

Approved: March 8, 1993
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:10 a.m. on February 22, 1993 in Room 519-S of the Capitol.

Members present: Senator Langworthy, Senator Tiahrt, Senator Martin, Senator Bond, Senator Corbin, Senator Feleciano Jr., Senator Hardenburger, Senator Lee, Senator Reynolds, Senator Sallee, Senator Wisdom

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Bill Edds, Revisor of Statutes
Don Hayward, Revisor of Statutes
Elizabeth Carlson, Committee Secretary

Conferees appearing before the committee: Senator Tiahrt
Willie Martin, Sedgwick County
Larry Clark, Kansas County Appraisers Association
Gerry Ray, Johnson County Board of Commissioners
Ron Cousino, Finance Director, Johnson County
Mike Reece, AT&T

Others attending: See attached list

Senator Langworthy opened the meeting by calling the attention of the committee to the committee minutes placed before them, and also fiscal notes for SB 223 and SB 282.

SB 223--Property taxation--annual requirements to update valuations

Senator Tiahrt, sponsor of this bill, spoke about the need for the bill. He explained the bill saying the language requires the appraiser to physically view the property before the appraisal is raised and also to appraise only 25 percent of the property in a county per year would be sufficient. This would allow the appraiser's office to keep their staff at the present level and also fulfill the law requiring the reviewing of appraisals every four years.

Willie Martin, Sedgwick County, Board of County Commissioners, spoke in support of **SB 223. (Attachment 1)** She said they believe the county appraiser, by Kansas law, is required to appraise 25 percent of the property during one year and this fulfills the law of requiring appraisals 100 percent every four years. Also, the appraiser is required to physically inspect each property on which the appraiser intends to issue a change of value notice increasing its value. She urged the committee's support of **SB 223**. Senator Langworthy asked her to summarize the analysis which was attached to her testimony. She went through the memo from the counsel for the Board of County Commissioners of Sedgwick County for the committee.

Larry Clark, Kansas County Appraiser's Association, gave some background on the appraisal legislation and stated that the PVD, in writing rules and regulations, interpreted the provisions to require an annual physical inspection of every parcel prior to finalization of the value estimates. **(Attachment 2)** If the appraiser spends all the time on physical inspections, there is not time to analyze the sale of property to help determine appraisals. He was asked several questions from the committee concerning of what level there should be a physical inspection and the property owner notified. He said the property owner will be notified every year of a change in value. He spoke of the opportunity of the property owner to appeal the valuation during the beginning of the year and then again when the tax notices are sent out. He said it is difficult to find people at home when the physical inspection is being made. He was also asked if more value changes were made during the physical inspection or in the changes in the market and he said there were more changes made from the physical inspection.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:10 a.m. on February 22, 1993.

Gerry Ray, Johnson County Board of Commissioners, said they are very supportive of **SB 223**. (Attachment 3) It would give the appraiser a tool that can be handled efficiently by his office. She stated in Johnson County there are approximately 140,000 parcels, and with only a 25 percent requirement for inspection, it would be at a workable 35,000 inspections per year.

David Cunningham, Director, Property Valuation Division, said they take no position on **SB 223**. (Attachment 4) He said if **SB 223** is passed, there will have to be changes made in KSA 79-501. Also KAR 93-5 would have to be repealed if the amendment to KSA 79-1460 is approved.

This closed the hearing on **SB 223**.

SB 250--Electronic fund transfers of property tax

Ron Cousino, Director of Office of Financial Management, Johnson County, spoke in support of **SB 250**. (Attachment 5) He said the passage of **SB 250** would allow the counties to increase interest income and decrease manual reconciliation without affecting the average tax payer. Federal and state governments have for many years used electronic collection of government revenues, and now it is time for the counties of Kansas to work hand in hand with businesses to become a more efficient and productive government. He was asked several questions by the committee concerning how payments were made now and if there is a penalty included. He said it was not their intention to penalize taxpayers, but there is sometimes a delay of two to five days for checks to be received or to clear a west coast bank. The county is losing interest all this time. There were questions concerning multiple property owners whose tax is over \$100,000. Mr. Cousino said the multiple property owners are known to the county and they would be notified. He pointed out the chart on the second page of his testimony which shows how much interest could be collected through electronic collection.

Mike Reece, AT&T, read from a prepared statement. (Attachment 6) He offered two amendments to the committee that would make the bill more workable for AT&T. He said AT&T supports **SB 250** but he felt it was unworkable to have to notify 105 counties of the sending of electronic funds. He feels the county treasurer is in the best position to do this. His first amendment concerned the method of sending the electronic funds transfer which he said should be agreed jointly between the county and the taxpayer.

This closed the hearing on **SB 250**.

SB 282--Redemption period for certain real property subject to sale for taxes reduced

Ron Cousino, Director of Office of Financial Management, Johnson County, stated that **SB 282** is a good government bill. (Attachment 7) He spoke in support of the bill. He said during the past years since reappraisal they have had a number of delinquencies in the payment of taxes. The county still has to meet budgets and continue the cash flow. The bill changes the foreclosure procedure from three years to two years, and the tax payer to pay the full two current years delinquent tax. **SB 282** supports the responsible taxpayer who pays taxes on time.

There were some questions concerning the current law and the proposed changes which Mr. Cousino explained. He also stated the homestead is exempt under this bill.

The hearing was closed on **SB 282**.

Senator Sallee moved the approval of the minutes of February 8, as corrected and February 9, 10, 11, and 12, 1993. The motion was seconded by Senator Martin. Motion carried.

The meeting adjourned at 12:10 p.m.

The next meeting is scheduled for February 23, 1993.

DATE: February 22, 1993

[illegible]



SEDGWICK COUNTY, KANSAS

INTERGOVERNMENTAL RELATIONS

WILLIE MARTIN

COUNTY COURTHOUSE • 525 N. MAIN • SUITE 315 • WICHITA, KANSAS 67203 • TELEPHONE (316) 383-7552

TO: SENATE ASSESSMENT AND TAXATION
FROM: WILLIE MARTIN
DATE: FEBRUARY 22, 1993
SUBJ: SENATE BILL 223

Madam Chair and members of the Committee, thank you for the opportunity to speak in support of Senate Bill 223. I am Willie Martin representing the Sedgwick County Board of Commissioners.

We feel that the current uncertainty concerning whether or not a County Appraiser is required to conduct a physical inspection of each parcel of real property in the County each year as a part of the valuation and appraisal process; stems from the similarity of terms used in the appraisal field, and similar but different processes required of the Appraiser.

I have attached to my testimony a review of the relevant statutes, Session Laws, and documentation from the Division of Property Valuation.

Based on this analysis, Sedgwick County believes that the County Appraiser is required by Kansas law to physically inspect 25% of the parcels in Sedgwick County each year in a manner so that 100% of all real property is physically inspected every four years. The appraiser is also required to physically inspect each parcel on which the Appraiser intends to issue a change of value notice increasing it's value.

We do not believe that annual physical inspection is required by State Statute nor was that the intent of the Kansas Legislature.

We respectfully urge you to support SB 223 and provide a clear understanding of this issue for both Counties and the State.

Senate Assessment + Taxation
February 22, 1993
attachment 1-1

MEMO TO: Board of County Commissioners
FROM: Henry H. Blase, County Counselor
RE: Annual Physical Inspections of Real Property for Appraisal
DATE: January 15, 1991

There has been a large amount of speculation lately concerning whether or not the County Appraiser will be required to conduct a physical inspection of each parcel of real property in the County each year as a part of the valuation and appraisal process. Based on requests from several Commissioners, I have reviewed the relevant statutes, Session Laws, documentation from the Division of Property Valuation, and an Attorney General's opinion on the subject and my conclusion is that such inspection of each parcel is not necessary on an annual basis.

It appears to me that the confusion on this question stems from the similarity of terms used in the appraisal field, and similar but different processes required of the Appraiser. The terms to look for in this analysis are: "update", "increase in valuation", "individual physical inspection", and "field inspection".

The first statute to initiate the consideration of an actual view or inspection of real property in the course of the appraisal process was K.S.A. 79-411 last amended in 1969. This statute states in part:

"The assessor or appraiser from actual view and inspection from consultation with the owner or agent thereof if expedient and from such other sources of information as are within his or her reach, shall determine as nearly as practicable the fair market value in money of all taxable real property within his or her township, city or county..."
(Emphasis added).

This statute, however, made no mention of how often the actual view and inspection was to take place during the appraisal process.

Then, effective July 1, 1988, Section 14 of Chapter 377 of the 1988 Session Laws amended K.S.A. 79-1476 to read in part:

"Commencing in 1990, every parcel of real property shall be actually viewed and inspected by the county or district appraiser once every four years." (Emphasis added).

This statute was then further amended by Section 1 of Chapter 347 of the Session Laws of 1990, effective April 19, 1990, which stated in part:

"...the county appraiser shall have the duty of reappraising all of the real property in the county pursuant to guidelines and timetables prescribed by the director of property valuation and of updating the same on an annual basis." (Emphasis added).

This amendment added the concept of "updating" the previous appraisal values and required that such updating be done every year. This concept of updating does not require an actual view or inspection as those terms were used previously in the statutes.

The 1990 Legislature made one other amendment during that session which further confused the area. K.S.A. 79-1460 was amended by Section 5 of Chapter 90 of the 1990 Session Laws, effective March 29, 1990, which read in part:

"...valuation for all real property shall not be increased ... unless an increase in the appraised valuation of the real property occurs due to a specific review thereof, including an individual physical inspection of such property by the county or district appraiser." (Emphasis added).

The effect of this amendment was to require that before the value of any real property could be increased by the Appraiser, an actual view and inspection, here termed "individual physical inspection", would have to be conducted. The use of this new term caused confusion and the Director of the Division of Property Valuation, John R. Luttjohann, wrote a memo to all County Appraisers, Clerks, Registers of Deeds, Treasurers and County Commissioners dated March 22, 1990, attempting to explain it by stating:

"The word "changed" was struck and "increased" was inserted in K.S.A. 79-1460 in relation to adjustments to the valuation of real property in order to allow county appraisers to make decreases in valuation via the KSCAMA system without an individual physical inspection with the understanding that a change in value notice would be mailed." "Increases in

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valuation shall be made only when an individual physical inspection of the real property has occurred. I believe that the legislature intended a liberal definition as to what is meant by individual physical inspection. However, the real property must be viewed by the county appraiser if there is to be an increase in the valuation."

This interpretation evidently was not satisfactory to all concerned and the Attorney General was asked to provide his interpretation of the new language. On May 2, 1990, the Attorney General's office released its Opinion No. 90-53 in which it is written:

"It is our opinion that at the very least the appraiser must review the records compiled in [the prior year] for that property, compare those records to what he sees during his visit and determine whether the value assigned to the property appears to reflect the actual value of the property. In some cases the appraiser may be able to do this by merely viewing the property. In other circumstances the appraiser may need to take measurements, etc. A 'drive-by' inspection, if it does not involve the above mentioned procedures, would not, in our opinion, be sufficient to constitute a "physical inspection" as required in Section five of 1990 Senate Bill No. 332."

Somewhere in the process of interpretation, the concepts of increasing value and updating appraised values apparently got mixed. The law has spoken to the fact that all real property must be physically inspected once every four years (K.S.A. 79-1476). This law makes no mention of increasing values or updating appraised values. It merely requires that each parcel be physically inspected and the appraiser is free to take whatever action is appropriate in the circumstances.

On the other hand, the law requires an actual physical inspection of each parcel on which the Appraiser intends to increase the value for whatever reason regardless of the time of the last physical inspection (K.S.A. 79-1460). The increase could be due to the physical inspection mandated every four years, or it could be from building permits issued for the property, a change in the neighborhood model, correction of an error found in the Appraiser's records, etc.

Yet in a letter to Pat Ismert, Sedgwick County Appraiser, dated June 20, 1990, John Luttjohann makes the point that K.S.A. 79-1476 "...precludes updating the reappraised values of real property on a once every four year basis." He goes to great lengths to point out the pitfalls associated with updating appraised values on a four year cycle yet nowhere in the statutes is it even contemplated that the updating would be done every four years. Updating must be done annually

and does not have to entail a physical inspection.

The final document which adds to the confusion is the Reappraisal Maintenance Specifications for the Reappraisal of Real Property promulgated by the Division of Property Valuation for use by each County pertaining to the appraisal of all property values as of January 1, 1991. In Section 16.1 thereof, it is stated:

"Prior to finalization of the value estimates and printing of change of value notices, a one hundred percent (100%) field inspection and critical examination of the preliminary KSCAMA estimates of value prepared shall be performed for each parcel of property." (Emphasis added).

To properly put this quoted sentence in context, one must read the entire document to glean the true intent of the writer. The document is intended to describe the total and complete appraisal process for determining the 1991 appraised values. By reading the entire document, one learns that the County is expected to inspect the exterior of each newly constructed residential structure (Section 7.1), each newly constructed apartment property with five or more dwelling units (Section 8.1), each newly constructed Commercial/Industrial property (Section 9.1), and each newly constructed agricultural structure (Section 10.1). Then, in Article 12, entitled "Data Collection Reinspection", it is stated in Section 12.1 thereof:

"A sample of map areas representing approximately 25% of the total parcels in the county shall be selected for a comprehensive parcel reinspection....provided that every parcel in the county is inspected every four (4) years."

Section 12.2 goes on to describe that in the "Field Inspection Process", "an on-site physical inspection of each improved parcel shall be made in every map area selected." The only time the term "field inspection" is used in this document outside of Section 16.1 is in Section 12.2 referring to the 25% comprehensive parcel reinspection.

With the specific reference to actual inspections of newly constructed buildings in four sections of this document, which reference corresponds to the requirements of K.S.A. 79-1460 for an individual physical inspection on all properties on which values will be increased, and the specific reference to the reinspection of 25% of all parcels in the county, which reference corresponds to the requirements of K.S.A. 79-1476, it is apparent that the Director of the Division of Property Valuation is intending in this document to address the legal requirements imposed by the Legislature on the reappraisal process. There is no indication that his intent is to impose requirements greatly in excess of those imposed by the Legislature or to contradict the

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Board of County Commissioners
January 15, 1991
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language of his March 22, 1990, memo which stated his understanding that the Legislature actually intended to relieve the County from the burden of an inspection when the value was being decreased. Consequently, the only logical interpretation of the quoted statement from Section 16.1 referring to "a one hundred percent (100%) field inspection and critical examination of the preliminary KSCAMA estimates of value prepared" is that the reference to the field inspections relates to that part of the reappraisal process pertaining to 25% comprehensive parcel reinspection. An interpretation applying the one hundred percent (100%) field inspection requirement to all parcels in the county for the year of 1991 would render superfluous the language referring to exterior inspections in Section 7.1, 8.1, 9.1, and 10.1. In my opinion that was not the intent of the Director.

As a result of this analysis, it is my opinion that, at the present time, the County Appraiser is required by Kansas law to physically inspect 25% of the parcels in Sedgwick County each year in a manner so that 100% of all real property is physically inspected every four years, and to physically inspect each parcel on which the Appraiser intends to issue a change of value notice increasing it's value. No other physical inspection is required under the current laws of this State or directives, rules, or regulations of any administrative agency thereof.

If any of you should have any questions about the opinions expressed herein or the subject matter of this memo, please advise and I will meet with you individually to discuss them.

TO: WILLIE MARTIN

FROM: PAT ISMERT, COUNTY APPRAISER

THIS IS FROM THE REPORT TO PAT ISMERT, SEDGWICK COUNTY, KANSAS, PROPERTY APPRAISER, ON ASSESSMENT PERFORMANCE AND PRACTICES IN SEDGWICK COUNTY, PREPARED BY INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS, JULY 27, 1992.

Although standards of professional appraisal practice dictate field inspections when an appraisal model is first applied, field inspections are not required when an updated model is applied, such as through application of a trending factor. By imposing the burden and expense of a field inspection every time a value is changed, this statutory requirement discourages fine-tuning of valuations. It should be noted that similar restrictions on valuation changes are not imposed on the county board of equalization (K.S.A. 79-1602) or the Board of Tax Appeals.



SEDGWICK COUNTY, KANSAS

LEGAL DEPARTMENT

Stephen B. Plummer
County Counselor

County Courthouse 325 North Main Street, Suite 359 * Wichita, Kansas 67203-3790 * Telephone (316) 383-7111 * Telefax 383-7007

TO: Commissioner Schroeder
Pat Ismert

FROM: Stephen B. Plummer, County Counselor

DATE: January 15, 1993

RE: Amendment of K.S.A. 79-1476

Enclosed is my proposed amendment to K.S.A. 79-1476. I'm going to give it to Willie Martin today, but we'll have a chance to review/revise it later if it's not satisfactory with you.

I had two objectives here: (1) to preclude PVD from requiring more than the law requires us to do; and (2) to require complete reappraisal every five years rather than every four years. We may not get (2), but it would sure be a boon to us if we did. It doesn't hurt to ask.

If you have any questions or comments about this, give me a call. Thanks.

cc: ~~Willie Martin~~
Bill Buchanan

KANSAS COUNTY APPRAISERS ASSOCIATION
P.O. BOX 1714
TOPEKA, KANSAS 66601

To: Senate Assessment and Taxation Committee
From: Larry Clark, Past President KCAA
Date: February 22, 1993

Madame Chairman and members of the committee thank you for the opportunity to testify in support of Senate Bill 223. My name is Larry Clark and I represent the Kansas County Appraisers Association.

Background:

In 1985 this legislature passed the reappraisal legislation which included provisions for annual updating of values and a physical re-inspection of all parcels every four years. In addition the county appraiser was required to notify every property owner whose value changed and provide an opportunity for that property owner to appeal to the appraiser. The latter was amended to require an individual physical inspection of every parcel whose value was to be increased before that value could be increased.

Property valuation division, whose responsibilities include the promulgation of appraisal guidelines, interpreted the statutory provisions to require an annual field inspection of every parcel prior to finalization of value estimates.

Problem

The requirement to physically inspect a parcel as part of the valuation process is entirely reasonable. Requiring an experienced appraiser to review the preliminary value estimates for every parcel is the ideal final step prior to finalization of values. However, the latter is neither fiscally reasonable nor an absolute necessity to guarantee a sound mass appraisal program.

One of the advantages of real estate as the basis for taxation is its tendency toward stability over time. Most appraisers consider the economic or useful life of a house for example to be over 40 years. A given house may experience little change over that entire period of time, much less from one year to the next. While the physical characteristics such as square feet of living area, room count and story height are crucial to a correct appraisal they will tend to remain static from one cycle of the physical re-inspection process to another, i.e., each four year period.

On the other hand, the factors which do tend to change more often are those outside of the property. The value of a given property is estimated based on what other, similar, properties bring in the open market, or what other properties will produce in net income. Local swings in employment, population, and other economic and demographic factors have just as great if not a greater impact on the market value of property as the physical characteristics; and they are more readily observable. Unless the physical characteristics of an improvement are incorrect, a physical inspection of the property in between the four-year re-inspection cycle will produce little new information and yet is one of the most expensive activities in the appraisal office.

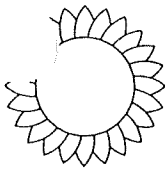
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Finally, unless the final field review is completed by a very experienced appraiser, the results will be less reliable than statistical studies performed in an office. A careful analysis of market data will more consistently match property location and characteristics to value estimates than the field review of an inexperienced appraiser.

The reality of the current situation in Kansas is that we tend to spend more than most other states on the appraisal of real estate, but spend it on inefficient operations. Counties are unable to attract and retain the overall quality of personnel we need to develop the ideal mass appraisal project. We must focus our attention on alternatives to the ideal that reflect sound mass appraisal technique and fiscal responsibility. Shifting more focus toward market analysis and away from unnecessary, repetitious and expensive physical inspections will accomplish that purpose.

Senate Bill 223

This legislation eliminates the requirement for a specific physical inspection of each parcel whose value is to be increased while retaining the requirement that the appraiser document the reasons for such an increase. It also provides specifically for the updating of values of no more than 75% of the parcels through analysis of the market coupled with the physical re-inspection of 25%.



FEBRUARY 22, 1993

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON SENATE BILL 223

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

Madam Chairman, members of the Committee, my name is Gerry Ray representing the Johnson County Board of Commissioners and appearing today in support of Senate Bill 223.

The bill specifies that a county is required to view and inspect only 25% of the total parcels each year in order to remain in compliance with the statutes on appraisal of property. The County Appraiser feel that the 25% stipulation is reasonable because the focus should be on revising the model used in specific areas for statistical analysis. In this way the adjustments that are made will be more accurate.

In Johnson County there are approximately 140,000 parcels, with only a 25% requirement for inspection we will have at least 35,000 inspections to conduct each year. The Appraiser believes this is a workable approach and will be a way to efficiently handle the task in his office.

Johnson County urges the Committee to recommend Senate Bill 223 favorable for passage.

*Senate Assessment + Taxation
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attachment 3-1*

STATE OF KANSAS

David C. Cunningham, Director
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66612-1585



(913) 296-2365
FAX (913) 296-2320

Department of Revenue
Division of Property Valuation

MEMORANDUM

TO: Senate Assessment and Taxation Committee

FROM: David C. Cunningham, Director of Property Valuation

DATE: February 22, 1993

SUBJECT: Senate Bill 223

The Division of Property Valuation takes no position on Senate Bill 223. When the language which Senate Bill 223 strikes from K.S.A. 79-1460 was added two years ago it was the Division's position that it was unnecessary because K.S.A. 79-501 provides in pertinent part "[e]ach parcel of real property shall be appraised at its fair market value in money, the value thereof to be determined by the appraiser from actual view and inspection of the property." It was the Division's position that K.S.A. 79-501 already required a physical inspection of that real property required to be valued at fair market value.

If it is the legislature's intent to not require an individual physical inspection of real property required to be valued at fair market value, it may be necessary to amend K.S.A. 79-501 as well.

K.S.A. 79-1460 does not require an individual physical inspection of land devoted to agricultural use because K.S.A. 79-501 is applicable only to property required to be valued at fair market value.

Attached is a copy of K.A.R. 93-5-1 (a permanent administrative regulation) which was approved last year to defined "physical inspection" as used in K.S.A. 79-1460. The authority to promulgate this regulation is the last sentence in K.S.A. 79-1460, *i.e.*, "[t]he secretary of revenue shall adopt rules and regulations necessary to implement the provisions of this section." If the amendment to K.S.A. 79-1460 is approved it will be necessary to repeal this regulation.

DCC:BW

Senate Assessment + Taxation

February 22, 1993

attachment 4-1

Paper and paper products,

Between all points in the state of Kansas. Under contract with Deluxe Corporation, of Lenexa, Kansas.

Application for Certificate of Convenience and Necessity:

Alice I. McEndree and) Docket No. 180,749 M
 Roger W. Whitney, dba)
 Bob's Body Shop & Tow)
 13307 Walnut)
 Lenexa, KS 66215) MC ID No. 142160
 Applicant's Attorney: None

Disabled or wrecked automobiles,

Between all points and places in Johnson, Wyandotte, Franklin, Miami, Douglas and Leavenworth counties, Kansas.

Application for Abandonment of Certificate of Convenience and Necessity:

Leo A. Petesch) Docket No. 117,293 M
 101 S.W. Hillside Drive)
 Topeka, KS 66611-1132) MC ID No. 100977
 Applicant's Attorney: None

Application for Certificate of Convenience and Necessity:

Dave William and) Docket No. 180,750 M
 Alice William, dba)
 William Truck & Auto)
 200 Main)
 Maple Hill, KS 66507) MC ID No. 144082
 Applicant's Attorney: None

Wrecked, disabled, repossessed and replacement vehicles and trailers,

Between all points and places in Riley, Geary, Pottawatomie, Wabaunsee and Shawnee counties, Kansas.

Application for Extension of Certificate of Convenience and Necessity:

Shawnee Automotive) Docket No. 148,064 M
 Service, Inc.)
 1402 Silver Lake Road)
 Topeka, KS 66608) MC ID No. 122323
 Applicant's Attorney: Cleo Murphy, 2887 MacVicar,
 Topeka, KS 66611

Passengers and their baggage in charter party limousine operations,

Between all points and places in Kansas.

Don Carlile
 Administrator
 Transportation Division

Doc. No. 011852

State of Kansas

State Historical Society

Permanent Administrative Regulations

Article 2.—REMOVAL OF HUMAN REMAINS AND ASSOCIATED BURIAL GOODS FROM THE KANSAS STATE HISTORICAL SOCIETY COLLECTIONS ACT

118-2-1. Removal of human skeletal remains from the collection holdings of the state historical society.

(a) As used in this rule and regulation:

(1) "Property," as defined in K.S.A. 1991 Supp. 75-2701, shall not include human skeletal remains and associated burial goods.

(2) Human skeletal remains and associated burial goods shall be disposed of according to the provisions of K.S.A. 75-2741 through 75-2754.

(3) Nothing in this regulation shall be read to exempt these human remains and associated burial goods from the provisions of or procedures set forth in K.S.A. 75-2748(b). (Authorized by and implementing K.S.A. 1991 Supp. 75-2701; effective June 1, 1992.)

Ramon Powers
 Executive Director

Doc. No. 011843

State of Kansas

**Department of Revenue
 Division of Property Valuation**

Permanent Administrative Regulations

Article 5.—PROPERTY VALUATION NOTICES

93-5-1. Valuation notices; physical inspection of property. (a) "Physical inspection" as used in K.S.A. 79-1460, as amended by L. 1991, Chapter 279, § 1 means viewing a parcel of real property, including any improvements thereto, for the purpose of verifying salient characteristics, information on the valuation documents and the comparable sales sheet in order to make a final correlation of value. "Physical inspection" does not require additional data collection or personal contact with the owner of such property.

(b) A record of the physical inspection shall be maintained by notation of the date, time and identification of the appraiser making the final valuation on the KSCAMA property record prior to printing the valuation notice required by K.S.A. 79-1460, as amended by L. 1991, Chapter 279, §1. (Authorized by and implementing K.S.A. 79-1460, as amended by L. 1991, Chapter 279, §1; effective June 1, 1992.)

Mark Beshears
 Secretary of Revenue

Doc. No. 011842

SENATE BILL 250 HEARINGS
SENATE COMMITTEE: ASSESSMENT AND TAXATION
FEBRUARY 22, 1993

Points of Discussion:

The passage of Senate Bill No. 250 will allow Kansas Counties to collect property tax payments in a more timely and efficient manner. Specifically, the Bill will allow Counties to increase interest income and decrease manual reconciliation without affecting the average tax payer.

Increased Interest Income

Utilizing electronic funds transfer will significantly increase the availability of funds for Kansas Counties. Currently, companies with large tax payments often deliver payment to the County on the afternoon of the actual due date. This delays collection of funds by at least one day and by as much as three days if the due date falls on a Friday. Thus, the collection of funds using an electronic method could increase the availability of funds. In 1991, Johnson County did not receive available funds on approximately \$80,000,000 in tax receipts until a date after the actual tax due date of December 20, 1991. This resulted in over \$50,000 in lost interest income to the County, based on an average short term interest rate of 4%.

Automated Reconciliation

Utilizing electronic funds transfer for the collection of property tax payments will require large payers to remit a reconciled tax bill to the county treasurer on or before the date of payment. Many large payers currently remit the tax bill information electronically. However, other large payers remit unreconciled tax bills to the treasurer. Thus, a significant amount of staff time is needed to reconcile tax bills to large aggregate tax payments. The passage of Senate Bill 250 will allow Counties to further increase electronic reconciliation.

Payment Requirements

Approximately 70% of the tax dollars collected by Johnson County are received from Mortgage Corporations. Therefore, the typical individual tax payer would not be affected by this change and could continue to pay their taxes via cash or check. Additionally, all of the large mortgage corporations already utilize electronic payment/collection mechanisms.

Illustration

The attached exhibit illustrates the number of companies that will remit a property tax payment to Johnson County for the 1992 tax year in excess of \$100,000.

Synergy with the Goals of the Federal Government:

Today's modern government must look at ways to develop a more efficient and productive government from the local levels through the State and Federal levels. Federal and State governments have for many years used electronic collection of government revenues. The passage of Senate Bill No. 250 will allow the counties of Kansas to work hand in hand with businesses to become a more efficient and productive government. Additionally, the enactment of this Bill will affirm the State of Kansas as a proactive participant in the area of governmental cash management.

Respectively submitted by: Ron Cousino Director of Office of Financial Management, Johnson
County, Kansas

cah c:\wpfiles\memos\bill250

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attachment 5-1

POTENTIAL EARNINGS THROUGH ELECTRONIC COLLECTION OF PROPERTY TAXES

			Additional Interest Income If Payments are Accelerated through Electronic Collection							
	# of Companies	Total Dollars	1 Day	2 Days	3 Days	4 Days	5 Days	6 Days	7 Days	8 Days
Companies with Individual Payments Greater than \$100,000	239	\$46,665,381	\$5,114	\$10,228	\$15,342	\$20,456	\$25,570	\$30,684	\$35,798	\$40,912
Companies with Aggregate Payments Greater than \$100,000	138	126,004,644	13,809	27,617	41,426	55,235	69,044	82,852	96,661	110,470
Total		\$172,670,025	\$18,923	\$37,845	\$56,768	\$75,691	\$94,614	\$113,536	\$132,459	\$151,382

Data

- (1) Savings valued at an interest rate of 4%.
- (2) In 1991, Johnson County did not deposit over \$80 million in tax receipts until after the deadline of December 20, 1991.
- (3) Paper collection delays funds availability by a minimum of one day (three days over the weekend).
- (4) Paper collection delayed funds availability by as many as 11 days in December of 1991 because of balancing problems.



Mike Reeht
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Kansas

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TESTIMONY OF BEHALF OF AT&T
BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE
MIKE REECHT
SB 250
FEBRUARY 22, 1993

Good morning Senator Langworthy and members of the committee.

My name is Mike Reeht and I am Director for State Government Affairs in Kansas.

I appear before you today to discuss SB 250. In general, AT&T does not have a problem with wire transfers. The use of wire transfers is widespread in the sales/use and income tax areas, but to our knowledge non existent in the property tax area. Implementation of the wire transfer concept in the property tax area should not create a problem.

However, there are two amendments that I would recommend to the Committee that would make the bill more suitable to AT&T, and at the same time be acceptable to the county.

Wire transfers are conducted by several methods. The most common is Fedwire, ACH Credit and ACH Debit. The bill states that transfer of funds can be made by any means established by the governing body. A potential problem might exist if the governing body requires the sole use of the ACH Debit methodology. Under this methodology, the governing body initiates the wire transfer, and thus is given access to companies' bank accounts. There are currently no situations in other tax areas that could limit wire transfers to ACH Debit solely. In addition, most situations allow the taxpayer the option of methodology to be used.

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My first amendment would insert the word "jointly" following the word "established" in Line 18 and would insert "and the taxpayer" following the word "body" on line 19.

Secondly, the language at Lines 20-22 suggest that evidence of the payment must be furnished to the county treasury by the taxpayer. This area does need to be clarified since wire transfers are not paper transactions whereby receipts are available. The funds are simply transferred from our account to the one that is specified. This is performed with minimal intervention. And since payment will be sent via EFT on the due date, it becomes virtually impossible for a taxpayer like AT&T to advise 105 counties as the bill suggests.

My amendment would offer the following suggestion to insure the county receive information on a timely basis. At Lines 20-21, strike "Evidence of such payment" and insert "Appropriate information indicating receipt of the taxpayer's payment". And at Line 21, insert "by the receiving financial institution", following the word "treasury".

The county treasurer's financial institution is in the best position to notify the county on a timely basis of the receipt of EFT funds.

In summary, AT&T supports SB 250 and offers the attached amendments for the Committee's consideration.

Thank you for the opportunity to testify on this matter.

SENATE BILL No. 250

By Committee on Assessment and Taxation

2-9

8 AN ACT authorizing counties to require certain property tax pay-
9 ments to be paid by electronic funds transfer.

10
11 *Be it enacted by the Legislature of the State of Kansas:*

12 Section 1. The governing body of any county may require, con-
13 sistent with sound cash management policies, that any taxpayer
14 whose total property tax liability exceeds \$100,000 in any calendar
15 year, shall remit their tax liability by electronic funds transfer no
16 later than the date required for such remittance. Electronic funds
17 transfers may be made by wire transfers of funds through the federal
18 reserve system or by any other means established by the governing
19 body which insures the availability of such funds to the county on
20 the date of payment. Evidence of such payment shall be furnished
21 to the county treasury on or before the due date of the tax as
22 established by law. Failure to timely make such payment in im-
23 mediately available funds or failure to provide such evidence of
24 payment in a timely manner shall subject the taxpayer to penalty
25 and interest as provided by law for delinquent or deficient property
26 tax payments.

27 Sec. 2. This act shall take effect and be in force from and after
28 its publication in the statute book.

jointly
and the taxpayer

Appropriate information indicating
receipt of the taxpayer's payment

by the receiving financial institution

6-3

SENATE BILL 282 HEARINGS

Senate Committee: Assessment and Taxation February 22, 1993

Dear Committee Chair and members of the Committee on Assessment and Taxation:

Senate Bill 282 can be labeled a good government bill. Several very solid reasons point to this conclusion. In an era where the majority of taxpayers are asking for fairness and equity in their tax structure, the thrust of this Senate Bill hits at the heart of what the majority of today's taxpayers not only encourage but insist that their public officials must promote.

Every year, counties and cities must budget enough revenues to meet their respective budgeted expenditures. In all these jurisdictions, they must budget more taxes to cover allowances for delinquencies. These amounts for delinquency allowances continue to grow.

Who must make up for these allowances? Who must make up for those who continue to use the system to their personal benefit? Who must pay more and more taxes to subsidize those who do not pay their taxes on time? The answer is simple: the responsible majority of the County taxpayers.

Senate Bill 282 supports the responsible taxpayer, the taxpayer who pays his or her taxes on time every time. By shortening the period of delinquent taxes and requiring all taxes to be paid upon redemption, it supports the largest majority of taxpayers. It sends a clear message to those who want responsible government which has values of fairness and equity.

Senate Bill 282 truly is a good government bill. While it takes away the award for being delinquent for those who use the system, it will potentially cause less taxes to be raised to support delinquent taxpayers. We strongly recommend your consideration and approval of this bill.

Respectively submitted,

Ron Cousino
Director of Financial Management, Johnson County, Kansas