

# MICHAEL R. GIBBONS

## Property Tax Reform

Making it Easier to Do Business in Missouri



### Property Taxation Gone Awry: One Area Business's Story

Ice Visions, a small business specializing in ice sculptures, is located at 324 Sante Avenue in Kirkwood, a municipality of St. Louis County. In 2006, the Ice Visions property was valued at \$280,100 and had a resulting tax liability of \$8,592. After the reassessment of 2007, the property's value climbed to \$359,000, a 28 percent valuation increase. The Hancock Amendment is designed so that property tax rates would roll back to offset increases in assessed property value like Ice Visions had realized. However, this was not the case in 2007, when its tax bill increased to \$10,728, nearly a 25 percent increase in taxes.



### What's Going On Here? How Could This Business-Closing Taxation Happen?

**1. Failure to Roll Back the Tax Rate:** When property values go up, tax rates should go down. But of the 80 taxing districts in St. Louis County that legally did not have to roll back their rates to offset the increases in property values, only 15 chose to do so. That means 4 out of every 5 taxing districts in St. Louis County chose to use reassessment as a way to raise taxes, hitting small businesses like Ice Visions with higher tax bills.

#### Senate Bill 711 Mandates These Taxing Districts to Roll Back to Protect Taxpayers

Frustrated with the way that taxing districts treated their taxpayers, Sen. Mike Gibbons filed Senate Bill 711, mandating that taxing districts roll back from their prior year's levy in a reassessment year. If passed, taxing districts will no longer be able to use reassessment as an excuse to raise taxes.

**2. Tax Increase Loophole:** The Kirkwood School District took advantage of a loophole that currently exists in state law when they asked for a tax increase in 2005 and then applied the new approved tax rate to future assessments. They levied \$4.71 in 2006 and \$4.66 in 2007. Ice Visions paid \$4,218 to the school district in 2006 and \$5,356 to the district in 2007.

#### SB 711 Closes This Loophole, Meaning Taxpayer-Approved Rates Can Only Apply to the Assessment Level in Place at the Time Voters Approved It

Senate Bill 711 closes the loophole that the Kirkwood School District and many other taxing entities throughout the state took advantage of in 2007. Under Senate Bill

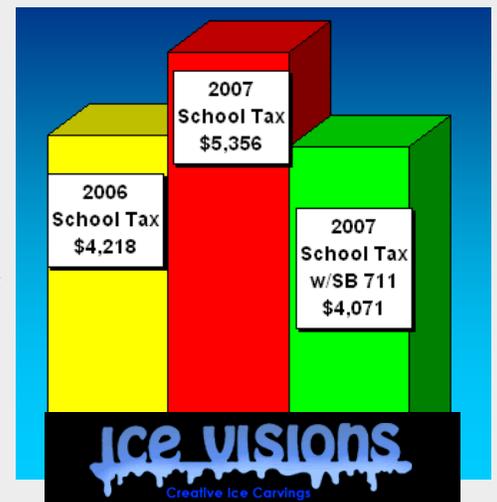
711, in the future, taxing districts will have to know exactly how much revenue they want to collect and will not be allowed to collect any more than that amount.

**3. Tax Increases Approved by Voters:** Other factors contributed to the increase in Ice Vision's property tax bill including an 18-cent tax increase for the Special School District and a 34-cent tax increase for the City of Kirkwood.

#### Senate Bill 711 Ensures There is Truth in Taxation to Help Voters Decide

**Summary:** If Senate Bill 711 was law prior to the 2007 reassessment, Ice Visions' property tax bill would have looked dramatically different. St. Louis County, the Metropolitan Sewer District and the Kirkwood School District would have been required to roll back their tax levies. St. Louis County would have been forced to roll back to at least 49.5 cents. The Kirkwood School District, under Senate Bill 711, could have levied a maximum of \$3.5437.

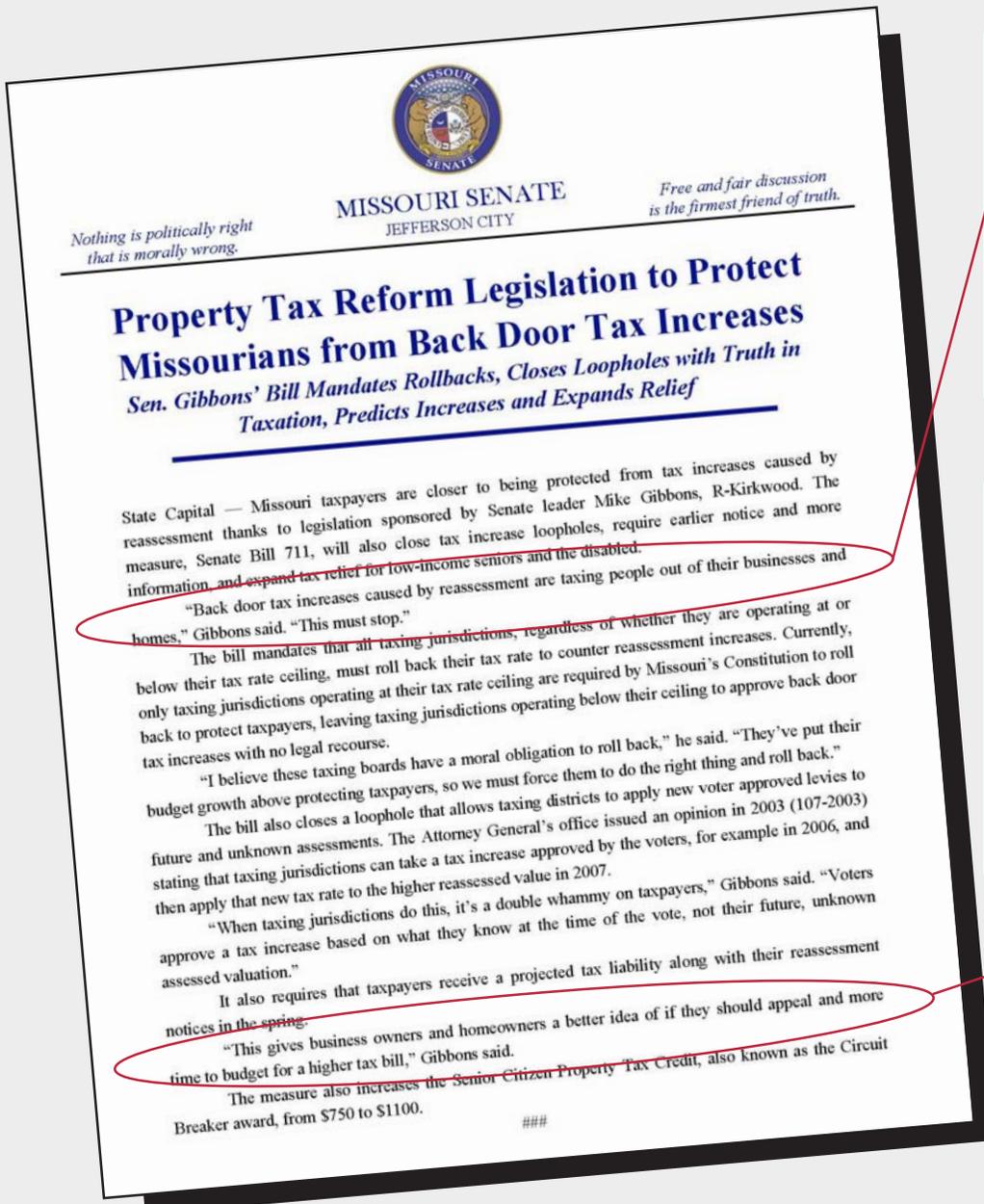
*Depicted here are the '06 and '07 school tax obligations for Ice Visions, along with the projected lowered bill under SB 711.*



# Real Property Tax Relief — Right Now

Senate Bill 711 protects Missouri taxpayers in four ways:

1. It protects taxpayers from back door tax increases by mandating property tax rate rollbacks in reassessment years.
2. It closes tax increase loopholes that allow unpredictable higher property taxes.
3. It requires earlier notice and more information for more predictable assessments and tax bills.
4. It expands tax relief for low-income seniors and the disabled.



Mike Gibbons on taxing jurisdictions failing to roll back:

*"Back door tax increases caused by reassessment are taxing people out of their businesses and homes. This **must** stop."*

On requiring jurisdictions to provide projected tax liability notifications:

*"This gives business owners and homeowners a better idea of if they should appeal and more time to budget for a higher tax bill."*

Questions on business-fostering property tax reform? Contact Mike Gibbons —

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