

SECOND REGULAR SESSION

[PERFECTED]

HOUSE COMMITTEE SUBSTITUTE FOR

# HOUSE BILL NOS. 1321 & 1695

94TH GENERAL ASSEMBLY

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Reported from the Committee on Ways and Means March 13, 2008 with recommendation that House Committee Substitute for House Bill Nos. 1321 & 1695 Do Pass. Referred to the Committee on Rules pursuant to Rule 25(21)(f).

Reported from the Committee on Rules March 31, 2008 with recommendation that House Committee Substitute for House Bill Nos. 1321 & 1695 Do Pass with no time limit for debate on Perfection.

Taken up for Perfection April 8, 2008. House Committee Substitute for House Bill Nos. 1321 & 1695 ordered Perfected and printed, as amended.

D. ADAM CRUMBLISS, Chief Clerk

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## AN ACT

To repeal sections 135.010, 135.025, 135.030, 137.073, 137.122, 137.720, and 143.121, RSMo, and to enact in lieu thereof seven new sections relating to property taxation.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Sections 135.010, 135.025, 135.030, 137.073, 137.122, 137.720, and  
2 143.121, RSMo, are repealed and seven new sections enacted in lieu thereof, to be known as  
3 sections 135.010, 135.025, 135.030, 137.073, 137.122, 137.720, and 143.121, to read as follows:

135.010. As used in sections 135.010 to 135.030 the following words and terms mean:

2 (1) "Claimant", a person or persons claiming a credit under sections 135.010 to 135.030.  
3 If the persons are eligible to file a joint federal income tax return and reside at the same address  
4 at any time during the taxable year, then the credit may only be allowed if claimed on a combined  
5 Missouri income tax return or a combined claim return reporting their combined incomes and  
6 property taxes. A claimant shall not be allowed a property tax credit unless the claimant or  
7 spouse has attained the age of sixty-five on or before the last day of the calendar year and the  
8 claimant or spouse was a resident of Missouri for the entire year, or the claimant or spouse is a  
9 veteran of any branch of the armed forces of the United States or this state who became one

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

10 hundred percent disabled as a result of such service, or the claimant or spouse is disabled as  
11 defined in subdivision (2) of this section, and such claimant or spouse provides proof of such  
12 disability in such form and manner, and at such times, as the director of revenue may require, or  
13 if the claimant has reached the age of sixty on or before the last day of the calendar year and such  
14 claimant received surviving spouse Social Security benefits during the calendar year and the  
15 claimant provides proof, as required by the director of revenue, that the claimant received  
16 surviving spouse Social Security benefits during the calendar year for which the credit will be  
17 claimed. A claimant shall not be allowed a property tax credit if the claimant filed a valid claim  
18 for a credit under section 137.106, RSMo, in the year following the year for which the property  
19 tax credit is claimed. The residency requirement shall be deemed to have been fulfilled for the  
20 purpose of determining the eligibility of a surviving spouse for a property tax credit if a person  
21 of the age of sixty-five years or older who would have otherwise met the requirements for a  
22 property tax credit dies before the last day of the calendar year. The residency requirement shall  
23 also be deemed to have been fulfilled for the purpose of determining the eligibility of a claimant  
24 who would have otherwise met the requirements for a property tax credit but who dies before  
25 the last day of the calendar year;

26 (2) "Disabled", the inability to engage in any substantial gainful activity by reason of any  
27 medically determinable physical or mental impairment which can be expected to result in death  
28 or which has lasted or can be expected to last for a continuous period of not less than twelve  
29 months. A claimant shall not be required to be gainfully employed prior to such disability to  
30 qualify for a property tax credit;

31 (3) "Gross rent", amount paid by a claimant to a landlord for the rental, at arm's length,  
32 of a homestead during the calendar year, exclusive of charges for health and personal care  
33 services and food furnished as part of the rental agreement, whether or not expressly set out in  
34 the rental agreement. If the director of revenue determines that the landlord and tenant have not  
35 dealt at arm's length, and that the gross rent is excessive, then he shall determine the gross rent  
36 based upon a reasonable amount of rent. Gross rent shall be deemed to be paid only if actually  
37 paid prior to the date a return is filed. The director of revenue may prescribe regulations  
38 requiring a return of information by a landlord receiving rent, certifying for a calendar year the  
39 amount of gross rent received from a tenant claiming a property tax credit and shall, by  
40 regulation, provide a method for certification by the claimant of the amount of gross rent paid  
41 for any calendar year for which a claim is made. The regulations authorized by this subdivision  
42 may require a landlord or a tenant or both to provide data relating to health and personal care  
43 services and to food. Neither a landlord nor a tenant may be required to provide data relating to  
44 utilities, furniture, home furnishings or appliances;

45 (4) "Homestead", the dwelling in Missouri owned or rented by the claimant and not to  
46 exceed five acres of land surrounding it as is reasonably necessary for use of the dwelling as a  
47 home. It may consist of part of a multidwelling or multipurpose building and part of the land  
48 upon which it is built. "Owned" includes a vendee in possession under a land contract and one  
49 or more tenants by the entireties, joint tenants, or tenants in common and includes a claimant  
50 actually in possession if he was the immediate former owner of record, if a lineal descendant is  
51 presently the owner of record, and if the claimant actually pays all taxes upon the property. It  
52 may include a mobile home;

53 (5) "Income", Missouri adjusted gross income as defined in section 143.121, RSMo, less  
54 [two] **ten thousand five hundred** dollars as an exemption for the claimant's spouse residing at  
55 the same address, and increased, where necessary, to reflect the following:

56 (a) Social Security, railroad retirement, and veterans payments and benefits unless the  
57 claimant is a one hundred percent service-connected, disabled veteran or a spouse of a one  
58 hundred percent service-connected, disabled veteran. The one hundred percent  
59 service-connected disabled veteran shall not be required to list veterans payments and benefits;

60 (b) The total amount of all other public and private pensions and annuities;

61 (c) Public relief, public assistance, and unemployment benefits received in cash, other  
62 than benefits received under this chapter;

63 (d) No deduction being allowed for losses not incurred in a trade or business;

64 (e) Interest on the obligations of the United States, any state, or any of their subdivisions  
65 and instrumentalities;

66 (6) "Property taxes accrued", property taxes paid, exclusive of special assessments,  
67 penalties, interest, and charges for service levied on a claimant's homestead in any calendar year.  
68 Property taxes shall qualify for the credit only if actually paid prior to the date a return is filed.  
69 The director of revenue shall require a tax receipt or other proof of property tax payment. If a  
70 homestead is owned only partially by claimant, then "property taxes accrued" is that part of  
71 property taxes levied on the homestead which was actually paid by the claimant. For purposes  
72 of this subdivision, property taxes are "levied" when the tax roll is delivered to the director of  
73 revenue for collection. If a claimant owns a homestead part of the preceding calendar year and  
74 rents it or a different homestead for part of the same year, "property taxes accrued" means only  
75 taxes levied on the homestead both owned and occupied by the claimant, multiplied by the  
76 percentage of twelve months that such property was owned and occupied as the homestead of  
77 the claimant during the year. When a claimant owns and occupies two or more different  
78 homesteads in the same calendar year, property taxes accrued shall be the sum of taxes allocable  
79 to those several properties occupied by the claimant as a homestead for the year. If a homestead  
80 is an integral part of a larger unit such as a farm, or multipurpose or multidwelling building,

81 property taxes accrued shall be that percentage of the total property taxes accrued as the value  
82 of the homestead is of the total value. For purposes of this subdivision "unit" refers to the parcel  
83 of property covered by a single tax statement of which the homestead is a part;

84 (7) "Rent constituting property taxes accrued", twenty percent of the gross rent paid by  
85 a claimant and spouse in the calendar year.

135.025. The property taxes accrued and rent constituting property taxes accrued on each  
2 return shall be totaled. This total, up to [seven] **eleven** hundred [fifty] dollars, shall be used in  
3 determining the property tax credit. The director of revenue shall prescribe regulations providing  
4 for allocations where part of a claimant's homestead is rented to another or used for nondwelling  
5 purposes or where a homestead is owned or rented or used as a dwelling for part of a year.

135.030. 1. As used in this section:

2 (1) The term "maximum upper limit" shall, for each calendar year after December 31,  
3 1997, but before calendar year 2008, be the sum of twenty-five thousand dollars. For [the] **all**  
4 calendar [year] **years** beginning on **or after** January 1, 2008, the maximum upper limit shall be  
5 the sum of [twenty-seven] **thirty-two** thousand five hundred dollars **for any claimant whose**  
6 **filing status is single, head of household, qualifying widow(er), or married filing separately,**  
7 **and the sum of forty-three thousand dollars for any claimant whose filing status is married**  
8 **filing combined;**

9 (2) The term "minimum base" shall, for each calendar year after December 31, 1997, but  
10 before calendar year 2008, be the sum of thirteen thousand dollars. For [the] **all** calendar [year]  
11 **years** beginning **on or after** January 1, 2008, the minimum base shall be the sum of [fourteen]  
12 **seventeen** thousand [three hundred] dollars.

13 2. If the income on a return is equal to or less than the maximum upper limit for the  
14 calendar year for which the return is filed, the property tax credit shall be determined from a table  
15 of credits based upon the amount by which the total property tax described in section 135.025  
16 exceeds the percent of income in the following list:

17 If the income on the return is:	The percent is:
18 Not over the minimum base	0 percent with credit not to
19	exceed actual property tax
20	or rent equivalent paid up
21	to [\$750] <b>\$1,100</b>
22 Over the minimum base but	1/16 percent accumulative
23 not over the maximum upper	per \$300 from 0 percent
24 limit	to 4 percent.
25	

26 The director of revenue shall prescribe a table based upon the preceding sentences. The property  
27 tax shall be in increments of twenty-five dollars and the income in increments of three hundred  
28 dollars. The credit shall be the amount rounded to the nearest whole dollar computed on the  
29 basis of the property tax and income at the midpoints of each increment. As used in this  
30 subsection, the term "accumulative" means an increase by continuous or repeated application of  
31 the percent to the income increment at each three hundred dollar level.

32 3. Notwithstanding subsection 4 of section 32.057, RSMo, the department of revenue  
33 or any duly authorized employee or agent shall determine whether any taxpayer filing a report  
34 or return with the department of revenue who has not applied for the credit allowed pursuant to  
35 section 135.020 may qualify for the credit, and shall notify any qualified claimant of the  
36 claimant's potential eligibility, where the department determines such potential eligibility exists.

137.073. 1. As used in this section, the following terms mean:

2 (1) "General reassessment", changes in value, entered in the assessor's books, of a  
3 substantial portion of the parcels of real property within a county resulting wholly or partly from  
4 reappraisal of value or other actions of the assessor or county equalization body or ordered by  
5 the state tax commission or any court;

6 (2) "Tax rate", "rate", or "rate of levy", singular or plural, includes the tax rate for each  
7 purpose of taxation of property a taxing authority is authorized to levy without a vote and any  
8 tax rate authorized by election, including bond interest and sinking fund;

9 (3) "Tax rate ceiling", [a] **the tax rate [as revised] used** by the taxing authority [to  
10 comply with the provisions of this section or when a court has determined] **in the preceding**  
11 **year or the tax rate determined by a court**; except that, other provisions of law to the contrary  
12 notwithstanding, a school district may levy the operating levy for school purposes required for  
13 the current year pursuant to subsection 2 of section 163.021, RSMo, less all adjustments required  
14 pursuant to article X, section 22 of the Missouri Constitution, if such tax rate does not exceed  
15 the highest tax rate in effect subsequent to the 1980 tax year, **provided that all levy assessments**  
16 **shall begin from the preceding year's tax rate**. This is the maximum tax rate that may be  
17 levied, unless a higher tax rate ceiling is approved by voters of the political subdivision as  
18 provided in this section;

19 (4) "Tax revenue", when referring to the previous year, means the actual receipts from  
20 ad valorem levies on all classes of property, including state-assessed property, in the immediately  
21 preceding fiscal year of the political subdivision, plus an allowance for taxes billed but not  
22 collected in the fiscal year and plus an additional allowance for the revenue which would have  
23 been collected from property which was annexed by such political subdivision but which was  
24 not previously used in determining tax revenue pursuant to this section. The term "tax revenue"  
25 shall not include any receipts from ad valorem levies on any property of a railroad corporation

26 or a public utility, as these terms are defined in section 386.020, RSMo, which were assessed by  
27 the assessor of a county or city in the previous year but are assessed by the state tax commission  
28 in the current year. All school districts and those counties levying sales taxes pursuant to chapter  
29 67, RSMo, shall include in the calculation of tax revenue an amount equivalent to that by which  
30 they reduced property tax levies as a result of sales tax pursuant to section 67.505, RSMo, and  
31 section 164.013, RSMo, or as excess home dock city or county fees as provided in subsection  
32 4 of section 313.820, RSMo, in the immediately preceding fiscal year but not including any  
33 amount calculated to adjust for prior years. For purposes of political subdivisions which were  
34 authorized to levy a tax in the prior year but which did not levy such tax or levied a reduced rate,  
35 the term "tax revenue", as used in relation to the revision of tax levies mandated by law, shall  
36 mean the revenues equal to the amount that would have been available if the voluntary rate  
37 reduction had not been made.

38       2. Whenever changes in assessed valuation are entered in the assessor's books for any  
39 personal property, in the aggregate, or for any subclass of real property as such subclasses are  
40 established in section 4(b) of article X of the Missouri Constitution and defined in section  
41 137.016, the county clerk in all counties and the assessor of St. Louis City shall notify each  
42 political subdivision wholly or partially within the county or St. Louis City of the change in  
43 valuation of each subclass of real property, individually, and personal property, in the aggregate,  
44 exclusive of new construction and improvements. All political subdivisions shall immediately  
45 revise the applicable rates of levy for each purpose for each subclass of real property,  
46 individually, and personal property, in the aggregate, for which taxes are levied to the extent  
47 necessary to produce from all taxable property, exclusive of new construction and improvements,  
48 substantially the same amount of tax revenue as was produced in the previous year for each  
49 subclass of real property, individually, and personal property, in the aggregate, except that the  
50 rate may not exceed the greater of the rate in effect in the 1984 tax year or the [most recent  
51 voter-approved] **preceding year's tax** rate. Such tax revenue shall not include any receipts from  
52 ad valorem levies on any real property which was assessed by the assessor of a county or city in  
53 such previous year but is assessed by the assessor of a county or city in the current year in a  
54 different subclass of real property. Where the taxing authority is a school district for the  
55 purposes of revising the applicable rates of levy for each subclass of real property, the tax  
56 revenues from state-assessed railroad and utility property shall be apportioned and attributed to  
57 each subclass of real property based on the percentage of the total assessed valuation of the  
58 county that each subclass of real property represents in the current taxable year. As provided in  
59 section 22 of article X of the constitution, a political subdivision may also revise each levy to  
60 allow for inflationary assessment growth occurring within the political subdivision. The  
61 inflationary growth factor for any such subclass of real property or personal property shall be

62 limited to the actual assessment growth in such subclass or class, exclusive of new construction  
63 and improvements, and exclusive of the assessed value on any real property which was assessed  
64 by the assessor of a county or city in the current year in a different subclass of real property, but  
65 not to exceed the consumer price index or five percent, whichever is lower. Should the tax  
66 revenue of a political subdivision from the various tax rates determined in this subsection be  
67 different than the tax revenue that would have been determined from a single tax rate as  
68 calculated pursuant to the method of calculation in this subsection prior to January 1, 2003, then  
69 the political subdivision shall revise the tax rates of those subclasses of real property,  
70 individually, and/or personal property, in the aggregate, in which there is a tax rate reduction,  
71 pursuant to the provisions of this subsection. Such revision shall yield an amount equal to such  
72 difference and shall be apportioned among such subclasses of real property, individually, and/or  
73 personal property, in the aggregate, based on the relative assessed valuation of the class or  
74 subclasses of property experiencing a tax rate reduction. Such revision in the tax rates of each  
75 class or subclass shall be made by computing the percentage of current year adjusted assessed  
76 valuation of each class or subclass with a tax rate reduction to the total current year adjusted  
77 assessed valuation of the class or subclasses with a tax rate reduction, multiplying the resulting  
78 percentages by the revenue difference between the single rate calculation and the calculations  
79 pursuant to this subsection and dividing by the respective adjusted current year assessed  
80 valuation of each class or subclass to determine the adjustment to the rate to be levied upon each  
81 class or subclass of property. The adjustment computed herein shall be multiplied by one  
82 hundred, rounded to four decimals in the manner provided in this subsection, and added to the  
83 initial rate computed for each class or subclass of property. Notwithstanding any provision of  
84 this subsection to the contrary, no revision to the rate of levy for personal property shall cause  
85 such levy to increase over the levy for personal property from the prior year.

86 3. (1) Where the taxing authority is a school district, it shall be required to revise the  
87 rates of levy **from the preceding year's tax rate** to the extent necessary to produce from all  
88 taxable property, including state-assessed railroad and utility property, which shall be separately  
89 estimated in addition to other data required in complying with section 164.011, RSMo,  
90 substantially the amount of tax revenue permitted in this section. In the year following tax rate  
91 reduction, the tax rate ceiling may be adjusted to offset such district's reduction in the  
92 apportionment of state school moneys due to its reduced tax rate. However, in the event any  
93 school district, in calculating a tax rate ceiling pursuant to this section, requiring the estimating  
94 of effects of state-assessed railroad and utility valuation or loss of state aid, discovers that the  
95 estimates used result in receipt of excess revenues, which would have required a lower rate if the  
96 actual information had been known, the school district shall reduce the tax rate ceiling in the

97 following year to compensate for the excess receipts, and the recalculated rate shall become the  
98 tax rate ceiling for purposes of this section.

99 (2) For any political subdivision which experiences a reduction in the amount of assessed  
100 valuation relating to a prior year, due to decisions of the state tax commission or a court pursuant  
101 to sections 138.430 to 138.433, RSMo, or due to clerical errors or corrections in the calculation  
102 or recordation of any assessed valuation:

103 (a) Such political subdivision may revise the tax rate ceiling for each purpose it levies  
104 taxes to compensate for the reduction in assessed value occurring after the political subdivision  
105 calculated the tax rate ceiling for the particular subclass of real property or for personal property,  
106 in the aggregate, in the prior year. Such revision by the political subdivision shall be made at the  
107 time of the next calculation of the tax rate for the particular subclass of real property or for  
108 personal property, in the aggregate, after the reduction in assessed valuation has been determined  
109 and shall be calculated in a manner that results in the revised tax rate ceiling being the same as  
110 it would have been had the corrected or finalized assessment been available at the time of the  
111 prior calculation;

112 (b) In addition, for up to three years following the determination of the reduction in  
113 assessed valuation as a result of circumstances defined in this subdivision, such political  
114 subdivision may levy a tax rate for each purpose it levies taxes above the revised tax rate ceiling  
115 provided in paragraph (a) of this subdivision to recoup any revenues it was entitled to receive for  
116 the three-year period preceding such determination.

117 4. (1) In order to implement the provisions of this section and section 22 of article X of  
118 the Constitution of Missouri, the term "improvements" shall apply to both real and personal  
119 property. In order to determine the value of new construction and improvements, each county  
120 assessor shall maintain a record of real property valuations in such a manner as to identify each  
121 year the increase in valuation for each political subdivision in the county as a result of new  
122 construction and improvements. The value of new construction and improvements shall include  
123 the additional assessed value of all improvements or additions to real property which were begun  
124 after and were not part of the prior year's assessment, except that the additional assessed value  
125 of all improvements or additions to real property which had been totally or partially exempt from  
126 ad valorem taxes pursuant to sections 99.800 to 99.865, RSMo, sections 135.200 to 135.255,  
127 RSMo, and section 353.110, RSMo, shall be included in the value of new construction and  
128 improvements when the property becomes totally or partially subject to assessment and payment  
129 of all ad valorem taxes. The aggregate increase in valuation of personal property for the current  
130 year over that of the previous year is the equivalent of the new construction and improvements  
131 factor for personal property. Notwithstanding any opt-out implemented pursuant to subsection  
132 15 of section 137.115, the assessor shall certify the amount of new construction and

133 improvements and the amount of assessed value on any real property which was assessed by the  
134 assessor of a county or city in such previous year but is assessed by the assessor of a county or  
135 city in the current year in a different subclass of real property separately for each of the three  
136 subclasses of real property for each political subdivision to the county clerk in order that political  
137 subdivisions shall have this information for the purpose of calculating tax rates pursuant to this  
138 section and section 22, article X, Constitution of Missouri. In addition, the state tax commission  
139 shall certify each year to each county clerk the increase in the general price level as measured by  
140 the Consumer Price Index for All Urban Consumers for the United States, or its successor  
141 publications, as defined and officially reported by the United States Department of Labor, or its  
142 successor agency. The state tax commission shall certify the increase in such index on the latest  
143 twelve-month basis available on June first of each year over the immediately preceding prior  
144 twelve-month period in order that political subdivisions shall have this information available in  
145 setting their tax rates according to law and section 22 of article X of the Constitution of Missouri.  
146 For purposes of implementing the provisions of this section and section 22 of article X of the  
147 Missouri Constitution, the term "property" means all taxable property, including state-assessed  
148 property.

149 (2) Each political subdivision required to revise rates of levy pursuant to this section or  
150 section 22 of article X of the Constitution of Missouri shall calculate each tax rate it is authorized  
151 to levy and, in establishing each tax rate, shall consider each provision for tax rate revision  
152 provided in this section and section 22 of article X of the Constitution of Missouri, separately  
153 and without regard to annual tax rate reductions provided in section 67.505, RSMo, and section  
154 164.013, RSMo. Each political subdivision shall set each tax rate it is authorized to levy using  
155 the calculation that produces the lowest tax rate ceiling. It is further the intent of the general  
156 assembly, pursuant to the authority of section 10(c) of article X of the Constitution of Missouri,  
157 that the provisions of such section be applicable to tax rate revisions mandated pursuant to  
158 section 22 of article X of the Constitution of Missouri as to reestablishing tax rates as revised in  
159 subsequent years, enforcement provisions, and other provisions not in conflict with section 22  
160 of article X of the Constitution of Missouri. Annual tax rate reductions provided in section  
161 67.505, RSMo, and section 164.013, RSMo, shall be applied to the tax rate as established  
162 pursuant to this section and section 22 of article X of the Constitution of Missouri, unless  
163 otherwise provided by law.

164 5. (1) In all political subdivisions, the tax rate ceiling established pursuant to this section  
165 shall not be increased unless approved by a vote of the people. Approval of the higher tax rate  
166 shall be by at least a majority of votes cast. When a proposed higher tax rate requires approval  
167 by more than a simple majority pursuant to any provision of law or the constitution, the tax rate  
168 increase must receive approval by at least the majority required.

169 (2) When voters approve an increase in the tax rate, the amount of the increase shall be  
170 added to the tax rate ceiling as calculated pursuant to this section to the extent the total rate does  
171 not exceed any maximum rate prescribed by law. **The amount of revenue received from the**  
172 **voter-approved increase in the tax rate shall not exceed the revenue derived by applying**  
173 **the levy increase to the preceding year's assessed valuation as certified by the state tax**  
174 **commission.** If a ballot question presents a stated tax rate for approval rather than describing  
175 the amount of increase in the question, the stated tax rate approved shall be the current tax rate  
176 ceiling. The increased tax rate ceiling as approved may be applied to the total assessed valuation  
177 of the political subdivision at the setting of the next tax rate.

178 (3) The governing body of any political subdivision may levy a tax rate lower than its  
179 tax rate ceiling [and may increase that lowered tax rate to a level not exceeding the tax rate  
180 ceiling without voter approval].

181 6. (1) For the purposes of calculating state aid for public schools pursuant to section  
182 163.031, RSMo, each taxing authority which is a school district shall determine its proposed tax  
183 rate as a blended rate of the classes or subclasses of property. Such blended rate shall be  
184 calculated by first determining the total tax revenue of the property within the jurisdiction of the  
185 taxing authority, which amount shall be equal to the sum of the products of multiplying the  
186 assessed valuation of each class and subclass of property by the corresponding tax rate for such  
187 class or subclass, then dividing the total tax revenue by the total assessed valuation of the same  
188 jurisdiction, and then multiplying the resulting quotient by a factor of one hundred. Where the  
189 taxing authority is a school district, such blended rate shall also be used by such school district  
190 for calculating revenue from state-assessed railroad and utility property as defined in chapter 151,  
191 RSMo, and for apportioning the tax rate by purpose.

192 (2) Each taxing authority proposing to levy a tax rate in any year shall notify the clerk  
193 of the county commission in the county or counties where the tax rate applies of its tax rate  
194 ceiling and its proposed tax rate. Each taxing authority shall express its proposed tax rate in a  
195 fraction equal to the nearest one-tenth of a cent, unless its proposed tax rate is in excess of one  
196 dollar, then one/one-hundredth of a cent. If a taxing authority shall round to one/one-hundredth  
197 of a cent, it shall round up a fraction greater than or equal to five/one-thousandth of one cent to  
198 the next higher one/one-hundredth of a cent; if a taxing authority shall round to one-tenth of a  
199 cent, it shall round up a fraction greater than or equal to five/one-hundredths of a cent to the next  
200 higher one-tenth of a cent. Any taxing authority levying a property tax rate shall provide data,  
201 in such form as shall be prescribed by the state auditor by rule, substantiating such tax rate  
202 complies with Missouri law. All forms for the calculation of rates pursuant to this section shall  
203 be promulgated as a rule and shall not be incorporated by reference. The state auditor shall  
204 promulgate rules for any and all forms for the calculation of rates pursuant to this section which

205 do not currently exist in rule form or that have been incorporated by reference. In addition, each  
206 taxing authority proposing to levy a tax rate for debt service shall provide data, in such form as  
207 shall be prescribed by the state auditor by rule, substantiating the tax rate for debt service  
208 complies with Missouri law. A tax rate proposed for annual debt service requirements will be  
209 prima facie valid if, after making the payment for which the tax was levied, bonds remain  
210 outstanding and the debt fund reserves do not exceed the following year's payments. The county  
211 clerk shall keep on file and available for public inspection all such information for a period of  
212 three years. The clerk shall, within three days of receipt, forward a copy of the notice of a taxing  
213 authority's tax rate ceiling and proposed tax rate and any substantiating data to the state auditor.  
214 The state auditor shall, within fifteen days of the date of receipt, examine such information and  
215 return to the county clerk his or her findings as to compliance of the tax rate ceiling with this  
216 section and as to compliance of any proposed tax rate for debt service with Missouri law. If the  
217 state auditor believes that a taxing authority's proposed tax rate does not comply with Missouri  
218 law, then the state auditor's findings shall include a recalculated tax rate, and the state auditor  
219 may request a taxing authority to submit documentation supporting such taxing authority's  
220 proposed tax rate. The county clerk shall immediately forward a copy of the auditor's findings  
221 to the taxing authority and shall file a copy of the findings with the information received from  
222 the taxing authority. The taxing authority shall have fifteen days from the date of receipt from  
223 the county clerk of the state auditor's findings and any request for supporting documentation to  
224 accept or reject in writing the rate change certified by the state auditor and to submit all requested  
225 information to the state auditor. A copy of the taxing authority's acceptance or rejection and any  
226 information submitted to the state auditor shall also be mailed to the county clerk. If a taxing  
227 authority rejects a rate change certified by the state auditor and the state auditor does not receive  
228 supporting information which justifies the taxing authority's original or any subsequent proposed  
229 tax rate, then the state auditor shall refer the perceived violations of such taxing authority to the  
230 attorney general's office and the attorney general is authorized to obtain injunctive relief to  
231 prevent the taxing authority from levying a violative tax rate.

232 7. No tax rate shall be extended on the tax rolls by the county clerk unless the political  
233 subdivision has complied with the foregoing provisions of this section.

234 8. Whenever a taxpayer has cause to believe that a taxing authority has not complied  
235 with the provisions of this section, the taxpayer may make a formal complaint with the  
236 prosecuting attorney of the county. Where the prosecuting attorney fails to bring an action within  
237 ten days of the filing of the complaint, the taxpayer may bring a civil action pursuant to this  
238 section and institute an action as representative of a class of all taxpayers within a taxing  
239 authority if the class is so numerous that joinder of all members is impracticable, if there are  
240 questions of law or fact common to the class, if the claims or defenses of the representative

241 parties are typical of the claims or defenses of the class, and if the representative parties will  
242 fairly and adequately protect the interests of the class. In any class action maintained pursuant  
243 to this section, the court may direct to the members of the class a notice to be published at least  
244 once each week for four consecutive weeks in a newspaper of general circulation published in  
245 the county where the civil action is commenced and in other counties within the jurisdiction of  
246 a taxing authority. The notice shall advise each member that the court will exclude him or her  
247 from the class if he or she so requests by a specified date, that the judgment, whether favorable  
248 or not, will include all members who do not request exclusion, and that any member who does  
249 not request exclusion may, if he or she desires, enter an appearance. In any class action brought  
250 pursuant to this section, the court, in addition to the relief requested, shall assess against the  
251 taxing authority found to be in violation of this section the reasonable costs of bringing the  
252 action, including reasonable attorney's fees, provided no attorney's fees shall be awarded any  
253 attorney or association of attorneys who receive public funds from any source for their services.  
254 Any action brought pursuant to this section shall be set for hearing as soon as practicable after  
255 the cause is at issue.

256         9. If in any action, including a class action, the court issues an order requiring a taxing  
257 authority to revise the tax rates as provided in this section or enjoins a taxing authority from the  
258 collection of a tax because of its failure to revise the rate of levy as provided in this section, any  
259 taxpayer paying his or her taxes when an improper rate is applied has erroneously paid his or her  
260 taxes in part, whether or not the taxes are paid under protest as provided in section 139.031,  
261 RSMo. The part of the taxes paid erroneously is the difference in the amount produced by the  
262 original levy and the amount produced by the revised levy. The township or county collector of  
263 taxes or the collector of taxes in any city shall refund the amount of the tax erroneously paid.  
264 The taxing authority refusing to revise the rate of levy as provided in this section shall make  
265 available to the collector all funds necessary to make refunds pursuant to this subsection. No  
266 taxpayer shall receive any interest on any money erroneously paid by him or her pursuant to this  
267 subsection. Effective in the 1994 tax year, nothing in this section shall be construed to require  
268 a taxing authority to refund any tax erroneously paid prior to or during the third tax year  
269 preceding the current tax year.

270         10. A taxing authority, including but not limited to a township, county collector, or  
271 collector of taxes, responsible for determining and collecting the amount of residential real  
272 property tax levied in its jurisdiction, shall report such amount of tax collected by December  
273 thirty-first of each year such property is assessed to the state tax commission. The state tax  
274 commission shall compile the tax data by county or taxing jurisdiction and submit a report to the  
275 general assembly no later than January thirty-first of the following year.

276           11. Any rule or portion of a rule, as that term is defined in section 536.010, RSMo, that  
277 is created under the authority delegated in this section shall become effective only if it complies  
278 with and is subject to all of the provisions of chapter 536, RSMo, and, if applicable, section  
279 536.028, RSMo. This section and chapter 536, RSMo, are nonseverable and if any of the powers  
280 vested with the general assembly pursuant to chapter 536, RSMo, to review, to delay the  
281 effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the  
282 grant of rulemaking authority and any rule proposed or adopted after August 28, 2004, shall be  
283 invalid and void.

137.122. 1. As used in this section, the following terms mean:

2           (1) "Business personal property", tangible personal property which is used in a trade or  
3 business or used for production of income and which has a determinable life of longer than one  
4 year except that supplies used by a business shall also be considered business personal property,  
5 but shall not include livestock, farm machinery, grain and other agricultural crops in an  
6 unmanufactured condition, property subject to the motor vehicle registration provisions of  
7 chapter 301, RSMo, property assessed under section 137.078, the property of rural electric  
8 cooperatives under chapter 394, RSMo, or property assessed by the state tax commission under  
9 chapters 151, 153, and 155, RSMo, section 137.022, and sections 137.1000 to 137.1030;

10           (2) "Class life", the class life of property as set out in the federal Modified Accelerated  
11 Cost Recovery System life tables or their successors under the Internal Revenue Code as  
12 amended;

13           (3) "Economic or functional obsolescence", a loss in value of personal property above  
14 and beyond physical deterioration and age of the property. Such loss may be the result of  
15 economic or functional obsolescence or both;

16           (4) "Original cost", the price the current owner, the taxpayer, paid for the item without  
17 freight, installation, or sales or use tax. In the case of acquisition of items of personal property  
18 as part of an acquisition of an entity, the original cost shall be the historical cost of those assets  
19 remaining in place and in use and the placed in service date shall be the date of acquisition by  
20 the entity being acquired;

21           (5) "Placed in service", property is placed in service when it is ready and available for  
22 a specific use, whether in a business activity, an income-producing activity, a tax-exempt  
23 activity, or a personal activity. Even if the property is not being used, the property is in service  
24 when it is ready and available for its specific use;

25           (6) "Recovery period", the period over which the original cost of depreciable tangible  
26 personal property shall be depreciated for property tax purposes and shall be the same as the  
27 recovery period allowed for such property under the Internal Revenue Code.

28           2. To establish uniformity in the assessment of depreciable tangible personal property,  
 29 each assessor shall use the standardized schedule of depreciation in this section to determine the  
 30 assessed valuation of depreciable tangible personal property for the purpose of estimating the  
 31 value of such property subject to taxation under this chapter.

32           3. For purposes of this section, and to estimate the value of depreciable tangible personal  
 33 property for mass appraisal purposes, each assessor shall value depreciable tangible personal  
 34 property by applying the class life and recovery period to the original cost of the property  
 35 according to the following depreciation schedule. The percentage shown for the first year shall  
 36 be the percentage of the original cost used for January first of the year following the year of  
 37 acquisition of the property, and the percentage shown for each succeeding year shall be the  
 38 percentage of the original cost used for January first of the respective succeeding year as follows:

39 Year	Recovery Period in Years					
	3	5	7	10	15	20
40						
41 1	75.00	85.00	89.29	92.50	95.00	96.25
42 2	37.50	59.50	70.16	78.62	85.50	89.03
43 3	12.50	41.65	55.13	66.83	76.95	82.35
44 4	5.00	24.99	42.88	56.81	69.25	76.18
45 5		10.00	30.63	48.07	62.32	70.46
46 6			18.38	39.33	56.09	65.18
47 7			10.00	30.59	50.19	60.29
48 8				21.85	44.29	55.77
49 9				15.00	38.38	51.31
50 10					32.48	46.85
51 11					26.57	42.38
52 12					20.67	37.92
53 13					15.00	33.46
54 14						29.00
55 15						24.54
56 16						20.08
57 17						20.00

58 Depreciable tangible personal property in all recovery periods shall continue in subsequent years  
 59 to have the depreciation factor last listed in the appropriate column so long as it is owned or held  
 60 by the taxpayer. The state tax commission shall study and analyze the values established by this  
 61 method of assessment and in every odd-numbered year make recommendations to the joint

62 committee on tax policy pertaining to any changes in this methodology, if any, that are  
63 warranted.

64 4. Such estimate of value determined under this section shall be presumed to be correct  
65 for the purpose of determining the true value in money of the depreciable tangible personal  
66 property, but such estimation may be disproved by substantial and persuasive evidence of the  
67 true value in money under any method determined by the state tax commission to be correct,  
68 including, but not limited to, an appraisal of the tangible personal property specifically utilizing  
69 generally accepted appraisal techniques, and contained in a narrative appraisal report in  
70 accordance with the Uniform Standards of Professional Appraisal Practice or by proof of  
71 economic or functional obsolescence or evidence of excessive physical deterioration. For  
72 purposes of appeal of the provisions of this section, the salvage or scrap value of depreciable  
73 tangible personal property may only be considered if the property is not in use as of the  
74 assessment date.

75 5. This section shall not apply to business personal property placed in service before  
76 January 2, 2006. **Nothing in this section shall be found to create a presumption as to the**  
77 **proper method of determining the assessed valuation of business personal property placed**  
78 **in service before January 2, 2006.**

79 6. The provisions of this section are not intended to modify the definition of tangible  
80 personal property as defined in section 137.010.

137.720. 1. A percentage of all ad valorem property tax collections allocable to each  
2 taxing authority within the county and the county shall be deducted from the collections of taxes  
3 each year and shall be deposited into the assessment fund of the county as required pursuant to  
4 section 137.750. The percentage shall be one-half of one percent for all counties of the first and  
5 second classification and cities not within a county and one percent for counties of the third and  
6 fourth classification.

7 2. For counties of the first classification, counties with a charter form of government, and  
8 any city not within a county, an additional one-eighth of one percent of all ad valorem property  
9 tax collections shall be deducted from the collections of taxes each year and shall be deposited  
10 into the assessment fund of the county as required pursuant to section 137.750, and for counties  
11 of the second, third, and fourth classification, an additional one-quarter of one percent of all ad  
12 valorem property tax collections shall be deducted from the collections of taxes each year and  
13 shall be deposited into the assessment fund of the county as required pursuant to section 137.750,  
14 provided that such additional amounts shall not exceed one hundred thousand dollars in any year  
15 for any county of the first classification and any county with a charter form of government and  
16 fifty thousand dollars in any year for any county of the second, third, or fourth classification.

17           3. The county shall bill any taxing authority collecting its own taxes. The county may  
18 also provide additional moneys for the fund. To be eligible for state cost-share funds provided  
19 pursuant to section 137.750, every county shall provide from the county general revenue fund  
20 an amount equal to an average of the three most recent years of the amount provided from  
21 general revenue to the assessment fund; provided, however, that capital expenditures and  
22 equipment expenses identified in a memorandum of understanding signed by the county's  
23 governing body and the county assessor prior to transfer of county general revenue funds to the  
24 assessment fund shall be deducted from a year's contribution before computing the three-year  
25 average, except that a lesser amount shall be acceptable if unanimously agreed upon by the  
26 county assessor, the county governing body, and the state tax commission. The county shall  
27 deposit the county general revenue funds in the assessment fund as agreed to in its original or  
28 amended maintenance plan[,] . State reimbursement funds shall be withheld until the amount  
29 due is properly deposited in such fund.

30           4. Four years following the effective date, the state tax commission shall conduct a study  
31 to determine the impact of increased fees on assessed valuation.

32           5. Any increase to the portion of property tax collections deposited into the county  
33 assessment funds provided for in subsection 2 of this section shall be disallowed in any year in  
34 which the state tax commission certifies an equivalent sales ratio for the county of less than or  
35 equal to thirty-one and two-thirds percent pursuant to the provisions of section 138.395, RSMo.

36           6. The provisions of subsections 2, 4, and 5 of this section shall expire on December 31,  
37 [2009] **2012**.

143.121. 1. The Missouri adjusted gross income of a resident individual shall be the  
2 taxpayer's federal adjusted gross income subject to the modifications in this section.

3           2. There shall be added to the taxpayer's federal adjusted gross income:

4           (a) The amount of any federal income tax refund received for a prior year which resulted  
5 in a Missouri income tax benefit;

6           (b) Interest on certain governmental obligations excluded from federal gross income by  
7 Section 103 of the Internal Revenue Code. The previous sentence shall not apply to interest on  
8 obligations of the state of Missouri or any of its political subdivisions or authorities and shall not  
9 apply to the interest described in subdivision (a) of subsection 3 of this section. The amount  
10 added pursuant to this paragraph shall be reduced by the amounts applicable to such interest that  
11 would have been deductible in computing the taxable income of the taxpayer except only for the  
12 application of Section 265 of the Internal Revenue Code. The reduction shall only be made if  
13 it is at least five hundred dollars;

14 (c) The amount of any deduction that is included in the computation of federal taxable  
15 income pursuant to Section 168 of the Internal Revenue Code as amended by the Job Creation  
16 and Worker Assistance Act of 2002 to the extent the amount deducted relates to property  
17 purchased on or after July 1, 2002, but before July 1, 2003, and to the extent the amount  
18 deducted exceeds the amount that would have been deductible pursuant to Section 168 of the  
19 Internal Revenue Code of 1986 as in effect on January 1, 2002;

20 (d) The amount of any deduction that is included in the computation of federal taxable  
21 income for net operating loss allowed by Section 172 of the Internal Revenue Code of 1986, as  
22 amended, other than the deduction allowed by Section 172(b)(1)(G) and Section 172(i) of the  
23 Internal Revenue Code of 1986, as amended, for a net operating loss the taxpayer claims in the  
24 tax year in which the net operating loss occurred or carries forward for a period of more than  
25 twenty years and carries backward for more than two years. Any amount of net operating loss  
26 taken against federal taxable income but disallowed for Missouri income tax purposes pursuant  
27 to this paragraph after June 18, 2002, may be carried forward and taken against any income on  
28 the Missouri income tax return for a period of not more than twenty years from the year of the  
29 initial loss; and

30 (e) For nonresident individuals in all taxable years ending on or after December 31,  
31 2006, the amount of any property taxes paid to another state or a political subdivision of another  
32 state for which a deduction was allowed on such nonresident's federal return in the taxable year  
33 **unless such state, political subdivision of another state, or the District of Columbia allows**  
34 **a subtraction from income for property taxes paid to this state for purposes of calculating**  
35 **income for the income tax for such state, political subdivision of another state, or the**  
36 **District of Columbia.**

37 3. There shall be subtracted from the taxpayer's federal adjusted gross income the  
38 following amounts to the extent included in federal adjusted gross income:

39 (a) Interest or dividends on obligations of the United States and its territories and  
40 possessions or of any authority, commission or instrumentality of the United States to the extent  
41 exempt from Missouri income taxes pursuant to the laws of the United States. The amount  
42 subtracted pursuant to this paragraph shall be reduced by any interest on indebtedness incurred  
43 to carry the described obligations or securities and by any expenses incurred in the production  
44 of interest or dividend income described in this paragraph. The reduction in the previous  
45 sentence shall only apply to the extent that such expenses including amortizable bond premiums  
46 are deducted in determining the taxpayer's federal adjusted gross income or included in the  
47 taxpayer's Missouri itemized deduction. The reduction shall only be made if the expenses total  
48 at least five hundred dollars;

49 (b) The portion of any gain, from the sale or other disposition of property having a higher  
50 adjusted basis to the taxpayer for Missouri income tax purposes than for federal income tax  
51 purposes on December 31, 1972, that does not exceed such difference in basis. If a gain is  
52 considered a long-term capital gain for federal income tax purposes, the modification shall be  
53 limited to one-half of such portion of the gain;

54 (c) The amount necessary to prevent the taxation pursuant to this chapter of any annuity  
55 or other amount of income or gain which was properly included in income or gain and was taxed  
56 pursuant to the laws of Missouri for a taxable year prior to January 1, 1973, to the taxpayer, or  
57 to a decedent by reason of whose death the taxpayer acquired the right to receive the income or  
58 gain, or to a trust or estate from which the taxpayer received the income or gain;

59 (d) Accumulation distributions received by a taxpayer as a beneficiary of a trust to the  
60 extent that the same are included in federal adjusted gross income;

61 (e) The amount of any state income tax refund for a prior year which was included in the  
62 federal adjusted gross income;

63 (f) The portion of capital gain specified in section 135.357, RSMo, that would otherwise  
64 be included in federal adjusted gross income;

65 (g) The amount that would have been deducted in the computation of federal taxable  
66 income pursuant to Section 168 of the Internal Revenue Code as in effect on January 1, 2002,  
67 to the extent that amount relates to property purchased on or after July 1, 2002, but before July  
68 1, 2003, and to the extent that amount exceeds the amount actually deducted pursuant to Section  
69 168 of the Internal Revenue Code as amended by the Job Creation and Worker Assistance Act  
70 of 2002;

71 (h) For all tax years beginning on or after January 1, 2005, the amount of any income  
72 received for military service while the taxpayer serves in a combat zone which is included in  
73 federal adjusted gross income and not otherwise excluded therefrom. As used in this section,  
74 "combat zone" means any area which the President of the United States by Executive Order  
75 designates as an area in which armed forces of the United States are or have engaged in combat.  
76 Service is performed in a combat zone only if performed on or after the date designated by the  
77 President by Executive Order as the date of the commencing of combat activities in such zone,  
78 and on or before the date designated by the President by Executive Order as the date of the  
79 termination of combatant activities in such zone; and

80 (i) For all tax years ending on or after July 1, 2002, with respect to qualified property that  
81 is sold or otherwise disposed of during a taxable year by a taxpayer and for which an addition  
82 modification was made under paragraph (c) of subsection 2 of this section, the amount by which  
83 addition modification made under paragraph (c) of subsection 2 of this section on qualified

84 property has not been recovered through the additional subtractions provided in paragraph (g)  
85 of this subsection.

86 4. There shall be added to or subtracted from the taxpayer's federal adjusted gross  
87 income the taxpayer's share of the Missouri fiduciary adjustment provided in section 143.351.

88 5. There shall be added to or subtracted from the taxpayer's federal adjusted gross  
89 income the modifications provided in section 143.411.

90 6. In addition to the modifications to a taxpayer's federal adjusted gross income in this  
91 section, to calculate Missouri adjusted gross income there shall be subtracted from the taxpayer's  
92 federal adjusted gross income any gain recognized pursuant to Section 1033 of the Internal  
93 Revenue Code of 1986, as amended, arising from compulsory or involuntary conversion of  
94 property as a result of condemnation or the imminence thereof.

95 7. (1) As used in this subsection, "qualified health insurance premium" means the  
96 amount paid during the tax year by such taxpayer for any insurance policy primarily providing  
97 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

98 (2) In addition to the subtractions in subsection 3 of this section, one hundred percent  
99 of the amount of qualified health insurance premiums shall be subtracted from the taxpayer's  
100 federal adjusted gross income to the extent the amount paid for such premiums is included in  
101 federal taxable income. The taxpayer shall provide the department of revenue with proof of the  
102 amount of qualified health insurance premiums paid.

✓