

TAXATION:
CITIES:

Taxes on property cannot be levied to pay principal and interest of revenue bonds issued by city for construction and operation of public utility.



December 6, 1947

Honorable William Lee Dodd
Prosecuting Attorney
Ripley County
Doniphan, Missouri

Dear Sir:

This is in reply to your letter of recent date, requesting an official opinion of this department and reading as follows:

"If a city votes a bond issue and issues negotiable interest bearing revenue bonds for the establishment of a water system or an electric generating plant and the city is unable to obtain enough revenue from the utility to pay the interest and the principal, will the city be allowed to tax the property of the people to pay off the revenue bonds?"

"Please answer this question at once because the City of Doniphan wishes it for reference."

Section 27 of Article VI of the Constitution of Missouri provides as follows:

"Any city or incorporated town or village in this state, by vote of four-sevenths of the qualified electors thereof voting thereon, may issue and sell its negotiable interest bearing revenue bonds for the purpose of paying all or part of the cost of purchasing, constructing, extending or improving any revenue producing water, gas or electric light works, heating or power plants, or airports, to be owned exclusively by the municipality, the cost of operation and maintenance and the principal and interest of the

bonds to be payable solely from the revenues derived by the municipality from the operation of such utility." (Emphasis ours.)

We believe it to be clear and evident from the above quoted provision of the Constitution, particularly that part underlined, that no tax on the property of the people of a city which has voted interest bearing revenue bonds for the establishment of a water system or electric generating plant can be levied to pay the interest and principal of such bonds.

CONCLUSION

It is the opinion of this department that taxes on the property of the people of a city which has issued negotiable interest bearing revenue bonds for the establishment of a water system or electric generating plant cannot be levied to pay the principal and interest of such bonds, but that all principal and interest of such bonds must be paid from the revenues derived by the municipality from the operation of the utility.

Respectfully submitted,

C. B. BURNS, Jr.
Assistant Attorney General

APPROVED:

J. E. TAYLOR
Attorney General

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