

Municipal Issue Report

Changes To Property Tax Provisions Update, Report No. 2009-01

The following is a **Municipal Issue Report** from Cunningham, Vogel & Rost, P.C. relating to recent legislation affecting municipalities.

Changes To Property Tax Provisions Update

Do You Know How The Changes Made By Senate Bill 711 (2008) Affect Your Taxing Jurisdiction?

Senate Bill 711 from the 2008 legislative session (“SB 711”) made changes to the statutes governing how political subdivisions, including cities, levy and collect *ad valorem* property taxes. Some changes require *immediate action* by certain taxing jurisdictions while other changes affect all political subdivisions that levy *ad valorem* property taxes. The following is a summary of the requirements and changes implemented by SB 711.

I. New Requirements: Estimated Tax Rates Due By April 8th; Schedule Changes

Beginning in 2009, political subdivisions within (or partially within) **first class charter counties** (Jackson, Jefferson, St. Charles, or St. Louis Counties, and the City of St. Louis) must provide a “nonbinding” estimated tax rate to their respective county clerk (or city clerk for the City of St. Louis) no later than **April 8, 2009**. While currently only applying to first class charter counties and the City of St. Louis, the estimated tax rate obligation and deadline will apply to all political subdivisions beginning January 1, 2011. To view the statute implementing this new requirement, click the following: Section 137.243 RSMo.

Failure to meet the APRIL 8 deadline will result in a penalty of a twenty percent (20%) reduction in a taxing jurisdiction’s tax rate. Failure to meet the deadline will also result in the estimated tax rate being set by the State Auditor. Aggregate values should have already been provided to your political subdivision by your county clerk no later than March 15 for use to calculate the estimated tax rate. The estimated tax rates are nonbinding projected tax levies to be used by the counties to generate notices of projected tax liability that are now required to be delivered to individual taxpayers. Forms and calculators to assist in creating your estimated tax rate are available on the State Auditor’s website. For aid in determining your jurisdiction’s estimated tax rate or policy for who and how the estimated tax rate is provided to your county clerk, please consult your City Attorney or Legal Department for particularized guidance on this matter or contact us if you need further assistance.

In addition to the new estimated tax rate requirement, SB 711 also changed the schedule for setting property tax rates. The new schedule requires political subdivisions in first class charter counties to set their property tax rates no later than **October 1**. See Sections 67.110,

137.055 and 137.390 RSMo. This schedule change updates the previous deadline of September 1 for political subdivisions (except counties) to set tax rates. Presently, these changes apply to political subdivisions within (or partially within) first class charter counties.

II. New Property Tax Rate Rollbacks Required Under Amendments Made By SB 711

Rollback Requirements for Taxing Jurisdictions with Levy Rates Voluntarily Below Their Tax Rate Ceilings

Amendments to Section 137.073 RSMo made by SB 711 remove some of the flexibility taxing jurisdictions previously had when voluntarily setting tax levy rates below their tax rate ceilings. Now, **in years of general reassessment**, taxing jurisdictions that in the previous year voluntarily levied rates under their tax rate ceilings must calculate their previous year's tax revenues for purposes of determining their tax rate ceiling as though the voluntarily reduced levies were at the taxing jurisdiction's Hancock Ceiling for the previous year. The result creates a second "ceiling" that limits the revenue generated by the taxing jurisdiction's current year levy to the jurisdiction's previous year's revenue plus permitted inflationary increases, even if the previous year's levy rate was lower than the taxing jurisdiction's tax rate ceiling. Furthermore, taxing jurisdictions with levies lower than their tax rate ceiling are now also limited as to when and how they may increase their tax rate levies without voter approval. If your taxing jurisdiction has previously levied a tax rate below the jurisdiction's tax rate ceiling, please consult your City Attorney or Legal Department for particularized guidance on this matter or contact us if you need further assistance in determining your tax rate.

Rollback Requirements for Voter-Approved Tax Rate Increases

Changes to Section 137.073 RSMo require taxing jurisdictions to "adjust" or roll back voter-approved increases to a taxing jurisdiction's tax rate ceiling. Prior to the changes implemented by SB 711, voter-approved tax rate increases were added to the tax rate ceilings applicable on the date of the approving election. For example, if a taxing jurisdiction had a \$1.00 tax rate ceiling (as properly adjusted by the Hancock Amendments) on the date of the election wherein voters approved a tax rate ceiling increase of \$0.25, the new voter-approved tax rate ceiling would have been \$1.25 per \$100 of assessed value. Now, new voter-approved tax rate increases are applied to a taxing jurisdiction's equalized assessed value at the time of the approving election. The resulting revenue generated, plus permitted inflationary increases under the Hancock Amendments, is used to cap the tax revenue that the new levy may produce in future years. The tax revenue cap is then applied to a taxing jurisdiction's current equalized assessed value to calculate the new adjusted voter-approved tax rate ceiling. After implementing the new adjustments under Section 137.073 RSMo, as amended, **a taxing jurisdiction's new tax rate ceiling may be reduced significantly** below the tax rate increase actually approved by the voters. If your taxing jurisdiction is contemplating a voter-approved tax increase please consult your City Attorney or Legal Department for particularized guidance on this matter or contact us if you need further assistance.

This summary is not exhaustive and is intended only as an outline of the significant provisions. Each municipality should contact their legal counsel to ensure the requirements are met for their individual circumstances. To access prior CVR Reports, [CLICK HERE](#).

Further questions may be directed to:

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