

# Missouri

## Highlights

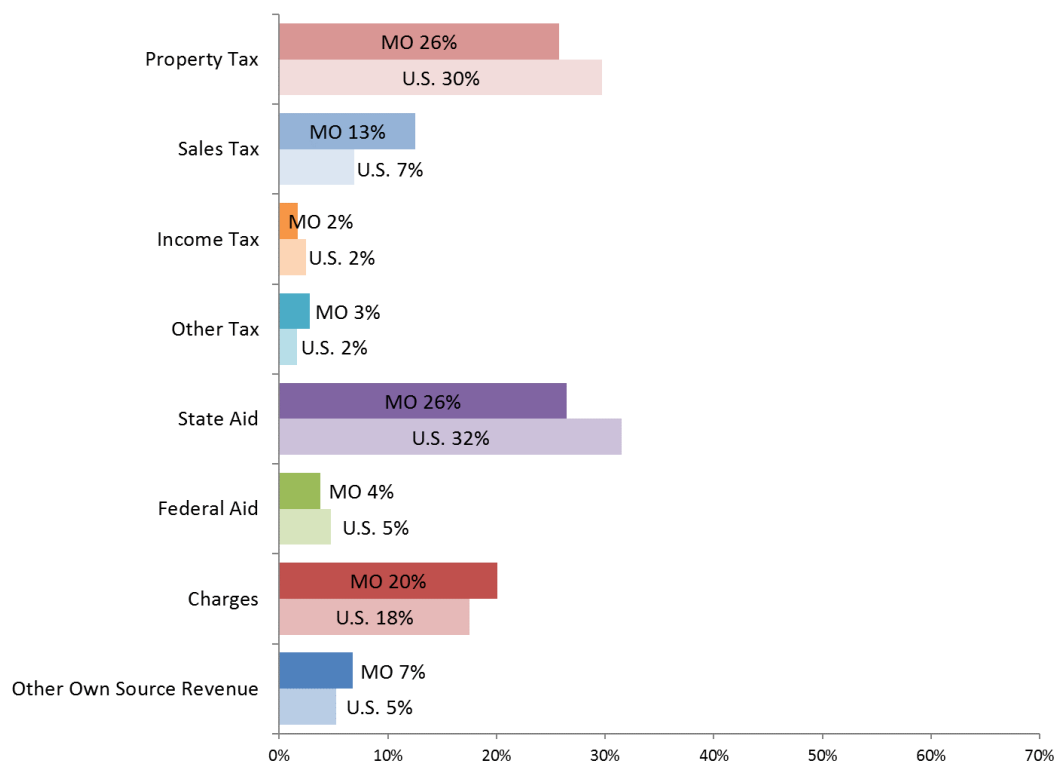
Missouri is characterized by having a large number of active local governments, many of which are authorized to levy property taxes. Property taxes represent 26 percent of local general revenue (figure MO-1); but for many local governments, this is the predominant source of funds for the most important 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 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.

Missouri has the third-highest level of personal property taxes per capita in the nation (Errecart, Gerrish, and Drenkard 2012). (Virginia and Rhode Island rank higher.) 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., 2013**



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

## Property Tax Reliance

In fiscal year 2012 to 2013, property taxes represented about 14 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, 2013<sup>1</sup>**

|   | Missouri  | U.S. Average | Rank (of 51)<br><i>1 is highest</i> |
|---|-----------|--------------|-------------------------------------|
| <a href="#">Per capita property tax</a>                                 | \$976     | \$1,441      | 35                                  |
| <a href="#">Property tax percentage of personal income</a>              | 2.4%      | 3.2%         | 39                                  |
| <a href="#">Total property tax as percentage of state-local revenue</a> | 13.7%     | 16.9%        | 35                                  |
| Median owner-occupied home value <sup>2</sup>                           | \$137,000 | \$176,700    | 36                                  |
| Median real estate taxes paid for owner-occupied home <sup>2</sup>      | \$1,357   | \$2,107      | 35                                  |
| Effective tax rate, median owner-occupied home                          | 1.0%      | 1.2%         | 26                                  |

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

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

<sup>2</sup> 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 2009—2013.

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

## Administration and Assessment

According to the 2012 Census of Governments, Missouri ranks seventh among the states in the number of active local governments, with a total of 3,768. This includes 114 counties, 954 municipalities, and 534 school districts, all of which are authorized to levy property taxes, as well as many of the 1,854 special districts (to support functions such as airports, libraries, fire protection, and sewers).

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. Missouri ranks third highest in the country for its personal property taxes per capita (Errecart, Gerrish, and Drenkard 2012).

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, and electrical 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 growth rate, inflation, or 5 percent. Override of the levy limit requires a majority vote.

## **Property Tax Relief and Incentives**

The Missouri Property Tax Credit Program, a type of circuit breaker program, provides for refunds of \$750 for renters and \$1,100 for owner-occupiers on property taxes for residents who are over 65 years of age, are armed services veterans, or are 100 percent disabled, and whose total household income is below a determined threshold.

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

Economic development property tax incentives in Missouri include regular and enhanced enterprise zone programs, 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, 2013**

| Feature  | Missouri | Count for 50 states plus DC |
|--|----------|-----------------------------|
| <a href="#">Statewide classification of real property</a>      | Yes      | 25                          |
| <a href="#">Assessment of property primarily by county</a>     | Yes      | 30                          |
| <a href="#">Limits on property tax rates or levies</a>         | Yes      | 45                          |
| <a href="#">Limits on the rate of growth of assessed value</a> | No       | 19                          |
| <a href="#">Circuit breaker property tax relief program</a>    | 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 bars 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.

## Recent Developments

Recent efforts to change Missouri's tax policy have focused primarily on reducing state income tax rates and increasing sales taxes; and apart from the General Assembly's 2016 rejection of a Missouri Tax Commission proposal to raise the agricultural property tax on high productivity farmland by five percent, little attention has been given to property taxes.

There was one unsuccessful initiative to prevent St. Louis and Kansas City from imposing income taxes within their jurisdictions. A statewide ballot proposal barring local tax authorities from imposing new earnings taxes was approved in 2011, but the cities of St. Louis and Kansas City were allowed to retain theirs provided that city voters are balloted every five years. In spite of strong lobbying to abolish these taxes, in 2016 city voters approved retaining them for another five years by large majorities. The tax accounts for one-third of general revenue in St. Louis and over 40 percent in Kansas City.

## Resources

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