

Missouri

Highlights

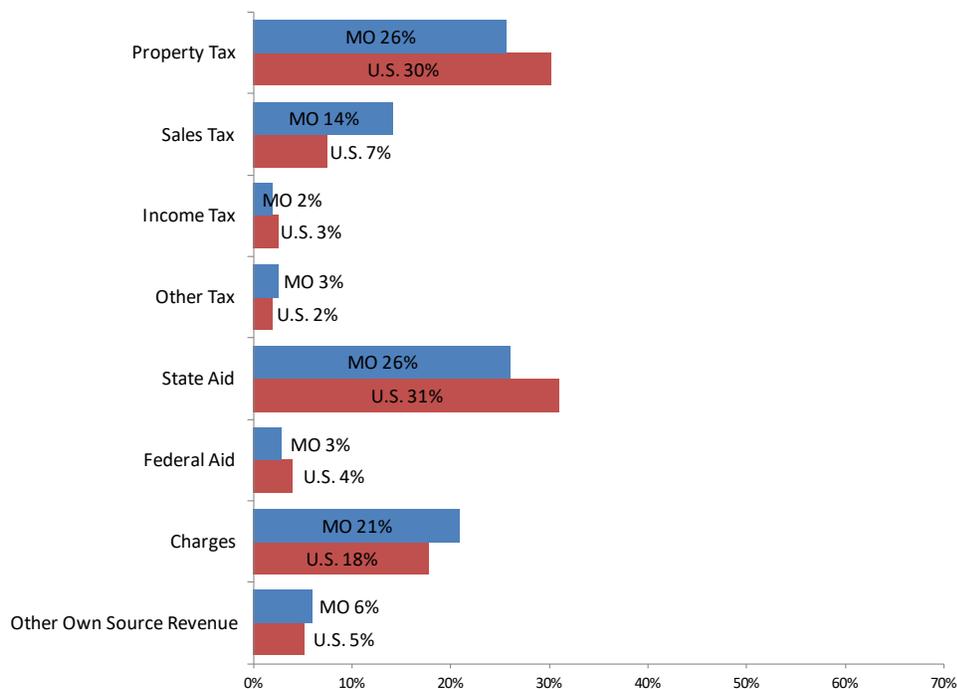
Missouri has a large number of active local governments, many of which are authorized to levy property taxes. Property taxes represent about one quarter of local general revenue (figure MO-1), but for many local governments, this is the predominant source of funds for the most important services such as education and public safety.

The degree of reliance on property taxes varies considerably from county to county depending on their ability to impose sales taxes and other forms of charges and taxes. The tax bases of schools, libraries, and some fire districts are supported entirely by property taxes. The cities of St. Louis and Kansas City are also authorized to impose income taxes.

In 2019, Missouri's personal property taxes made up about 18 percent of the state's property tax base, one of the highest in the country (Significant Features of the Property Tax). In addition, the state has a classified property tax system, with eight different classes having varying assessment ratios. Residential property is assessed at 19 percent of market value, so a \$100,000 home would be assessed at \$19,000.

Figure MO-1

Sources of Local General Revenue, Missouri and U.S., 2018



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2018, property taxes represented 13.3 percent of state and local general revenue, which was below the U.S. average (table MO-1).

Table MO-1
Selected Missouri Property Tax Statistics, 2018¹

	Missouri	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,070	\$1,667	36
Property tax percentage of personal income	2.3%	3.1%	39
Total property tax as percentage of state-local revenue	13.3%	16.6%	35
Median owner-occupied home value ²	\$157,200	\$217,500	39
Median real estate taxes paid for owner-occupied home ²	\$1,526	\$2,471	35
Effective tax rate, median owner-occupied home ³	1.0%	1.1%	25

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2015-2019.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes in Missouri are applied to two kinds of property: real property including land and buildings for residential, agricultural, and commercial/industrial uses; and personal property including motor vehicles, boats, manufactured homes, and farm machinery.

In Missouri's classified property tax system, residential real property is assessed at 19 percent of value and commercial at 32 percent of value. Agricultural land that is being actively farmed is assessed according to its productive capability; but if the property is vacant and unused, it is assessed at 12 percent. Personal property, such as cars and boats, is assessed at 33.3 percent of value, manufactured homes at 19 percent, and farm machinery and livestock at 12 percent.

The State Tax Commission is an administrative agency under the direction of three commissioners appointed by the governor and approved by the senate, which is responsible for ensuring uniform and equitable assessment of all taxable tangible property in 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 also hears taxpayer 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.

Limits on Property Taxation

The state of Missouri limits both property tax rates and property tax levies (table MO-2). The Property Tax Statutory Rate Cap limits school district property tax rates to 27.5 mills for city and town school districts or to 6.5 mills for districts not comprising cities or towns; municipal tax rates to 10 mills, with an allowance for up to 13 mills with voter approval; and county tax rates to 3.5 to 5 mills depending on total assessed value. Missouri's levy limit, known as the Hancock Amendment, restricts growth in property tax levies to the previous year's levy with a growth adjustment that is the lesser of the actual assessment growth rate, the rate of inflation, or 5 percent. Override of the levy limit requires a majority vote.

Property Tax Relief and Incentives

The Missouri Property Tax Credit Claim, a type of circuit breaker program, provides for refunds of up to \$750 for renters and up to \$1,100 for owner-occupiers on property taxes for residents who are 65 years of age or older or 100 percent disabled and whose total household income is below a determined threshold. Homeowners or renters who are 100 percent disabled due to military service do not need to include veteran payments and benefits as household income.

A Missouri citizen who was a prisoner of war and has a total service-connected disability is exempt from property tax on all real property used as a homestead under a 2010 constitutional amendment (Article X, Section 6).

Economic development property tax incentives in Missouri include an enhanced enterprise zone program, an abatement program for urban development corporations, and tax increment financing. The enterprise zone program provides a property tax exemption of at least 50 percent for 10 to 25 years for improvements within designated zones.

Table MO-2
Missouri Property Tax Features, 2019

Feature	Missouri	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	34

Sources: Significant Features of the Property Tax

Key Property Tax History

There is a constitutional limitation on state and local government taxation dating back to 1980, known as the Hancock Amendment (Article X). This amendment includes a formula that limits annual Missouri tax revenue to 5.6395 percent of the total personal income of its residents. If the state exceeds the limit, it must refund the money, as it did several times in the last half of the 1990s. This amendment also prevents the state from imposing on local governments any new responsibilities without providing the money needed to carry them out, and it limits local governments from levying or increasing any taxes without voter approval.

Since the amendment's enactment, there have been numerous challenges and attempts at workarounds, leading to an effort to introduce a Hancock II Amendment to further strengthen the limitations on taxation. This effort was soundly defeated in 1994.

Missouri's school funding system was declared unconstitutional in 1993 after the Committee for Educational Equality sued the state on behalf of low-wealth school districts. The state responded by overhauling their school funding mechanism with the Outstanding Schools Act of 1993. This legislation delinked local tax collections and local property wealth by implementing a new school financing formula that equalized revenues. If a school district put in the appropriate tax effort, they were guaranteed the tax revenues of a school district at the 95th percentile of property wealth. The state, however, was not able to fully fund the new formula due to housing prices rising faster than state income (Podgursky, Smith, and Springer 2008).

Fearing another lawsuit, the Missouri School Boards Association used a consulting firm to conduct a school funding adequacy study. It found large spending shortfalls and the legislature responded with Senate Bill 287 of 2005. This created a new funding formula that used the

operating spending per student from 113 successful schools to determine the state's target spending per student. This new formula did not stop a 2004 lawsuit from being reactivated and going to trial in the first months of 2007. The Committee for Educational Equality sued the state, claiming it violated the constitution through "disparities, inadequacies and inequalities of the school funding formula" (Podgursky, Smith, and Springer 2008). In 2009, the Missouri Supreme Court ruled against more than half of the state's school districts when it denied the plaintiff's claim that the school funding formula was unconstitutional (SchoolFunding.Info).

Recent Developments

The Kansas City Metro Area that spans the border between Kansas and Missouri has been the epicenter of a fierce bidding war for business since around 2009 (Hamilton 2019). According to the Hall Family Foundation (2019), Missouri has awarded \$151 million in incentives over the last 10 years to lure businesses across the border from Johnson and Wyandotte Counties in Kansas, and Kansas has spent \$184 million luring businesses over from Jackson County. Kansas has netted 1,200 jobs in the process. In June 2019, Missouri signed into law Senate Bill 182, prohibiting the use of tax incentives by border counties for businesses relocating over the border from Kansas, which would take effect only if Kansas were to enact comparable legislation. Kansas Governor Laura Kelly signed Executive Order No. 19-09 implementing a similar measure on August 2, 2019, and Kansas City, Missouri passed Ordinance No. 190793 on January 30, 2020, putting an end to the bidding war.

With economic development incentives costing schools and other taxing jurisdictions millions in property tax revenue, in February 2021, Kansas City adopted an ordinance that limited the property tax abatements provided to developers to 70 percent for 10 years and 30 percent for an additional five years, down from 75 percent for 10 years and 37.5 percent for an additional 15 years (Kite 2021).

In 2021, the Missouri legislature resurrected a bill (revised Senate Bill 24), which would reduce its current 33.3 percent assessment rate annually at the same rate as real property tax rates increase on a county-by-county basis (Gerber 2021). The original Senate Bill 24, rejected earlier, aimed to decrease the personal property tax assessment rate to 0.001 over a five-year period (Benevento 2021).

Spurred by sudden and, in some cases, huge property assessment hikes in Jackson County in 2019, in April 2021, a state legislator proposed a bill which would freeze property assessments at their last sale price with permitted adjustments for inflation or property improvements, a practice known as acquisition value based assessment (Kuang 2021). The bill was introduced following an investigation by state lawmakers into Jackson County's assessment practices (Gamm 2019) and a report by the Missouri state auditor that found Jackson County needs to improve its assessment practices and procedures (Missouri State Auditor Report No. 2021-001). If the bill passes, Missouri voters would need to approve a constitutional amendment to repeal the current requirement that properties be assessed at market value (Kuang 2021).

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