

Frequently Asked Questions about the Assessment Process

What is assessment and reassessment?

The property tax is designed to be a tax upon the wealth associated with ownership or occupancy of a particular piece of property. The **assessment** process determines and assigns value on a property for the purpose of property taxation. Once this original assessment of value has taken place, **reassessment** occurs on a regular basis to update the real property assessments to adjust values to current market conditions and equalize values among taxpayers and to. Reassessment ensures that assessments are uniform and equitable. The majority of states require annual reassessment of real property, while many states require longer periods. In Missouri, real property assessment and reassessment occurs at the county level every odd numbered year (for example, the next reassessment will take place in 2009), while personal property is assessed annually.

While not a perfect science, the assessment process is designed to assure that:

- Values assigned to properties are not determined in a capricious and arbitrary manner
- Changes in the relative wealth of a property are accurately captured
- Disparities of wealth between different taxpayers can be accounted for as a part of their tax liability

Why is reassessment necessary?

The only way to ensure that the property tax remains a tax on wealth and that taxpayers are treated equitably is to consistently update values to reflect changes in wealth. Under Missouri's Constitution, all assessments for property tax purposes must be based on market value and must be uniform within the same class and subclass of property. Since the value of property may change over time, and some values change at a faster pace than others, reassessment allows local governments to make certain that taxpayers are being taxed fairly and taxed the same as other comparable property.

What happens in the even years when real property is not reassessed?

For most owners of real property, their property assessment remains the same for the year following reassessment. If new construction is completed or improvements are made to a property in an even numbered year, the property's market value is adjusted to reflect the added value of those changes.

Do property values change due to reassessment?

Since the market value of properties can and does change over time, all property assessments will most likely change, but not all values will change to the same degree. Furthermore, changes will occur when improvements are added to the property. Even if no improvements are made, market value can increase or decrease depending upon price ranges, neighborhoods, locations, and other market conditions.

Who assesses real property?

The county assessor is mainly responsible for assessing property within the county. The assessor's work is subject to review by the county's Board of Equalization and the State Tax Commission. The Board of Equalization hears taxpayer complaints, reviews the property assessments, and issues decisions that either affirm or adjust the assessments. The State Tax Commission is the state agency that supervises Missouri's property tax system by assisting county assessors, assessing railroad and utility properties and utilities, evaluating whether local assessments are complying with state law and are accurate and equitable, and also hears appeals from taxpayers who disagree with the value or classification placed on their property.

What are the assessor's qualifications?

Across the country, assessors are selected in a wide variety of measures, either through appointment or direct election. In Missouri, most assessors are elected at the county level to four-year terms, while a few are appointed at the county level. Furthermore, retiring assessors are responsible for helping new assessors transition into their position so that they can be adequately trained before they conduct their own assessment. The International Association of Assessing Officers (IAAO), the national professional organization representing assessors, along with other organizations offer a wide variety of certification programs, courses, seminars, and other educational tools to assist assessors. In addition, the Missouri State Tax Commission also requires that assessors are trained in all aspects of the assessment process as well as requiring that assessors participate in approved continuing education courses to remain certified.

What is market value?

The goal of property assessment in most states and Missouri is to assess property so that the value determined by the assessor reflects market value. According to the IAAO, market value is:

“The most probable price (in terms of money) which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.”

Under Missouri law, market value, true value in money, and appraised value have the same meaning.

How does the assessor value my real property?

Assessors and their staff are trained in a variety of manners to determine the market value of property. The three accepted techniques of valuation are the cost approach, the sales comparison approach, and the income approach:

- **Cost Approach:** In the cost approach, the assessor determines value by determine what it could cost to build a replacement to the property and any improvements on the property. The assessor estimates the value of the land, as if it were vacant. Then the amounts it would cost to replace the structure with one of similar function, using costs of materials and labor, profit, overhead, permit fees, and other costs are added. If the structure on the property is not new, the assessor then estimates depreciation from all causes and subtracts that amount from the replacement cost calculation. In Missouri, the cost approach is commonly used for many residential and commercial properties.
- **Market/Sales Comparison Approach:** A sales comparison approach examines similar property to determine value. Property is evaluated based on other comparable properties

- **Income Approach:** The income approach establishes value by determine the level of income a particular property can generate. The assessor estimates potential gross income from rentals, then subtracts an amount for vacancies and operating expenses. The amount of net income is then converted to a value for the property using a process called capitalization. This approach works best for apartments, shopping centers, office buildings, and other commercial and industrial properties.

Assessors conduct regular physical inspections of properties, although in many cases not annually. For many counties, determining the value of thousands of properties every two years requires the use of tools such as a computer-assisted mass appraisal (CAMA) system that allows assessors to apply market information and trends to property based upon property records in order to determine value.

What is my assessed value?

Missouri law establishes assessed value as a percentage of market value (as determined by the assessor) based upon the classification of the property and its use. This assessed value is then used by the county to determine tax liability by applying it to the various tax levies. The percentages are as follows:

	Type of Property	Assessment Percentage
Real Property	Agricultural	12
	Residential	19
	Commercial and All Other	32
Personal Property	Grain	½ of 1%
	Historic Autos	5
	Farm Equipment & Livestock	12
	Cars, trucks, boats, other	33 1/3

For example, a home with a market value of \$100,000 would have an assessed value of \$19,000. A car with a market value of \$10,000 would have an assessed value of \$3,333.

Do increases in value mean that taxpayers pay higher property taxes?

An increase in assessed valuation does not necessarily equal an increase in property taxes. Taxes are calculated by multiplying the assessed value times the combined levies of the taxing entities which are allowed to levy taxes on the property. If the levies increase, taxes may increase even if assessed values remain the same or even decrease. If levies decrease and assessed valuation increases,

property taxes may remain the same. Certain Missouri constitutional and statutory provisions also require local taxing authorities to rollback tax rates to compensate for significant assessment increases beyond inflation. Furthermore, tax levies may be increased or decreased by a vote of the people. In many cases, taxing authorities also voluntarily rollback tax levies beyond what they are required to do.

How is my property tax liability determined?

In Missouri, taxpayers are typically notified of assessment changes between March and May. Tax rates are then leveled at a rate per \$100 of assessed value, which are then set by taxing authorities by September 1st. Once all levies are determined, the levies of all of the taxing entities allowed to tax the property are combined (along with an additional 3 cent state levy for the Blind Pension Fund), to determine the total levy. That amount is then multiplied by the property's assessed valuation.

For example, if a residential property's market value is \$100,000, its assessed valuation is \$19,000. If the total levy is \$5.00 per \$100 valuation, then the resulting property tax is \$950.

$$\begin{array}{rccccccccc} \text{Market Value} & * & \text{Assessment} & = & \text{Assessed Value} & * & \text{Levy per } \$100 & / & \$100 & = & \text{Tax Amount} \\ \$100,000 & * & 19\% & = & \$19,000 & * & \$5.00 & / & \$100 & = & \$950 \end{array}$$

How does the assessor determine my personal property tax liability?

The assessor sends out assessment forms early each year. It is the taxpayer's responsibility to send a completed form to the assessor by the posted date, listing all the taxable personal property owned on January 1st. If the form is late, or not returned, a penalty ranging from \$10 to \$100 is assessed, depending on the amount of assessed valuation of personal property involved. Once the assessor receives the personal property form, an assessed value is assigned and the tax liability is determined in the same manner as real property.

References:

International Association of Assessing Officers. 2007. *Standard on Ratio Studies*. IAAO: Kansas City.

Missouri State Assessors Association. "MSAA Frequently Asked Questions." <http://www.moassessorsassn.org/faq.htm>

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State of Missouri. "Article X: Taxation." *Missouri State Constitution*. <http://www.moga.mo.gov/homecon.asp>

State of Missouri. "Chapter 137: Assessment and Levy of Property Taxes." *Missouri Revised Statutes*. <http://www.moga.mo.gov/STATUTES/C137.HTM>

See also:

Frequently Asked Questions about the Appeals Process
Frequently Asked Questions about the Property Tax