years. The bill also provides for a taxpayer advocate at the State Tax Commission, who will represent and protect taxpayer interests. Also, the legislation changes the Circuit Breaker Tax Credit for senior homeowners and homeowners with disabilities by expanding the eligibility requirements to include single homeowners with incomes of up to \$30,000 and married homeowners with incomes of up to \$34,000, as well as increasing the maximum award to \$1,100 from \$750. Claims can begin to be filed January 1, 2009 for 2008 property taxes.

For a summary and more information on Senate Bill 711, go to <http://www.senate.mo.gov> (click on "Session Information," and then on "Truly Agreed Bills").

Background

For the past few years, property values increased steadily in the St. Louis area as they had in many parts of the country. Missouri law requires property in the state be assessed between 90 percent and 100 percent of the market value of the property as of January 1 of every odd-numbered year. In the 2007 reassessment cycle, the State Tax Commission began to enforce this law vigorously. As a result, when the St. Louis County assessor's office began reassessing property for 2007 taxes, the commission informed the county that it had not assessed properties close enough to market value in the past and that it must correct the error.

The St. Louis County assessor complied with this requirement. As a result, the county increased assessments to reflect market value. For the average homeowner, this increase was 22 percent. Coupled with tax rate increases passed by voters just before the latest round of assessments, many taxpayers felt the crunch. Unfortunately, the market began to dip in 2007. These decreases in the market value of the properties, however, are not reflected in the 2007 assessments. By the time assessment notices were delivered, many homeowners may have felt the numbers were inaccurate.

No doubt everyone likes to see the value of their property increase. The rub comes when the taxes increase as well. Under Missouri law, most taxing districts such as municipalities, school districts and libraries are not allowed to receive a windfall from the increases in value of existing property because they levy the highest tax rate authorized by law. These taxing entities are required to roll back their tax rate to offset increases in property values and adjusting their tax rate to account for the growth in the consumer price index (CPI) or 5 percent, whichever is lower. In 2007, the CPI increase was 2.6 percent.

Rollbacks of tax rates occurred if the taxing districts levied the highest rate authorized by law in 2006. This was the case for most taxing jurisdictions in St. Louis County in 2007. Some taxing districts chose to roll back their tax rates voluntarily even though they did not levy the highest rate authorized by law in 2006. Other districts that levied a rate below their maximum rate allowed by law in 2006 chose not to roll back in 2007. This is the issue that Senate Bill 711 addresses. The legislation requires taxing districts to roll back their rate in a reassessment year regardless of what rate they levied in the previous year. In a non-reassessment year, a taxing entity's governing body would be able to vote to increase the tax rate up to its maximum rate allowed by law.

Understanding what services your tax dollars provide can make the tax burden easier to bear. Revenue generated from property taxes helps to fund essential emergency services, including police and fire rescue and the county health department. Property taxes also fund local parks and recreation venues like the St. Louis Zoo. Most importantly, property taxes fund our children's education, improving the quality of our local schools and assisting children with special needs who require personal attention. Education is the future for our children, our community and our state.

As we address the property tax issue, we must be aware of the consequences that cuts to any of these essential programs would have for our communities. You can learn where your property taxes go by visiting the St. Louis County Department of Revenue's Web site (<http://revenue.stlouisco.com/Collection>) under [Your Tax Rates](#).

2008 Appeals

Property owners wishing to appeal current property taxes can do so in any year. However, property owners who wished to appeal their 2007 assessments had to do so by May of this year, and 2008 appeals will only affect 2008 taxes. To initiate an appeal, property owners must first appeal to the Board of Equalization. If the decision by the board is unsatisfactory to the property owner, she/he may appeal the decision to the State Tax Commission. However, many disputes may be resolved without an appeal by working directly with the Assessor's Office. To find out more about appealing the value of your property, go to <http://revenue.stlouisco.com/TaxAppeals/BoardOfEqualization.aspx> or call the St. Louis County Assessor's Office at 314-615-4230.

Certificate of Value

The certificate of value is information used by government officials that identifies the sale price of a property when it is sold. It is a public document. Assessors in counties that have a certificate of value requirement use the information to measure the market and determine assessed values from sale prices of similar properties.

Certificates of value are used in only a few counties: St. Louis County, St. Charles County, Jackson County and the city of St. Louis. I am among the legislators and others who believe that if we had certificates of value throughout the state we could have more confidence that assessments are fairly determined in all counties. However, rural interests have prevented certificates of value from being used statewide. Opponents primarily argue against the public disclosure of sale prices, but also point out that some counties experience few property transactions, meaning that sales of equivalent property are virtually non-existent. The struggle between the two sides continues yearly with the anti-certificate of value forces prevailing to this point.

Joint Committee on Tax Policy

As a member of the Joint Committee on Tax Policy, I had the opportunity to attend several hearings on property assessment and taxation around the state during the latter part of last year when the Legislature was not in session. As a result of those hearings, the committee agreed on the following recommendations.

Recommendation #1: The committee recommended that taxing districts be required to roll back their current levies before transferring funds from their operating levy to their debt service levy.

Recommendation #2: The committee recommended that legislation providing greater transparency with regard to debt service levies be enacted to expand accountability in the debt service process.

Recommendation #3: The committee recommended that school districts be required to provide both the dollar amount in their operating reserve fund and the percentage in their reserve fund relative to their operating budget in the public notice they must put out before their public hearing setting the tax rate.

SB 711 included two of the three recommendations of the Joint Committee on Tax Policy. Recommendation #1 is included in SB 711 by requiring mandatory rollbacks of the taxing district's prior year's tax rate in reassessment years. The bill also meets Recommendation #2, increasing transparency in the debt service process by requiring school district bond issues to state on the ballot how much the proposed expenditure will increase the district's debt service property tax levy. The committee also recommended in 2007 that the Circuit Breaker Tax Credit maximum award be increased from \$750 to \$1,000, which was exceeded in SB 711 with an increase to \$1,100.

You may find out more about the joint committee's work at <http://www.senate.mo.gov/taxpolicy/>.

Existing Programs to Aid Taxpayers

Missouri has programs designed to help make property taxes more affordable for some residents. The Circuit Breaker and the Homestead Preservation Tax Credit were created to help seniors and certain individuals meet their property tax burden, but many citizens do not even know they are eligible. To find out if you are eligible, see my [2007 Legislative Report](#). For more information and assistance regarding the existing aid programs, visit <http://dor.mo.gov/tax> and click on Homestead Preservation Credit or Property Tax Credit (Circuit Breaker).

Hancock Amendment

I would like to take a moment to address another concern I have heard from my constituents. Some of my constituents have written suggesting that the Hancock Amendment that passed in 1980 requires that every tax increase be voted on by the people who live in the taxing district. In fact, Hancock does allow for increases in property taxes up to the maximum rate allowed by law without a vote of the people. That maximum rate changes to account for inflation each reassessment year. Taxing districts with tax rates that were below the tax rate ceiling can increase their tax rate up to their maximum rate allowed by law without a vote of the people. However, an increase in the maximum rate allowed by law requires a vote of the taxing district's residents.

Need More Information?

I know that understanding the property tax system can be challenging. The State Tax Commission's website provides information that makes the property tax process and the appeals system easier to understand.

For brochures regarding the property tax process, please follow this link:
<http://www.stc.mo.gov/brochures.htm>.

Please contact me again if you have further questions, comments or suggestions regarding property taxes or any other issue involving state government.

Regards

A handwritten signature in black ink that reads "Joan". The signature is written in a cursive style with a large, looping initial "J" and a trailing flourish.

Joan Bray