

Week of January 18, 2010



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Standing Against Landowner Tax Increases

At the beginning of the legislative session, many lawmakers stood together and pledged not to raise taxes on Missourians. More than a month ago, the Missouri State Tax Commission approved an increase in farmland productivity values. This significant decision could have potentially disastrous consequences on agriculture across the state because it will likely result in higher property taxes for many of our already cash-strapped farm families. And if the Legislature does nothing to stop it, we will have broken a promise made to the citizens of our state.

To provide a little background on the situation, the tax commission voted to increase land valuations on productive farmland by as much as 29 percent on Dec. 15, 2009. While some grades of farmland would see a decrease in land valuation because of the tax commission's recommendations, overall farmland would see an 11.5 percent increase statewide. The decision was based on calculated land use formulas from the University of Missouri, derived from 15 years of farm net income.

Farmland in Missouri is valued for its productivity rather than its market value. It is also divided into grades by land quality. With the tax commission's decision, it set new productive values for farmland, which are determined by calculating the potential agricultural earnings. The tax commission decided to change the productivity values by grade. Missouri's farms are divided into eight groups by land quality, with the best farms categorized as Grade 1 and the worst as Grade 8. The decision was to increase the value in the top four grades (typically used to grow row crops), decrease the value in the lower three grades (typically pastures) and keep the bottom grade the same in value. Land values are important because they are used to determine property taxes.

This decision couldn't come at a worse time as the state is trying to find its way out of

a recession. To have those whose livelihood is dependent on Missouri's agricultural industry be subject to higher property taxes is not a wise move. Our state's farm families are struggling as they try to stay afloat in a time of unprecedented market volatility when credit is limited, production costs are sky-high and profits are uncertain.

The tax commission's decision will take effect Jan. 1, 2011, unless the Missouri Legislature rejects the changes. This week the Senate Rules, Joint Rules, Resolutions and Ethics Committee held a public hearing on a resolution that would require the State Tax Commission to continue to use the values established before its December vote to increase land valuations. A passing committee vote sends the resolution to the Senate floor for consideration. Both legislative chambers must pass the measure within 60 days of the commission's decision to reject the value increases.

We still have time to overturn the Missouri State Tax Commission's decision and help ensure low taxes for Missouri landowners. We must remember that many of Missouri's farmers are in the midst of one of the worst financial situations they are likely ever to experience. This is not the time to raise taxes on their land. This is the time, however, to keep our promise of not raising taxes on Missourians.

As always, please feel free to contact me or my staff with any questions or concerns at any time. We look forward to hearing your comments and suggestions and trying to answer any questions you may have. You can reach us by phone at 866-277-0882 (toll-free) or 573-751-2272, or by fax at 573-526-7381.

Senator David Pearce serves Bates, Cass, Johnson and Vernon counties in the 31st State Senatorial District.

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