



TESTIMONY

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ST. LOUIS COUNTY COUNCIL SUBSTITUTE BILL 1 FOR BILL 176

By David Stokes

Testimony Submitted to the Office of the St. Louis County Executive

TO THE HONORABLE COUNTY EXECUTIVE PAGE

Thank you for the opportunity to share these comments and concerns regarding Substitute Bill 1 for Bill 176.(Bill 176). My name is David Stokes, and I am director of municipal policy at the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that advances sensible, well-researched, free-market solutions to state and local policy issues. The ideas presented here are my own and are offered in consideration of proposals that will address the assessment and taxation of real and personal property in St. Louis County and all of Missouri.

The state legislation that authorized counties to enact bills such as this one was done as part of a rushed and flawed process, with very limited input from the public or local officials. That state legislation allows counties to introduce bills such as this one to freeze the real property taxes of the primary homes for senior citizens once they meet the eligibility requirements. It does this by granting

a tax credit to those seniors according to the rules set out in the bill. I do not doubt this bill is well-intended to help senior citizens stay in their homes as they age, but there are several major problems with this proposal and others like it. First, this proposal is harmful simply because it reduces the property tax base. Unless local governments cut services in response to the enactment of this plan and the granting of substantial property tax credits, it will almost certainly lead to higher tax rates on those properties that are not subject to the property freeze. This bill is every bit as much of a tax increase on non-senior citizens as it is tax relief for some senior citizens. St. Louis County is proposing a slight property tax increase in 2024. Bill 176, if it is enacted, will either negate the revenues raised from that proposed increase, or it will require a larger increase on the residents and businesses who do not benefit from a tax freeze. Both of those policy options are harmful.

This plan is problematic because it favors older homeowners at the expense of new, younger homeowners.

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People who live in similarly valued homes with similar public services should pay similar property taxes. The young couple who has lived in their home for a year should not pay higher property taxes than their neighbor just because their neighbor has lived there for two decades. Similarly, this bill will lead to the troubling issue of people voting on property tax increases that they themselves are not subject to. The single best aspect of property taxation is that it imposes the costs of local services on the people who benefit for those services, unlike sales or earnings taxes that are exported in part to visitors, shoppers, commuters, etc. Instituting a system where people vote on property taxes they won't pay breaks that beneficial connection. It dramatically alters the voter calculation if seniors are voting on property tax increases they are no longer subject to.

California provides us with an example of the harms of these types of property tax subsidies with the famous Proposition 13, passed in 1970s, that limited the increases in property assessments and taxes. Proposition 13 has certainly had its intended effect of making it easier for California residents to stay in their own homes. However, it has also impeded economic growth by disincentivizing people from moving,¹ dramatically increased alternative taxes,² limited homeownership opportunities,³ and caused substantial tax disparities⁴ for similar properties receiving similar services. This is not what we need for St. Louis County.

While the changes enacted in California with Proposition 13 went further than Bill 176 authorizes for St. Louis County, many of these same economic harms would be seen here. These include discouraging seniors from “downsizing” —even in cases where such a move would be desirable and logical—due to the higher taxes on the new residents from the loss of the previously “frozen” tax level.

Bill 176 would further create a very complex program for St. Louis County officials to administer, as evidenced by the difficulties that officials in Chicago had in administering a similar program there.⁵

While Bill 176 might ultimately help some St. Louis County senior citizens remain in their homes longer, it would alter our property tax and assessment system in a myriad of harmful and biased ways. Working with the

state government to fully fund the existing property tax “circuit-breaker” program to help low-income seniors stay in their homes through targeted tax refunds is a much better way to achieve this goal.

Our property tax system works best when the assessments are accurate, the base is wide, and the rates are low. Bill 176 does not move St. Louis County in that direction.

NOTES

1. Picker, Les. “The Lock-in Effect of California’s Proposition 13.” *NBER Digest* No. 4, April 2005; <https://www.nber.org/digest/apr05/lock-effect-californias-proposition-13#:~:text=Proposition%2013%2C%20adopted%20by%20California,year%20until%20the%20next%20sale>.
2. Friedersdorf, Conor. “After 40 years, Proposition 13’s failures are evident,” *Los Angeles Times*, June 4, 2018.
3. Editors, “Proposition 13 Protects Elderly Homeowners, but Hurts Young Families,” *The Times of San Diego*, May 26, 2018; <https://timesofsandiego.com/politics/2018/05/26/proposition-13-protects-elderly-homeowners-but-hurts-young-families>.
4. Legislative Analyst’s Office, “California’s Tax System: A Visual Guide,” page 23; <https://lao.ca.gov/reports/2018/3805/ca-tax-system-041218.pdf#page=23>.
5. Novak, Tim, et al, ‘Senior freeze’ tax program riddled with errors, lax oversight, *Sun-Times* finds,” *Chicago Sun-Times*, June 25, 2021; <https://chicago.suntimes.com/2021/6/25/22549463/senior-freeze-homestead-exemption-tax-program-errors-fritz-kaegi-barbara-kaplan-martin-israel>.



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