



# **PROPERTY REASSESSMENT AND TAXATION**

**STATE TAX COMMISSION • JEFFERSON CITY, MISSOURI**

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## INTRODUCTION

Some aspects of the property tax system are confusing to many taxpayers. It is important that all taxpayers affected by property taxes and by reassessment understand the process and how it may affect them. This booklet is designed to answer some of the frequently asked questions about assessment of property. It is based on the laws in effect at the time it was written. Nothing in this booklet gives anyone any greater rights than they would have by law. If the laws change, the facts and procedures mentioned in this booklet may also change.

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## STATE TAX COMMISSION

The State Tax Commission is an administrative agency under the direction of three commissioners who are appointed by the Governor and approved by the Senate. The Commission is given the responsibility of ensuring the uniform and equitable assessment of all taxable tangible property in the state. To assist the Commission in fulfilling this responsibility, it has a staffing complement consisting of appraisers, technicians and hearing officers located in Jefferson City and throughout the state.

The Commission measures the accuracy of assessments in each county and works with assessors to promote an accurate and fair assessment program. It conducts seminars and training sessions for assessors and their staffs. The Commission also hears taxpayers' appeals from the local Boards of Equalization, and is responsible for the statewide assessment of the property of railroads, airlines, pipelines, electric and telecommunications companies.

Commission offices are located in Jefferson City, Missouri. To contact us, please call or write:

State Tax Commission of Missouri  
P.O. Box 146  
Jefferson City, MO 65102-0146  
(573) 751-2414 (*collect calls will not be accepted*)

*Or visit us on the internet at [www.stc.mo.gov](http://www.stc.mo.gov)*

## **THE ASSESSMENT CYCLE**

Personal property is assessed each year. Taxpayers file assessment lists with their assessor after January 1 and before March 1. Taxpayers are to report the make, model and age of automobiles, farm equipment and boats. Businesses are to report the purchase price and year of purchase for machinery, office equipment, etc. Assessors use price guides, where available, to determine the value of automobiles and other personal property. Depreciation schedules are applied to personal property which is not addressed in price guides.

The assessor determines value and subclassification of real property. Real property is assessed on a two-year cycle. The value placed on a property for an odd-numbered year is placed on the property for the next even-numbered year. Any physical change to a property which would affect value, can be reflected on the tax rolls for the even-numbered year. However, changes due to things such as market conditions cannot be made in the even-numbered year.

If the assessor determines a change to the assessment in an even-numbered year, a notice of increase is sent to the taxpayer.

## **HOW THE TAX IS DETERMINED**

Two separate factors are used to determine the amount of taxes imposed on any taxpayer: (1) The assessed value of their taxable property which is established by the local assessor; and (2) The tax rates which are set by the several governing bodies of local governments where the property is located.

When setting values, an assessor is bound by laws and rules designed to assure assessments are as uniform as possible. Once an assessor determines the total value of a taxpayer's taxable real and personal property, he/she calculates the portion that is assessed value by multiplying the total value by the percentages set by law for each type of property.

Tax rates set by local governments are then multiplied by the assessed value. That figure is then divided by 100. The result of this calculation is the amount of tax levied, and owed, on the property.

In Missouri, property is assessed at different percentages of value according to the type of property or its use. Missouri statutes provide that all property which is improved by a structure that is being used or is intended to be used as a residence is to be classified as residential property. Agricultural property must be devoted primarily to raising crops, livestock, dairying, etc.

**Real Property** is assessed:

Residential	19% of value
Agricultural	12% of value
Commercial and All Other	32% of value

**Agricultural land** being actively farmed is assessed according to productive capability, with a specific value per acre assigned to each grade of land. The statutes state that land which is vacant and unused be assessed at 12% of market value.

**Personal Property** is assessed:

Manufactured Homes	19% of value
Farm Machinery	12% of value
Historic Cars, Planes	5% of value
Crops (Grain)	.5% of value
Other Vehicles	33.3% of value

Example: Homeowner's Tax Bill

If a homeowner with a \$50,000 house and two cars worth a total of \$15,000, and is living in an area where the tax rates levied by local governments (including the state 3-cent levy) total \$5.70 per \$100 assessed valuation, the taxes could be calculated as follows:

	Full Value	Assessment	Assessed Value	Tax Rate	Tax Levied
Home	\$50,000	19%	\$ 9,500		
Cars	\$15,000	33.3%	\$ 5,000		
Total			\$14,500	* .0570	\$826.50

\* The figure of .0570 gives the same result as multiplying by \$5.70, and then dividing by 100, since the tax rate is per \$100 valuation.

### TAX CALENDAR

Property is assessed as of January 1. Taxpayers are required to submit their personal property assessment list to the assessor before March 1. By July 1, all assessors must have completed their real and personal assessment rolls, and turned them over to the county clerk.

Local boards of equalization meet to hear valuation appeals by taxpayers in July. The deadline for appealing to the boards of equalization in first class counties, unless the deadline is extended by the board, is before the third Monday in June. In all other counties and the City of St. Louis, the deadline is the second Monday in July.

Appeals from the board of equalization may be made to the State Tax Commission by September 30 or 30 days after the board's decision, whichever is later. *An appeal must be made to the board of equalization, with an adverse ruling, before the Tax Commission may hear the appeal.*

Tax rates must be set and certified to the county clerk in September and October for all local governments. Tax bills are prepared and sent to taxpayers as soon thereafter as possible. Taxes are due on or before December 31, and become delinquent after that date.

### SETTING TAX RATES

Local governments set tax rates are set each year within the limits set by the constitution and statutes. They are based on the revenues received from the prior year, with an allowance for growth based on the rate of inflation. Revenues are divided by the assessed valuation for the current year. Val-

ues from new construction and improvements, and any increments in personal property valuation are held aside.

The resulting tax rate becomes the permitted rate for the year if it falls within the ceiling allowed that local government. In some cases, further adjustments are made, such as reductions to account for part of sales tax moneys received. The final rate is applied to the full assessed valuation, including new construction and improvements, and the increments in personal valuation. A simplified version of the tax rate-setting process is:

Revenues Authorized Previous Year	\$ 500,000
Cost of Living Allowance	+ 2%
Current Year Revenues Authorized	\$ 510,000
Total Current Valuation	\$ 25,000,000
Less New Construction	\$ 800,000
Valuation Used for Tax Rate Calculation	\$ 24,200,000
Current Revenues Authorized	\$ 510,000
Divided by Adjusted Valuation	\$ 24,200,000
Tax Rate Allowed (per \$100 Valuation)	\$ 2.11
Times Full Valuation	\$ 25,000,000
Total Revenues Current Year	\$ 527,500

### **WHO IS LIABLE FOR THE TAX?**

**Real Property** – The liability for taxes levied against real property remains with the property. If the property changes ownership, the new owner is liable for any unpaid taxes. If taxes are not paid, the taxes become a lien and the property can be sold to satisfy the unpaid taxes and any other liens against the property.

**Personal Property** – Taxes due on personal property remain the responsibility of the taxpayer who owned the property on assessment date (January 1). If not paid, these taxes and penalties can be recovered by civil suit.

Most personal property is taxed in the county and city where the taxpayer lives. There are a few exceptions. Corporate property, houseboats, cabin cruisers, floating boat docks and manufactured homes are assessed where they are located on January 1. Personal property of Missouri residents located outside the state is not assessed in the state. Personal property owned by non-residents of the state is taxed in the county where it is located on January 1.

Taxation of the personal property of Military personnel is governed by federal law enacted in 1940 to prevent double taxation. It provides that their property is taxed by the military person's county of residence — the county from which they entered service — no matter where they or their property is located. That applies unless the military person establishes residence in another place.

### **SENIOR CITIZEN TAX RELIEF**

Missouri does not exempt the property of disabled or senior citizens but it has two programs for seniors and disabled persons with limited incomes that offer some property tax relief.

In the first program, the Missouri Property Tax Credit (MO-PTC), senior citizens and disabled persons on limited incomes may qualify for refunds or income tax credits based upon property taxes paid or rent paid on their residences. The "rent" includes money paid for a home, a room in a nursing home, an apartment, or a mobile home unit. This law provides the eligible taxpayer with indirect property tax relief, but many people are unaware that this assistance is available.

The second program, the Homestead Preservation Act, allows qualified senior citizens and 100% disabled individuals to apply for a credit on their real estate property tax if those taxes increase more than 2.5 percent in a non-reassessment year or 5 percent in a reassessment year. The credit would be for the amount that exceeds the 2.5 or 5 percent increase in taxes. The act requires a legislative appropriation to fund the credit. If funding for the credit is less than 100 percent, the credit will be a flat statewide percentage based on the appropriated amount. This credit will be applied against the taxes for the following year.

An applicant for credit under the Homestead Preservation Act cannot file for Missouri Property Tax Credit (MO-PTC) for the same tax period.

To find out more about either the Missouri Property Tax Credit or the Homestead Preservation Act, call the Missouri Department of Revenue at 573-751-3505, or for forms call 1-800-877-6881. You may also visit their website at [www.dor.mo.gov/tax/personal/homestead](http://www.dor.mo.gov/tax/personal/homestead)

## **FREQUENTLY ASKED QUESTIONS AND ANSWERS**

### **WHAT IS ASSESSMENT?**

Assessment is the process of placing a value on property for the purpose of property taxation.

### **HOW OFTEN IS PROPERTY REASSESSED?**

The assessor places assessed values of real estate on the tax rolls every odd-numbered year (2009, 2011, 2013, etc.).

A total reassessment of the county is made when the assessor updates all the assessments of real property in the county in order to equalize values among taxpayers and to adjust the values to reflect current market conditions. A total reassessment of the county can occur in any odd-numbered year.

### **WHAT HAPPENS IN THE EVEN YEAR?**

For most real estate owners, nothing. However, if new construction or improvements have been made, the property's market value is adjusted to reflect the added value of those changes. The total value is based upon the market conditions as of January 1 of the preceding odd-numbered year.

For example, if your house was valued by the assessor at \$50,000 as of January 1, 2007, and you added a bedroom in June of 2008, the increase in value would be added for the 2009 tax year. If the house with the new bedroom would have been worth \$60,000 on January 1, 2007, your market value for 2006 would be \$60,000.

### **WHAT TYPES OF PROPERTY ARE THERE?**

Missouri recognizes two types of tangible property:

1. **Real Property**—This includes land, improvements to the land and all rights inherent in ownership.



2. **Personal Property**—This is any property that is not real property and is not permanently affixed to or part of real estate. Personal property includes cars, boats and farm equipment.

### **IS ALL PROPERTY TAXED?**

No. Some **personal** property is exempt, including household goods, inventories, wearing apparel and items of personal use and adornment. Exempt **real estate** includes property owned by governments, and property used as nonprofit cemeteries, exclusively for religious worship, for schools and colleges, and for purely charitable purposes.

In addition, there are about 50 economic development zones in the state, located in places where there is blight, unemployment, etc. To attract employers or encourage employers to expand in those areas, some property improvements may be given tax abatements for a period of years.

### **WHAT IS REASSESSMENT AND WHY IS IT NECESSARY?**

Under Missouri's Constitution, all assessments for property tax purposes must be based upon market value and be uniform within the same class or subclass of property.

Reassessment is the review of all the property in a county to ensure the assessments are uniform and equitable. The assessor updates the assessments in each county to equalize values among the taxpayers and adjusts value to reflect current market conditions.

Over time, the value of property may change, depending upon its nature, location, and other factors. Some values change more rapidly than others. Reassessment is the only way to be sure that the taxpayer is being taxed fairly, and is taxed the same as other comparable property.

### **WHO IS RESPONSIBLE FOR ASSESSING PROPERTY?**

The county assessor is primarily responsible for assessing property within the county. However, the assessor's work is subject to review by the county Board of Equalization and the State Tax Commission. The State Tax Commission is the state agency charged with general supervision of assessors and with enforcing property tax laws.

### WHAT ARE ASSESSORS' QUALIFICATIONS?

Assessors are trained in all aspects of the assessment process including determining value using income approach, cost approach, and comparable sales approach. These approaches are described later in this booklet. Assessors must participate in approved continuing education courses to remain certified with the State Tax Commission.

### WHAT IS MARKET VALUE?

Market value, true value in money and appraised value have the same meaning under Missouri law. A simple definition of market value is the price the property would bring when offered for sale by a person who is willing but not obligated to sell it, and is bought by a person who is willing to purchase it but who is not forced to do so.

### HOW IS MY ASSESSMENT LEVEL ESTABLISHED?

Once market value has been determined, the assessor calculates a percentage of that value to arrive at assessed value. The percentage is based on the classification, determined by the type of property or how it is used. The percentages are:

<u>Real Estate</u>		<u>Personal</u>	
Residential	19%	Historic Autos	5%
Agriculture	12%	Farm Equipment, Livestock	12%
Commercial & All Other	32%	Grain	.05%
		Cars, Boats, Other	33.3%

As an example, a residence with a market value of \$50,000 would be assessed at 19%, which would place its assessed value at \$9,500. An automobile with a market value of \$10,000 would be assessed at 33.3%, or \$3,333.

### HOW ARE REAL ESTATE CLASSIFICATIONS DETERMINED?

Missouri statutes define the three subclasses of real estate:

**Subclass 1** -- *Residential property*, all real property improved by a structure which is used or intended to be used for residential living by human occupants, vacant land in connection with an airport, land used as a golf course, and manufactured home parks, but residential property shall not include facilities used primarily for transient housing.

**Subclass 2** -- *Agricultural and Horticultural property* is that which is actively used for those purposes. The value of this land is established by its productivity, based on soil productivity guidelines set by the State Tax Commission. It is not based on market value. However, when the highest and best use of land is considered to be agricultural, and it is not actively farmed, it is assessed according to market value and not by productivity guidelines.

**Subclass 3** -- *Utility, industrial and railroad property, and any other real estate* that does not fit either of the other two classes. Includes mines, stores, factories and property of nonprofit corporations.

#### **HOW DOES THE ASSESSOR KNOW WHAT PERSONAL PROPERTY I HAVE?**

The assessor sends out blank assessment forms early each year. It is your responsibility to send a completed form to the assessor by March 1, listing all the taxable personal property you owned on January 1. If your form is late, the penalty ranges from \$10 to \$100, depending on the amount of valuation involved. The assessor may contact you to follow up if the form is not complete.

#### **HOW DOES THE ASSESSOR VALUE MY REAL PROPERTY?**

A number of methods are used. The assessor's staff looks at new construction that has taken place, sales prices of comparable property located nearby, the condition of your property, and any other factors that can help place an accurate value on the property.

Three appraisal methodologies are used to determine the value of property. These three methodologies are:

1. **Cost approach** -- First, the value of the land is estimated, as if vacant. The assessor then adds the amount it would take to replace your struc-

ture with one of similar construction and amenities, including current costs of materials and labor, profit, overhead, permit fees, and the like. If your structure is not new, the assessor then applies depreciation from all causes, and subtracts that amount from the calculation of replacement cost.

2. **Market approach** – This is also called the sales comparison approach. Your property is evaluated by comparing similar properties that have recently sold. Adjustments may be made for differences such as a garage, finished basement, or better location of those comparable properties. This can be the most reliable approach for residential property where there are frequent sales and similarities in properties.
3. **Income approach** -- This approach works well for apartments, shopping centers and office buildings. The assessor first estimates potential gross income from rentals, then subtracts an amount for vacancies and operating expenses. The amount of net income is then converted to a value for the property, using a process called capitalization.

**WILL ALL PROPERTY VALUES CHANGE  
DUE TO REASSESSMENT?**

All values are likely to change, but not all will change to the same extent. Market values increase more in some neighborhoods than in others. A major purpose of reassessment is to make sure that the new values reflect all changes that have occurred.

**NO IMPROVEMENTS HAVE BEEN MADE  
TO MY PROPERTY, WHY SHOULD THE ASSESSED  
VALUE INCREASE?**

Market value changes over time even if no improvements are made to the property. For example, many people sell their homes for more money than they originally paid years earlier. The statutes require that property be periodically reassessed to maintain realistic market values and treat all taxpayers fairly.

**WILL I BE NOTIFIED IF THERE IS AN INCREASE  
IN MY ASSESSMENT?**

The assessor is required by the statutes to notify the owner of record of any increase in the valuation of real property.

## WHAT IF I DISAGREE WITH MY ASSESSMENT?

If you do not agree with your assessment, there is an appeal process. This process is detailed in the pamphlet “Property Tax Appeals Before the State Tax Commission of Missouri.” Please refer to that pamphlet for a more thorough explanation.

Remember that an assessment is based on current market value and our objective here is to establish the correct market value of the property. Stating that property taxes are too high is not relevant testimony. You should determine what you believe to be the value of your property and gather and present evidence that supports that value. Such evidence could include photographs, the recent sale of your property, or the oral testimony of someone who has done a recent appraisal of your property.

In a nutshell, there are three steps to the appeal process:

1. **Informal Appeals** – You should contact the county assessor’s office as soon as you are notified of your assessment. An informal meeting should be scheduled with the assessor or one of the staff where you can ask how your assessment was made, what factors were considered, and what type of records pertain to your property. Many disagreements are taken care of at this level.
2. **Board of Equalization** – If you not satisfied after the informal meeting, you should contact your county clerk for information regarding forms and deadlines for appealing to the county board of equalization. A hearing will be scheduled where the board will hear evidence from the assessor and any evidence you might have regarding the value of the property which is the subject of the appeal.
3. **State Tax Commission** – If you are still not satisfied with the assessment on your property, you have a right to appeal to the State Tax Commission by September 30 **or** 30 days after the final action of the board of equalization, whichever date is later.

## WILL POLITICAL SUBDIVISIONS LOWER THEIR LEVIES?

When the total assessed valuation in a political subdivision increases substantially, as often happens with a reassessment, it is allowed an increase in revenues to account for inflation, plus the revenues it receives from taxing

new construction and improvements. Its governing body, after that, is required by the constitution to adjust tax rates downward. This is called a tax rate rollback. The allowed increase in revenues over the previous year for cost of living was 3.9% in 2008 (there is a maximum of 5% allowed). After this allowance, and that for new construction during the previous year, the tax rates must be reduced to offset the valuation increase.

### **HOW DOES REASSESSMENT AFFECT MY TAXES?**

It depends. **An increase in assessed value does not necessarily mean your property taxes will increase.** Taxes are calculated by multiplying the assessed value times the combined levies of the taxing entities which levy a tax on that particular property.

If levies increase, taxes may increase even if assessed values remain unchanged or decrease.

If levies decrease, an increase in assessed value may not cause an increase in taxes.

Another is a voluntary reduction voted by the governing body.

Tax levies are normally set during August. That means when you receive a notice that your assessment has been increased, it is too early to be able to calculate how the change in assessed value will affect your taxes. You will not know until the rates have been set by all of the local governments that tax your property.

