

HCS SB 686 -- TAXATION

SPONSOR: Rupp (Sutherland)

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 8 to 1.

This substitute changes the laws regarding taxation. In its main provisions, the substitute:

(1) Requires, beginning January 1, 2012, statements of no tax due from the Department of Revenue as a prerequisite to the issuance or renewal of state and local business and occupation licenses or to the receipt of payments from the State Legal Expense Fund. The department director may enter into an agreement with any state agency responsible for issuing business and occupation licenses to provide the names and tax identification numbers of applicants for these licenses. Tax delinquencies may result in the suspension of licenses (Sections 32.088, 105.716, and 144.083, RSMo);

(2) Changes the laws regarding the sale of real property for the collection of delinquent taxes. A county collector is required to send up to three notices to the publicly recorded owner of record of the real property prior to the publishing of a tax sale with the first and third notice being by first class mail. A collector of revenue or other collection authority may refuse to accept a delinquent tax payment submitted without a copy of the tax statement. If the county collector determines that an adequate legal description of tax sale property with an assessed valuation of \$1,000 or more cannot be obtained from documents available through the recorder of deeds, the collector may commission a professional land surveyor to prepare an adequate legal description of the property with the costs of the survey taxed as part of the sale costs. The certificate of purchase will be conveyed to an agent if the purchaser is a nonresident, and the agent must convey the property to the nonresident (Sections 52.230, 139.040, 140.110, 140.150, 140.170, and 140.190);

(3) Requires that the highest bid at a sale on the third successive year must be at least equal to the sum of the delinquent taxes, interest, penalties, and costs as it is required when it was initially offered and at the second successive year it was offered. After the third offering, the collector's deed or trustee's deed will have priority over all the other liens or encumbrances on the property sold except for real property taxes. The purchaser is required to pay a fee to the collector to record the certificate of purchase in the office of the county recorder. If the delinquent land tax sale results

in an amount greater than the amount of debt, taxes, interest, and costs, the excess proceeds must be held in trust in the county treasury for three years for the publicly recorded owner or owners of the property sold or their legal representatives. After three years, any amount not called for will be deposited into the county's school fund. The redemption periods for the owner of record to redeem tax sale property are revised; and the owner must reimburse the purchaser for all costs of the sale including the cost for recording the certificate of purchase, the fee to record the release of the certificate, the cost of the title search and the required mail notifications, interest at the rate specified on the certificate, and any taxes paid by the purchaser plus 8% interest. Within 120 days prior to receiving a collector's deed, a tax sale purchaser must obtain a title search report from a licensed attorney or title company detailing the ownership and encumbrances on the property. Requirements for service of the 90 days' notice of the right of redemption that a tax sale purchaser must send to the owner of record and other persons who hold publicly recorded claims on the property are revised. The contents of the affidavit that a tax sale purchaser must provide to the collector before receiving a collector's deed to the property are revised to include the required title search and the 90 days' notice service requirements (Sections 140.230, 140.250, 140.260, 140.290, 140.310, 140.340, 140.405, and 140.420);

(4) Specifies that in counties adopting a charter form of government after January 1, 2008, the county collector will continue to collect a 7% fee for the collection of delinquent and back taxes if provided for by the charter. Currently, this only applies to Jefferson County (Section 52.290);

(5) Specifies that a county adopting a charter form of government after January 1, 2008, will continue to have a tax maintenance fund. Currently, this only applies to Jefferson County (Section 52.312);

(6) Authorizes counties of the first and second classification to collect and disburse property taxes using electronic records (Sections 52.361, 52.370, and 55.190);

(7) Specifies that the county collector-treasurer will assume all duties, compensation, fee schedules, and requirements of the collector-treasurer if a county of the third or fourth classification abolishes its township form of government or a county collector becomes a collector-treasurer (Section 54.010);

(8) Requires county auditors in first and second classification counties to have access to all records for county-issued licenses and to receive a monthly listing of the licenses issued with the

specified related information from each county office issuing the licenses. Currently, these county auditors are required to countersign all county-issued licenses and keep a record of them (Section 55.140);

(9) Changes the deadline from September 1 to October 1 for charter counties and the City of St. Louis to set ad valorem property tax rates (Section 67.110);

(10) Authorizes Montgomery County to impose, upon voter approval, a transient guest tax of between 2% and 5% per occupied room per night for the promotion of tourism (Section 67.1360);

(11) Authorizes the cities of Columbia and Kansas City to impose, upon voter approval, a sales tax of one-eighth, one-fourth, three-eighths, or one-half of 1% for public safety activities, including operations and capital improvements, and for the retirement of bonded indebtedness (Section 94.577);

(12) Changes the classification of any watercraft that has bath and toilet facilities, a sleeping area, and kitchen facilities and is eligible for the home mortgage interest deduction on the taxpayer's federal income tax return for property tax purposes from personal property to residential property. The watercraft must be registered under Chapter 306 and be the principal or temporary place of residence of the taxpayer (Sections 137.016 and 137.080);

(13) Limits the assessed valuation of a motor vehicle to the assessed valuation in the previous year or lower. The provision will not apply to a vehicle sold or purchased during the assessment year (Section 137.126);

(14) Requires all assessors in counties without a charter form of government and Jefferson County to give property owners additional information with the notice of increased assessed valuation. Currently, assessors in counties without a charter form of government must give taxpayers a projected tax liability notice with the notice of increased assessed valuation beginning January 1, 2011. The notice must include the previous assessed value and any increase, a statement indicating that the change in assessed value may impact the record owner's tax liability, and information regarding the processes and deadlines for appealing determinations of the assessed valuation. This requirement applies to all calendar years prior to January 1 of the year following receipt of the necessary software from the State Tax Commission. Beginning January 1 of the year following receipt of the software, assessors in all counties without a charter form of government and Jefferson County must give taxpayers a projected tax liability notice with the notice of increased assessed

valuation. Beginning January 1, 2011, in St. Louis County, the assessor must provide notice that information regarding the assessment method and computation of value for real property is available on the assessor's web site, the web site address, and the assessor's contact information so taxpayers without Internet access can request and receive the information (Sections 137.180, 137.243, and 137.355);

(15) Authorizes, beginning July 1, 2010, an additional 2% deduction from the collection of all tax increment financing property taxes each year in the City of St. Louis and in charter and first classification counties with a total assessed valuation of at least \$500 million in tax increment financing agreements. The deductions must be deposited into the county's or city's assessment fund for the identifying, locating, administering, districting, coding, tracking, and valuing of all tax increment financing, neighborhood improvement districts, community improvement districts, and all other property tax abatements (Section 137.750);

(16) Authorizes each party to an appeal that is scheduled to be heard before the State Tax Commission to request one change of the assigned hearing officer by filing a written application to disqualify the officer within 30 days of the assignment (Section 138.431);

(17) Requires county collectors in first and second classification counties to file with the county clerk and auditor by the fifteenth day of each month a detailed statement of all taxes and license fees collected during the preceding month and to disburse those funds, less commissions, to the appropriate taxing entities and the Department of Revenue. Taxing authorities are required to request notification of current taxes paid under protest by February 1, and county collectors must provide the information by March 1 (Sections 139.031, 139.040, 139.150, 139.210, 139.220, 140.050, 140.070, 140.080, and 165.071);

(18) Reduces the maximum interest rate charged on tracts of land with delinquent taxes in all counties except the City of St. Louis from 18% to 9% annually and reduces the maximum penalty from 2% to 1% per month on lands redeemed prior to their sale (Section 140.100);

(19) Clarifies that certain purchases made for resale are not to be considered as retail for sales and use tax purposes when the subsequent sale is taxed in the state or another state, is for resale, is excluded from tax, is subject to tax but is exempt, or is exempt in another state where the subsequent sale occurs (Section 144.018);

(20) Clarifies that operators of amusement parks and places of entertainment or recreation, including games or athletic events, must charge sales taxes on the amount of gross receipts charged for admission, but any subsequent sale of the admissions or seating accommodations will not be subject to the taxes if it was an arms length transaction for fair market value with an unaffiliated entity and clarifies that operators of hotels, motels, taverns, restaurants, drugstores, dining cars, tourist camps, or similar businesses must charge sales taxes on the amount of gross receipts charged for all rooms, meals, and drinks furnished at the establishment, but any subsequent sale of those same rooms, meals, and drinks is exempt from sales and use taxes if it was an arms length transaction for fair market value with an unaffiliated entity (Section 144.018);

(21) Authorizes a state and local sales and use tax exemption for any sale of utilities at cost by a sports complex authority which is ultimately consumed in the operation of a sports complex leased to a professional sports team (Section 144.030);

(22) Exempts from state and local sales and use taxes the sales of sporting clays, wobble, skeet, and trap targets to a shooting range or similar business for use in the normal course of business as well as moneys received by a shooting range or a similar business from patrons and held for redistribution to patrons at the conclusion of a shooting event (Section 144.030);

(23) Exempts from state use taxes certain business donations of tangible personal property held as inventory given to a sales tax exempt organization (Section 144.817);

(24) Authorizes a state and local sales tax exemption for gratuities, whether mandatory or voluntary, provided with the receipt of property or services (Section 1); and

(25) Removes the amount charged by a travel agent or an intermediary from all hotel or motel local transient guest taxes or local occupancy taxes (Section 2).

The provisions regarding the classification of watercraft for tax purposes will expire December 31 six years from the effective date.

The substitute contains an emergency clause for the provisions authorizing a sales tax exemption for gratuities, clarifying sales that are not to be considered as retail for sales and use tax purposes, clarifying when certain operators must charge sales taxes, removing amounts charged by a travel agent or intermediary, limiting the excessive increase in assessed valuation of motor vehicles, authorizing increased funding for

public safety in the cities of Columbia and Kansas City, and authorizing increased funding for county assessors to accomplish statutory duties.

FISCAL NOTE: Estimated Effect on General Revenue Fund of a cost of More than \$100,000 in FY 2011, a cost of More than \$100,000 to an income of More than \$100,000 in FY 2012, and a cost of More than \$100,000 to an income of More than \$100,000 in FY 2013. Estimated Effect on Other State Funds of a cost of More than \$100,000 in FY 2011, a cost of More than \$100,000 to an income of More than \$100,000 in FY 2012, and a cost of More than \$100,000 to an income of More than \$100,000 in FY 2013.

PROPOSERS: Supporters say that the bill allows a change in hearing officers by making a request to the State Tax Commission.

Testifying for the bill was Senator Rupp.

OPPOSERS: There was no opposition voiced to the committee.