



TESTIMONY

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HOUSE BILL 660

By David Stokes

Testimony Before the Missouri Senate Local Government, Elections,
and Pensions Committee.

TO THE HONORABLE MEMBERS OF THIS COMMITTEE

My name is David Stokes. I am the Director of Municipal Policy at the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state and local policy. The ideas presented here are my own and summarize my views regarding property taxes, special taxing districts, resubmitting local government tax proposals to voters, and other local tax issues in Missouri.

House bill 660 (HB 660) would address multiple local tax issues. I will focus on several of them with this testimony.

Governments that use technical interpretations of the laws to violate their intended meaning risk losing the trust of the public. That is what happened in Town & Country in 2024 with its property tax increase. Missouri's Hancock Amendment requires public votes on city tax increases,¹ but the city used a statute intended for small, short-term

property tax rate adjustments to institute a large, long-term tax policy change. The fundamental right of the citizens of Town & Country to have a say in their local government was ignored.

There is nothing inherently wrong with municipalities trying to balance out their revenue streams so that they no longer depend so heavily on sales taxes. The reintroduction of a property tax for the first time in 27 years in Town & Country was not inherently poor policy. However, blatantly ignoring the Hancock Amendment in order to levy the new property tax without a vote of the people after so many years was absolutely poor policy. Now that one municipality has discovered this loophole, other local governments will likely follow. HB 660 would clarify that municipalities that adjust property tax rates up and down without a public vote must do so in the year following a general reassessment. They can't wait decades to make these changes, as Town & Country did. This change would give municipalities the flexibility they need

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to manage their budgets while protecting the rights of taxpayers at the same time.

Around Missouri, we have seen too many examples in which voters reject a tax increase proposal only to have city officials almost immediately place the same proposal back on the ballot. It is as if voters don't know what they are doing, and city officials are entitled to keep placing the same tax increase on the ballot until they get the answer they want. For city officials to act like spurned yet persistent suitors is unseemly in appearance and against the spirit of the Hancock Amendment.

In the April 2024 municipal elections there were several egregious examples of repetitive requests for tax increases within St. Louis County. In Velda City, voters were asked to approve both a marijuana tax and a use tax that they had rejected in the April 2023 elections. Furthermore, Velda City voters were asked to approve a utility tax increase that they had rejected twice before, in both 2022 and 2023.² In Northwoods, voters were asked to approve a use tax despite having voted against the tax in both April, 2023 and April 2022.³

Maryland Heights presents an even more extreme example. There, voters rejected a use tax in November of 2022, yet there they were again in April of 2023 voting just five months later on the exact same tax increase proposal. While these particular examples are limited to St. Louis County, this problem is statewide in nature.⁵

HB 660 would place a sensible limit on how frequently local governments can ask voters for the same tax increases. HB 660 would implement a two-year moratorium after voters reject a new or increased tax at the ballot box before local governments could put it on the ballot again. Missouri's Hancock Amendment is intended to give voters a voice in the taxes they pay. It is not intended to be easily circumvented by municipalities or other governments repeatedly placing tax increases on the ballot until local officials get the result they want. HB 660 would institute necessary and beneficial protections for taxpayers and is well within the spirit of the Hancock Amendment.

HB 660 would also make beneficial changes to the way that community improvement districts (CIDs) and transportation development districts (TDDs) are enacted.

It would require a two-thirds vote from the respective government bodies or the public if the CID or TDD involves a new sales tax.

Missouri has seen an explosion of new special taxing districts (SDs) during the past decade. They include the use of tax-increment financing (TIF), Chapter 100 bonds, TDDs, CIDs, and many other programs. HB 660 proposes changes to state laws governing CIDs and TDDs that will provide an important check on their rapid and destructive growth in Missouri.

The Missouri state auditor's office and other local oversight agencies have routinely flagged CIDs, TDDs, and other SDs for many troubling practices.⁶ These issues include failure to use competitive bidding, board member conflicts of interest, failure to produce or provide necessary financial reports, failure to notify shoppers of the added taxes as required by law, and improperly collecting sales taxes from businesses outside of the districts. State auditors of both parties have called for much greater oversight, more transparency, and other limits on SDs.⁷ The Kansas City auditor's office also recently released an audit documenting many of these same problems with CIDs within Kansas City.⁸

SDs often fund primarily private assets with public dollars. Usually, those public dollars come from sales taxes imposed within SDs. For example, many CIDs in Kansas City—43 out of 74 to be precise as of 2021⁹—consisted of nothing more than one parcel of property and impose sales taxes on the public for the private benefit of that one property owner. These private benefits, for uses such as parking lots or landscaping for retail developments, are paid for by tax dollars rather than through private investment, and the benefits accrue almost entirely to the private party. This means that “the majority of . . . CID tax collection and spending is the result of one group or entity—developers and landowners—imposing taxes on another group—ordinary consumers—who are unaware of the tax and have no say in how the funds are collected or distributed.”¹⁰ That is not sound public policy.

Another major problem with SDs is a lack of transparency. The state auditor's office has issued reports documenting deficiencies in the operation, management, and

accountability for the expenditure of public dollars by these districts throughout Missouri.¹¹ SDs frequently fail to comply with state laws in a number of areas, including the transparency of the special taxes, the bidding process for use of the public dollars, and the annual reporting on how the money is spent. As the recent Kansas City CID audit documents,¹² in 2021 over half of the CIDs in Kansas City failed to submit a budget on time, and 47 percent failed to provide an annual financial report on time (or at all) in 2019.

One troubling provision of HB 660 that the committee should reconsider is the part making all federal 501(c)(3) organizations automatically subject to full property tax exemption in Missouri. State rules for property tax exemption for non-profits are stricter than the federal rules that apply to the income of 501(c)(3) organizations. As the Varsity Blues scandal demonstrated, the use of nonprofits for illegal purposes is a very real issue.¹³ State law should not remove the state and local oversight of the process for property tax exemption by making it automatic.

The many, positive reforms proposed by HB 660, including clarifying the time frame for adjusting municipal taxes without a public vote, limiting the frequency at which voters may be asked to vote on proposals they have previously rejected, and slowing down the expansion of SDs in Missouri by requiring a two-thirds vote at the local level for their authorization if new sales taxes are involved, would benefit everyone in our state.

NOTES

1. Missouri Constitution, Article X, Section 22(a).
2. All election data comes for the St. Louis County election board website election archive.
3. Ibid.
4. Ibid.
5. Ibid.
6. Missouri State Auditor, "Community Improvement Districts," Report No. 2018-056, August 2018.
7. Missouri State Auditor, "Lake Lotawana Community Improvement District," Report No. 2012-133, October 2012.
8. Kansas City Auditor, "Performance Audit of Community Improvement Districts," April 2021.
9. Ibid.
10. Renz, Graham and Tuohey, Patrick, "Overgrown and Noxious: The Abuse of Special Taxing Districts in Missouri." Show-Me Institute Report, June 2019, page 13.
11. Missouri State Auditor, "Transportation Development Districts," Report No. 2017-020, April 2017.
12. Kansas City Auditor, page 8.
13. Rosenthal, Linda, "Non-Profits and the College Admissions Scandal," May 9, 2019, <https://www.fplglaw.com/insights/nonprofits-college-admissions-scandal-2>.



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