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SUPPLY CHAIN, CHIP SHORTAGE AND INFLATION IMPACT VEHICLE VALUES

“Why did my personal property tax bill increase this year?”

This simple question is likely to be asked by many Missourians as the deadline for tax payments approaches on December 31, 2022. The answer is not as simple as the question.

Due to supply chain problems, chip shortages, and record-high inflation, fewer motor vehicles have been available in the market while overall demand for vehicles has remained high. Consequently, the values of motor vehicles have been driven upward. Analysts predict inventory of motor vehicles may not return to pre-pandemic levels until late 2023. Analysts also predict the chip shortage, which has had a dramatic effect on vehicle prices, might not be alleviated until 2024.

In Missouri, county assessors determine the value of property that is taxed locally. County assessors are required to value property at fair market value. To determine fair market value for motor vehicles, state law provides a methodology requiring county assessors to use the trade-in value published in the October issue of the National Automobile Dealers’ Association (NADA) Official Used Car Guide, or its successor publication, as the recommended guide of information for determining the value of motor vehicles described in the guide. The assessor is not allowed to use a value greater than the average trade-in value without performing a physical inspection of the motor vehicle. For vehicles two years old or newer from a vehicle's model year, the assessor may use a value other than average without performing a physical inspection of the motor vehicle. In the absence of a listing for a particular motor vehicle in the NADA guide, the assessor must use information or publications which, in the assessor's judgment, will fairly estimate the fair market value of the motor vehicle. Because supply-chain problems, the chip shortage and record-high inflation have driven the values of motor vehicles upward, the NADA guide used to assess vehicles this year reflects those increased values.

Once fair market value is determined, the assessor multiplies the value by 33-1/3 percent to determine the property’s “assessed value” and transmits the information to the county collector. The county collector calculates the taxes by multiplying the assessed value by the tax levy set by local taxing entities, such as school districts, fire and ambulance districts, and library districts. Taxes collected by the county collector are distributed to the local taxing districts within the county.

The STC oversees the assessment process in Missouri to ensure it is fair and equitable across the state and hears and decides appeals from decisions of local boards of equalization. The STC does not value motor vehicles or calculate taxes or collect taxes. For information about taxing districts or the calculation, collection, and disbursement of taxes, contact your local county collector or the Missouri State Auditor's Office.

State laws related to the assessment and taxation of property are in Chapters 137, 138, 139, 140, and 141 of the Revised Statutes of Missouri. You can access the Revised Statutes of Missouri at <https://revisor.mo.gov/main/Home.aspx>.

For more information, please see the information resources available on the State Tax Commission website at <https://stc.mo.gov> or contact Amy S. Westermann, Chief Counsel.