FAQ Review: Property Taxes

prepared by the Missouri State Auditor's Office

What is an ad valorem property tax?

These are commonly known as property taxes. Ad Valorem taxes are taxes that are based on the value of property.

What does the term "assessed valuation" mean and how is it different from "market value"?

Property is not assessed on the market value, or "true value." Rather, the assessed value is the portion of the true value of the property. For personal property, the assessed value of property may not exceed 33.3 percent of its true value in money. For real property, residential property is assessed at 19 percent of its true value in money; agricultural/horticultural property is assessed at 12 percent of its true value; and utility, industrial, commercial, railroad and other real property is assessed at 32 percent of its true value in money. Most personal property is assessed at 33.3 percent of its true value in money.

Is there a required date by which municipalities must have set their property tax levies?

Each political subdivision in the state, except charter counties and any political subdivision located at least partially within any charter county must set their property tax rates by Sept. 1 for entry in the tax books. Charter counties and cities not within a county (i.e. St. Louis city) must set their property tax levy by Oct. 1 of each year.

Is a public hearing required to set the levy?

Yes. Statute (Section 67.110) requires cities and villages to hold a public hearing on proposed tax rate increases. Notice must be given via newspaper publication at least seven days prior to the date of the scheduled hearing, or such notice shall be posted in at least three public places.

What needs to be in the notice of the public hearing?

Section 137.055.2 of the Missouri Revised Statutes requires the following to be included in the published public hearing notice:

The aggregate assessed valuation of real, total personal and other tangible property in the county by category for the fiscal year in which the tax is to be levied.

The aggregate assessed valuation of real, total personal and other tangible property by category for the preceding taxable year.

The amount of and purpose for the money to be raised by the tax levy as approved in the budget.

The proposed rate of taxes that will effectively produce the same revenues required by the budget.

The increase in tax revenue that will be realized due to an increase in assessed value from new construction/improvement.

The increase (in dollar and percentage) of tax revenue from reassessment if the proposed tax rate is adopted.

What's the difference between the maximum authorized tax rate and the tax rate ceiling provided by the state auditor?

The maximum authorized rate is the greater of the 1984 tax rate or the most recent voter approved tax rate. Political subdivisions may not impose a tax greater than the maximum authorized levy without voter approval.

The tax rate ceiling is the maximum tax rate allowed by state law in the current year. Under the Hancock Amendment, when property increases in value by a larger percentage than the consumer price index, the tax rates must be adjusted to yield the same amount of revenue as it would have been collected by the existing levy on the prior assessed value. The new adjusted rate becomes the tax rate ceiling for the current year.

Do increases in assessed valuation require a property tax "roll back"?

Yes. A political subdivision may not impose a tax greater than its current tax rate ceiling. When the total assessed valuation within a political subdivision increases, as often happens as a result of reassessment, the political subdivision is allowed an increase in revenues to account for inflation, plus the revenues it receives from the taxes on new construction and improvements. After these inflationary factors, the governing body of each political subdivision is required to then "roll back" the tax rates to take in no more than substantially the same income it would have received in the prior year under that year's rate. The inflation factor used by the political subdivisions (not including new construction) is either 5 percent or the Consumer Price Index as certified by the Missouri State Tax Commission, whichever is less.

A rollback is not required for debt service levies.

If a city voluntarily lowers the tax rate to below the ceiling rate can it be raised back to the ceiling rate? Does it matter if this is a year of reassessment?

If in an even numbered year (a non-reassessment year) the political subdivision wishes to no longer use the voluntarily lowered tax rate ceiling to calculate its tax rate, it can hold a public hearing and pass a resolution, a policy statement, or an ordinance justifying its action before setting and certifying the new tax rate.

Is a vote of the people needed to increase the property tax rate above actual tax rate? And what would be the timeframe for implementation of an increased levy?

Yes. Tax rates may be increased above the tax rate ceiling with a vote of the people up to the rate allowed by statute. For tax rates to take effect for the current year levy, the rate must be passed before setting the tax rate to be included in the tax rate calculations.

Are there other municipal property tax levies besides the general levy?

Yes, there are multiple. Examples include parks, libraries, hospitals, public health and museum tax levies.

Can municipalities establish different levy rates for different property classifications?

Only in limited circumstances can municipalities vary the tax levy rate based on a property's classification. Most municipalities may only impose a single rate. Single rate tax levies do not establish different levy rates for different property classifications. Multi-rate tax levies, that are currently authorized for most St. Louis County political subdivisions, as well as for the city of Gladstone located in Clay County, can establish different levy rates for each of the following property classifications: real, agricultural, commercial and personal property.