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MISSOURI STATE AUDITOR

December 18, 2023

Gail McCann Beatty, County Assessor
and
Frank White, County Executive
and
Jackson County Legislature

This letter reports results of our initial review of certain complaints received by this office from Jackson County taxpayers and the concerns of the Jackson County Legislature in its ordinance passed August 21, 2023. The complaints relate to the county's compliance with statutory physical inspection requirements when the assessed valuation of a property increases by more than 15 percent in a reassessment year.

The State Auditor's Office is currently auditing the Jackson County Assessor and Assessment Process. This letter addresses deficiencies and noncompliance identified during our investigation under Section 29.221, RSMo, and during our ongoing audit, that we consider to be time sensitive and necessary to be disclosed prior to completion of the audit in accordance with *Government Auditing Standards*. This letter will be included as a component of the final audit report along with the findings, conclusions, and recommendations resulting from the audit.

The objectives of our audit work include determining if the Assessment Department (AD) notified taxpayers/property owners of the necessity of an inspection and the opportunity for an interior inspection as required by statute.

Methodology

Our ongoing audit procedures include reviewing certain policies and procedures, applicable statutory requirements, county contracts for assessment services, State Tax Commission (STC) decisions, and notice and inspection data, in addition to interviewing various officials of the county and certain external parties.

In November 2023, the AD provided us a report of all residential parcels and the associated assessed valuations. The AD also provided us information regarding notifications sent and interior inspections requested. We reviewed the notice and inspection information to determine the extent to which these were provided to applicable property owners.

Background

The county performed a comprehensive biennial reassessment process for 2023 to appraise all county properties at their real value. This resulted in an increased assessed valuation for approximately 238,000 residential parcels, totaling over \$2.6 billion.

In October 2020, Jackson County contracted with Tyler Technologies, Inc. (Tyler) to provide various assessment services including developing the Computer-Assisted Mass Appraisal system, performing a parcel-by-parcel review of all residential and commercial properties, and completing the 2023 reassessment. The reassessment was based on information and systems provided by the contractor in conjunction with the AD. With this contractual relationship, the AD effectively outsourced much of its assessment process.

Sections 137.115.10 through 12, RSMo, outline the following requirements for inspection of a property when the assessed valuation increases by more than 15 percent since the last assessment:

- Section 137.115.10, RSMo - Before the assessor may increase the assessed valuation of any parcel of subclass (1) real property¹ by more than 15 percent since the last assessment, excluding increases due to new construction or improvements, the assessor shall conduct a physical inspection of such property.
- Section 137.115.11, RSMo - If a physical inspection is required, pursuant to this statute, the assessor shall notify the property owner of that fact in writing and shall provide the owner clear written notice of the owner's rights relating to the physical inspection. If a physical inspection is required, the property owner may request that the AD perform an interior inspection during the physical inspection. The owner shall have no less than 30 days to notify the assessor of a request for an interior physical inspection.
- Section 137.115.12, RSMo - Requires the physical inspection to include, at a minimum, an on-site personal observation and review of all accessible exterior portions of the land and any buildings and improvements, and an observation and review of the interior of any buildings or improvements on the property upon the timely request of the owner. The statute also specifies that a "mere observation of the property via a drive-by inspection or the like shall not be considered sufficient to constitute a physical inspection as required by this section."

Based on information provided by the AD, approximately 200,000 residential properties' assessed valuations increased by more than 15 percent and required a physical inspection per statute. The AD was required to notify each of the property owners of the increase and the owner's rights relating to physical inspection, and to allow the property owner to request an interior inspection. AD officials indicated notifications were sent from April through June 2023. AD officials indicated they believed that the exterior physical inspection requirement noted in Section 137.115.10, RSMo, was fulfilled by the parcel-by-parcel review process conducted by Tyler in 2021, 2022, and early 2023.

AD officials indicated they prepared approximately 50,000 letters from April to June 2023 for property owners whose property assessed valuations increased more than 15 percent. The letter sent (see example letter in attachment A) provided the percentage increase for the assessed valuation, a statement on the property owner's right to request an inspection of the interior of the property within 30 days, and a link for the taxpayer to request a review of the assessed valuation online if he/she disagreed with the amount presented. AD officials indicated they did not send letters to all applicable taxpayers during this timeframe due to the excessive demand this would have put on department officials and resources.

In May 2023, the AD used its mailing vendor to print and send a more general assessment letter² to all taxpayers with their reassessment information (see example letter in attachment B). This undated letter

¹ Subclass (1) real property includes all residential real property.

² The AD refers to this notice/letter as an impact notice.

included the current and prior year assessed valuations but did not include the percentage increase. The letter indicated that the reassessment included an exterior physical inspection of the property and that the taxpayer "may" have the right to request an interior inspection, and provided a link to request the interior inspection and/or a Board of Equalization appeal. The AD indicated it sent 2 sets of these notifications to its mailing vendor and indicated the first set was sent by May 31, 2023, and the second was sent by June 15, 2023.

AD officials also indicated the AD's website included information regarding the reassessment and inspection process. In 2021, the AD included information on its website that Tyler Technologies was conducting parcel-by-parcel exterior inspections for 2023 and that the process would continue through 2022. As of May 2023, the AD website included a "Property Owners Guide to Valuation Review" stating that exterior inspections were complete and the property owner may request an interior inspection.

Complaints and Identified Deficiencies and Noncompliance

Summary of Complaints - The Jackson County Assessment Department did not properly notify property owners whose property assessed valuations increased more than 15 percent of their rights regarding physical inspection of their property.

Physical Inspection Notice

The AD did not notify most property owners whose assessed valuations increased more than 15 percent, in writing, that a physical inspection was required and did not provide "clear written notice of the owner's rights relating to the physical inspection" when conducting its parcel-by-parcel exterior review, as required.

None of the letters sent to property owners included information that a physical inspection was required by statute or explained the owner's rights relating to the physical inspection beyond a statement about the right to request an interior inspection. The letters only stated that "Reassessment of your property included an exterior physical inspection." Additionally, most of the letters were undated and did not include the percentage change in assessed valuation so taxpayers would have had to calculate the change to determine if they could request an interior inspection. Tyler officials also indicated they were not contractually required to, nor did they, provide notice of the exterior property reviews as part of their inspection process. Our review of AD data indicates the AD only issued approximately 760 letters prior to Tyler performing an exterior review of the property. Instead, the only indication most property owners received during the parcel-by-parcel review was a generic door hanger indicating a representative visited the property but missed the property owner, and asked the property owner to provide information on the property by mail or through the AD website. See Attachment C.

Statute requires the interior inspection, if requested, be conducted during the physical inspection. If the AD conducted an exterior inspection in conjunction with a requested interior inspection this may have qualified as an appropriate inspection. The AD indicated, "an inspection request would necessarily include reviewing interior and exterior." However, there is nothing in either letter to indicate that. In addition, the AD used its assessment contractor for at least a portion of the interior inspections and Tyler officials indicated they were not requested to, and they did not, perform exterior inspections when conducting interior inspections.

Finally, in a STC ruling³ provided by AD officials, the STC concluded: ". . . a taxpayer receiving notice that an inspection occurred for the purpose of a six-year review and a taxpayer receiving notice that an

³ *Geiger Real Estate, Inc., v. Philip Muehlehausler, Assessor, St. Louis County Missouri*, Appeal No. 07-11408, issued April 21, 2009.

inspection is necessary for an increase in their valuation over 15% would have different considerations when determining if they would request an additional exterior and/or interior inspection. By failing to notify the property owners that an inspection is required prior to an increase in their valuation and their rights regarding physical inspections, the taxpayer is deprived of due process." Accordingly, the AD stating it conducted an exterior physical inspection for all real estate is not sufficient to meet notification requirements or provide property owners the due process intended by the inspection requirements. In more recent cases,⁴ the STC has continued to rule that failure to meet provisions of Sections 137.115.10 through 12, RSMo, negates any increase in the assessed valuation over 15 percent. Additionally, when provided a draft of this letter for review, the STC indicated it reviewed and discussed the draft and had no changes regarding the findings of fact;⁵ and provided an additional case⁶ to review in which it also concluded that the assessed valuation increase over 15 percent was negated by the Assessor's failure to prove⁷ compliance with Sections 137.115.10 through 12, RSMo.

Inaccurate and Untimely Interior Inspection Notices

The notices sent by the AD did not accurately describe the right to an inspection, and also did not provide taxpayers sufficient time to request an interior inspection and consider the information provided by the inspection when determining whether to request a Board of Equalization appeal. Neither letter accurately reflected the taxpayers' rights regarding an interior inspection. The April notice stated, "you have the right to request an interior inspection if: (1) your value increased by 15% or more; (2) your home is not new construction and valued for the first time; and/or (3) you have not made any improvements." The June general assessment notice indicated taxpayers "may" have a right to inspection if certain conditions were met, one being they had not made any improvements. However, the statute indicates taxpayers are entitled to request an interior inspection if the value increased by more than 15 percent since the last assessment, excluding increases due to new construction or improvements. Doing an improvement alone would not nullify a taxpayer's right to this inspection, so long as the value increase of more than 15 percent excludes the value of those improvements.

As noted previously, beginning in April 2023, the AD notified some taxpayers with assessed valuation increases over 15 percent that they could request an interior inspection. However, these letters were only prepared for approximately 25 percent⁸ of the applicable parcels that required notification. The AD informed the majority of taxpayers of the right to an interior inspection in the general assessment letters that it only sent to its mailing vendor by May 31 or June 15. These letters indicated the property owner had to request a Board of Equalization appeal of the valuation by July 10, 2023.⁹ As a result, property owners

⁴ *Cameron Walker v. Gail McCann Beatty, Assessor, Jackson County, Missouri*, Appeal No. 21-30073, issued October 7, 2022; and *Rusty Parker v. Eric Dugal, Assessor, St Francois County, Missouri*, Appeal No. 21-84001, issued April 22, 2022.

⁵ The Commission provided the following statement: "*The STC agrees with the Auditor's summary of the serious problems with the Jackson County 2023 assessment as described in this initial report. However, the Auditor's suggested remedies contained in this initial report are those of the Auditor alone. The STC is a quasi-judicial administrative agency within the executive branch. The STC is authorized by the Missouri Constitution and the Revised Statutes of Missouri to determine the outcome of cases before the STC's administrative tribunal on a case-by-case basis through the application of law to facts in evidence.*"

⁶ *Christopher and Sarah Slusser v. Jake Zimmerman, Assessor, St. Louis County, Missouri*, Appeal No. 17-10066, issued January 8, 2019.

⁷ Section 138.060.1, RSMo, states that the property owner shall prevail on the appeal as a matter of law in the event the assessor fails to provide sufficient evidence to establish that the physical inspection was performed in accordance with Section 137.115, RSMo.

⁸ Based on 50,000 letters out of the approximately 200,000 parcels that required notification.

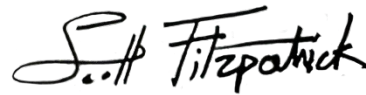
⁹ On July 9, 2023, the AD extended this date to July 31, 2023.

had little or no opportunity to schedule and receive an interior inspection and to consider the information before the deadline. This limits the property owner's access to the due process afforded by statute.

Overall Analysis of Deficiencies and Noncompliance

The Jackson County AD failed to provide property owners whose properties' assessed valuations increased over 15 percent adequate notification of their rights regarding physical inspections, and what notification was given was inaccurate and often untimely. As a result, the AD did not comply with the provisions of Section 137.115.11 and any residential real property assessed valuation increase over 15 percent is likely invalid. The Jackson County Legislature, County Executive, and Assessor should determine what remedies are available, such as limiting 2023 assessed valuation increases to 15 percent, using prior year assessed valuations, or allowing additional appeals and/or tax protests; then notify taxpayers of these remedies, and allow adequate time for the taxpayers to pursue such remedies. In addition, as recommended in our report *Jackson County Departmental and Other County Policies and Procedures*, Report No. 2021-001, issued in January 2021, the County Legislature and County Executive should closely monitor the biennial reassessment process both in the immediate and future years. This should include ensuring any outsourcing of the assessment process includes provisions for compliance with all statutory requirements and/or ensuring AD staff are properly educated on the requirements, and resources are available to comply with statute.

The State Auditor's Office will continue to review the issues noted in this letter as part of an audit of the Jackson County Assessment Department and assessment process and will issue a subsequent report with its findings, conclusions, and recommendations.



Scott Fitzpatrick
State Auditor

Information of a personal, privileged, or sensitive nature, and/or information that is not directly related to the information necessary for this notice has been redacted.



JACKSON COUNTY Assessment Department

Jackson County Courthouse
415 East 12th Street, First Floor Mezzanine
Kansas City, Missouri 64106
www.jacksongov.org

(816) 881-3530
Fax: (816) 881-1388

April 20, 2023



RE: Estimate of 2023 Residential Value and Interior Inspection Notice

Parcel:
SITUS:

Your real property has been reassessed as required by Missouri Statutes. Market value represents an estimate of value as of January 1, 2023. The final estimate of value will not be effective until the assessment roll is certified on July 1, 2023. If you disagree with the **2023 value** stated below, you may request a review of that valuation online at <https://jacksongov.org/Government/Departments/Assessment>. You may also request a review by calling 1-877-895-9675.

2022 MARKET VALUE	2023 MARKET VALUE
\$ 376,000	\$ 561,800

The percent change from 2022 to 2023: 49.41 %

Reassessment of your property included an exterior physical inspection. You have the right to request an interior inspection if: (1) your value increased by 15% or more; (2) your home is not new construction and valued for the first time; and/or (3) you have not made improvements.

An interior inspection may be requested at <https://jacksongov.org/Government/Departments/Assessment> within thirty days. You may also request an interior inspection by calling 1-877-895-9675 within thirty days.





2023 Reassessment Notice

ASSESSMENT DEPARTMENT

Jackson County Courthouse
415 East 12th Street, Suite 1M
Kansas City, Missouri 64106-2752

Information of a personal, privileged, or sensitive nature, and/or information that is not directly related to the information necessary for this notice has been redacted.



Your real property has been reassessed as required by Missouri Statutes. Market Value represents an estimate of value as of January 1, 2023. The final estimate of value will not be effective until the assessment roll is certified on July 1, 2023.

PRIOR YEAR

CURRENT YEAR

Classification	2022 Market Value	2022 Assessed Value	2023 Market Value	2023 Assessed Value
Agricultural (12%)	\$ 14835	\$ 1780	\$ 4980	\$ 598
Residential (19%)	\$ 46000	\$ 8740	\$ 162020	\$ 30784
Commercial (32%)	\$ 64165	\$ 20533	\$ 0	\$ 0

Reassessment of your property included an exterior physical inspection. Residential properties may have the right to request an interior inspection if the value increased by 15% or more; AND your home is not new construction and valued for the first time or you have not made improvements.

You may file a formal appeal with the Jackson County Board of Equalization (BOE). By state statute, appeals must be submitted on or before the filing deadline, **Monday, July 10, 2023**. The BOE may be reached at 1-816-881-3309.

BOE Appeals and residential interior inspections may be requested at: www.jacksongov.org/boeappeals or by calling 1-877-895-9675.

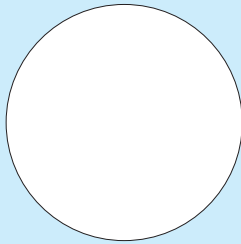
An appeal to the BOE may result in an increase, a decrease, or no change in valuation.

July 10, 2023

Deadline for filing an appeal of 2023 valuation to the BOE

Market Value X Classification % = Assessed Value X Tax Levy (as determined by City, School District, etc.) = **estimated tax bill**

The abated property summary and the complete list of tax abatements will be available for the public's inspection on the county website.



Dear Property Owner:
Sorry we missed you today!

QR Code
for Online
Form



A representative of the Jackson County Assessment Department was here to gather information for the Jackson County Property Reassessment.

Please complete the self-addressed card with accurate data and return it within 30 days or visit jacksongov.org/MyHome to use the online form. In the absence of such input from you, we will estimate the interior features.

We appreciate your cooperation.

Jackson County Assessment
816-881-3530

Parcel Number _____

Street Address _____

Story Height _____ Year Erected (if known) Dwelling _____ Garage _____

LIVING ACCOMMODATIONS

Total Rooms (Exclude Bathrooms) _____ Bedrooms _____

Family Rooms _____ Full Baths (3 Fixtures) _____ Half Baths (2 Fixtures) _____

Other Fixtures _____ Please Describe: _____

BASEMENT (Please Circle Selection)

Slab Crawl Partial Full Finished Basement Area: Yes No Size _____

ATTIC - Must Have A Permanent Stairway (Please Circle Selection)

None Unfinished Partial Finished Full Finished

HEATING/AIR CONDITIONING (Please Circle Selection)

None Unit Central Central w/Air

HEATING FUEL TYPE (Please Circle Selection)

Gas Electric Oil Coal Solar Wood Propane None

HEATING SYSTEM TYPE (Please Circle Selection)

Forced Hot Air Floor Furnace Electric Baseboard
Hot Water Steam Radiant Heat Pump Solar

WOOD BURNING FIREPLACE(S)

Number _____ Stacks _____ Openings _____

REMODELING AND MODERNIZATION

Exterior _____ Additions _____ Plumbing _____

Interior _____ Bathroom _____ Electric/Heat/Air Cond. _____

Remodeling Cost _____

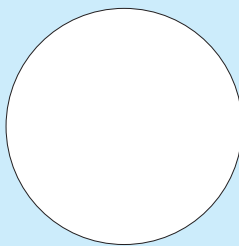
DATE OF ACQUISITION (if after 01/01/2018)

Property was purchased (mo/yr) _____ at a purchase price of \$ _____

New buildings have been erected (after/before) purchase date at a construction cost of \$ _____ for a (describe building erected) _____

SIGNATURE _____

DAYTIME PHONE # _____



*place
indicia
here*

Return Address



Jackson County Assessment Department
415 East 12th Street
Kansas City, MO 64106

