

Briefs and quotations from a presentation given by John H. Poelker, Comptroller, City of Saint Louis, February 17, 1966, before the Missouri State Tax Study Commission.

"The apparent need for a penetrating look at and review of State Tax Structures is supported not only by the petitions within our State in recent years, but by the existence of similiar legislative and citizen tax study committees in many other states. The results of some State Tax Studies have already been written into revised statutes. The physical, social, economic and technical conditions changed beyond measure by the technological transformation from a balanced agricultural - industrial spread to a complex commercial - industrial concentration in urban centers."

"Article X of the Constitution deals primarily with the Classifications of taxable property Class 1 - Real Property; Class 2 - Tangible Personal Property; Class 3 - Intangible Personal Property."

#### Real Property

"Under provisions of the Constitution and State Statutes all real and tangible personal property is required to be assessed at true value in money. It is generally accepted that assessments throughout the State are made on a formula that develops an assessment, which when tested with published sales prices of exchanged property, represents a varying percentage of sales prices. The establishment of true value by an Assessor for assessment purposes, equitably applied to all property in the same class within the Assessor's jurisdiction has generally been accepted by review bodies and the courts. The problem of equalizing total assessed value between counties rests with the State Tax Commission. The expansion of urban communities enveloping and overlapping county boundaries (and therefore jurisdictions of more than one Assessor) has strengthened the case for a more definitive State-wide basis for assessments."

"In order to give the State Tax Commission the necessary tools to establish state-wide conforming assessment practices, a more specific and definitive basis of assessment should be developed. In making a review of such statutes it would be desirable to establish separate formulae for assessment of land values and improvements thereto. Some of the problems encountered in recent years in sound development of urban areas are the result of actions of "land speculators" who retarded orderly expansion by withholding desirable development tracts from the market and thereby reaped the advantage of both public and private area development costs which increased land values without any contribution on the part of the land speculator."

"With this in mind and recognizing the age-old theory of the "economic wealth and production from land" I would recommend a separate formula for land assessment as distinguished from improvement assessment. It would seem to justify truly definitive legislation to assess all land at one hundred percent (100%) of its true productive-economic value, with an assessment formula to assess improvements to land at twenty-five percent (25%) of its depreciated reproduction cost of economic value if the economic value is greater. This approach would incite a more fruitful planned use of land and would encourage the development and rehabilitation of improvements thereon."

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The following is taken from a Statement of Frank P. Sebree, Councilman at large, 6th District, Chairman of Finance Committee of the City Council, City of Kansas City, Missouri, made in his appearance before the Missouri State Tax Study Commission, Jefferson City, Missouri, Thursday, February 17, 1966

"Two possible solutions present themselves and probably both should be pursued.

(1) The State government can give increased assistance to local governmental units to solve their own financial problems; grants-in-aid or shared revenue.

(2) The State can relax the tight reign it holds over the ability of local governmental units to solve their own financial problems.

The first suggestion undoubtedly means some increase in State taxes, although in this connection at least one exception should be pointed out. At present, the State of Missouri is losing millions of dollars in Federal Aid because in some areas the State and local governments are not taking the necessary steps to qualify for Federal programs. Certainly this Commission will want to devote some attention to the prospect of obtaining Federal monies for work in critical areas.

The second suggestion -- relaxing local government reigns -- undoubtedly constitutes a departure from the age-old concept that the State should retain tight control over all aspects of its political subdivisions. But I submit that the time has come to discard the negative philosophy that a local community is not mature enough to make its own decisions.

We hear much today about the ever-encroaching power of the Federal government and how it is usurping functions which can better be handled at the local level. But, the plain fact is that if you are talking about the State of Missouri the problem cannot really be handled at the local level. Either State law prohibits their solution, or it places so many constitutional or statutory roadblocks in the way that, as a practical matter, the result is the same."

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#### Illustrations of Inflexible, Restrictive Tax System

##### 1. Limitations of the Property Tax Rate

The State Constitution limits the cities to property tax rate of one dollar on the hundred dollars assessed valuation (Article X, Section 11b). This is the tax rate that Kansas City basically has held to for the past 40 years.

In view of the fact that the last property re-valuation took place in 1940, the \$1.00 tax limitation is clearly unrealistic.

The property tax is still our principle source of revenue. Yet, the \$1.00 property tax in Kansas City does not provide sufficient funds to operate our Police and Fire Departments.

The recently enacted Earnings Tax has brought Kansas City out of the public finance doldrums.

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But we should consider this basic fact today as we look to the future: All our property taxes and Earnings Tax combined will pay only for three operating programs - police, fire, and hospital - and the current low level debt service. There is no margin for the needed increases to meet the material service and public improvement needs of the future.

## 2. Need for Property Re-evaluation

There is another factor which bears heavily this point. This concerns the level at which real estate assessments are carried. We know that the vast majority of assessments of property in Kansas City, Jackson County, are at the same and in many cases lower than the values established by the Jacob's re-assessment of 1941-42. We know that the values of real property over the intervening years have in most cases increased substantially - - in many cases they have doubled or more. We also know that the dollar of today will buy less than one-half the amount of construction that it would buy 25 years ago when the property of Jackson County was last reassessed.

Clearly the City of Kansas City and the School District cannot be asked to continue much longer under this burden. Yet the valuation placed upon the property by the City cannot exceed that of the County so the City must wait until the County acts. State laws should insist upon a systematic revaluation of property every five years. If nothing else, this would at least insure that taxpayers are paying taxes on an equitable and fair basis.

One would think that with hundreds of millions of dollars expended for new construction and increasing the area by six times the real estate assessment would be many times the assessment for 1940-41. Actually, the assessment of \$714 million for 1965 was less than twice the figure of \$392 million for 1941.

It is obvious that the characteristics of many areas of the City and County have changed over the space of a quarter of a century since the last reassessment. Yes, many areas have been substantially improved whereas in other areas values are depressed. Thus, with assessed values ranging from as low as 5% to a high of 40% the tax burden is not equitably distributed.

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