

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 11:05 a.m. on February 23, 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: Larry Clark, Kansas County Appraisers Association  
Sam Schmidt, Kansas County Appraisers Association

Others attending: See attached list

Senator Langworthy called the attention of the committee to the fiscal notes for the bills being heard today.

### **SB 255--Property tax; land devoted to agricultural use**

Larry Clark, Kansas County Appraisers Association, stated that after discussion with the association and the board he was requesting the withdrawal of **SB 255**.

Senator Bond moved to report **SB 255** adversely. The motion was seconded by Senator Martin. Motion carried.

### **SB 258--Amending real estate ratio study act; excluding certain sales**

Larry Clark, Kansas County Appraisers Association, testified in support of **SB 258**. (Attachment 1) He said the problems are the particular sales included in that ratio study. He explained the ratio report and also explained the chart attached to his testimony. He said the amendment proposed eliminates from use in the official ratio study sales of parcels subject to use-value and whose value was established through appeal. It would insure that only the appraiser's effort at estimating market value were being evaluated in the official ratio study.

There were questions from the committee regarding the wording of the amendment. Staff suggested adding in line 18 after the words "subject to" the word "use" and striking the words "under use value guidelines" and in line 20 striking the word "above" and inserting the word "from".

### **SB 261--Property tax; protests of payment thereof**

Larry Clark, Kansas County Appraisers Association, spoke in support of **SB 261**. He said his testimony was attached to the testimony for **SB 193** which was presented to the committee on February 22, 1993. He said the county cannot change the valuation if the question is purely a valuation. The decision rests with the Board of Tax Appeals. All the county can do is to make a recommendation. He suggested it would be much more efficient and cost effective to eliminate the county hearing requirement. A stipulation then becomes one of timing, where it is warranted at all. (Attachment 2)

There were questions and discussion from the committee concerning keeping the county in the appeals process because that is where the mill levy is set. Mr. Clark said they do have an opportunity to speak at the county budget hearings. A committee member also remarked about the fiscal note which estimates the cost to the state

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 11:05 a.m. on February 23, 1993.

for this bill at \$1.2 million dollars.

### **SB 324--Contents of property appraisal rolls submitted by county appraiser to county clerk**

Sam Schmidt, President, Kansas County Appraisers Association, spoke in support of **SB 324**. (Attachments 3 and 4) He said for several years, computers have been used to process the personal property assessments. Because of the law in KSA 79-1476, the files are copied back to the hard copy and the data re-entered by the clerk's office. This repeated entry cost the tax payers money and often causes unnecessary errors. By redefining the real estate and personal property rolls in terms of appraisals rather than forms or documents, counties are free to move figures from one part of a computer system to another.

The committee questioned if the county clerks were in support of this bill and the answer was yes. They also asked about the transfer of data, and Mr. Schmidt said the data would still be transferred but would be done electronically .

The hearings on **SB 258**, **SB 261**, and **SB 324** were closed.

The meeting adjourned at 12:00 noon.

The next meeting is scheduled for February 24, 1993.

DATE: Feb 23, 1993

[illegible]

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 23, 1993

Madame Chairman and members of the committee thank you for the opportunity to testify in support of Senate Bill 258. My name is Larry Clark and I represent the Kansas County Appraisers Association.

Background:

One of the primary differences between mass appraisal and fee appraisal is measurement of the mass appraiser's performance. This measurement is accomplished by dividing the estimate of market value (the appraised value) by the selling price of properties that sold in actual arms length transactions. The resulting ratio may be used to develop indicators of both appraisal level and uniformity within a given study area and period.

Problem

The accuracy of such studies depends entirely on the stated purpose and the data used. If the purpose is merely to perform a statistical analysis of all real estate transactions compared to appraisal estimates every such transaction involving any type of property may be included. However, if the purpose is to establish the local appraiser's ability to estimate market value, then market value estimates must be compared to arms length or open market sales.

Property is classified as agricultural for the purpose of giving it non-market treatment for property tax purposes. A market value is estimated, but ignored. What is produced is a value which is determined in large part by per acre rates supplied by property valuation division. They are not designed to approach market value which renders any comparison to actual sales relatively meaningless.

On the other hand, significant pressure has been placed on local appraisers to retain values established through the appeals process. When that value is retained it is subject to use in the ratio study under current law. In this instance, however, what is being measured is the ability of the appeal body to render a sound decision rather than the capability of the appraiser to estimate market value. At best the appraiser is being evaluated on his/her ability to defend a value before a lay board.

Senate Bill 258

The amendment proposed eliminates from use in the official ratio study sales of parcels subject to use-value and whose value was established through appeal. This would certainly not prohibit property valuation division or the local appraiser from using either property types from purely statistical studies for other purposes. It would, however, insure that only the appraiser's efforts at estimating market value were being evaluated in the official ratio study.

*Senate Assessment & Taxation  
February 23, 1993  
Attachment 1-1*

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 18, 1993

Madame Chairman and members of the committee thank you for the opportunity to testify in support of Senate Bill 193. My name is Larry Clark and I represent the Kansas County Appraisers Association.

Background:

Prior to 1989 the payment under protest process was very simple, a protesting taxpayer was given a hearing by the Board of Tax Appeals and the issue was resolved. In 1989 counties began a process which calls for the appraiser to conduct an informal hearing with the property owner who pays under protest. A decision is mailed to the taxpayer who then has the option of appealing an unfavorable decision to another county hearing, this time with the county commission or their representatives. Ultimately, however, the decision to change the value of the property which is the subject of the protest remains with the State Board of Tax Appeals.

Problem

In 1991 the International Association of Assessing Officers reviewed the appraisal of Wyandotte County specifically and the state of Kansas generally and had this to say about the payment under protest process.

The second-chance protest appeal provisions apparently were enacted in anticipation of the 1989 reappraisal. Whatever their merits then, the process delays finality in the property tax system, increases public confusion about how the system works, falsely raises expectations of relief when none is warranted, and diverts appraiser's office resources from more important tasks. "Payment under protest" provisions in other states usually pertain to appeal systems in which tax bills are issued before valuation appeals are heard or to procedures for protesting allegedly illegal property tax levies. The Kansas "payment under protest" appeals confuse the question of assessment uniformity (tax equity) with the size of tax bill, which is influenced more by the size of tax levies.

Under the current system county resources are diverted to a process which is both inefficient and expensive. Local tax jurisdictions faced with the prospect of losing a portion of their revenue to this process have little choice but to "pad" budgets at the expense of all taxpayers. To do otherwise would amount to gambling with their ability to pay all their bills and maintain a sound credit rating. There are many examples across this state where one taxpayer is responsible for the bulk of the

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tax base for a given taxing jurisdiction. A successful protest could bankrupt that jurisdiction.

This needs to be weighed against the need for a second annual review of values and the possibility of a satisfactory valuation decision. With the implementation of annual notification of values there is little excuse for property owners failing to challenge unfair values prior to budgets being set. The legislature has taken commendable strides to insure that equalization hearings are conducted by persons trained in appraisal procedures. The county appraiser is required to follow uniform standards of professional appraisal practice and hearing officers in 1993 will be required to be trained in appraisal. However, those requirements do not exist for the State Board of Tax Appeals; and no matter how well meaning or sincere their efforts, they may fall short of rendering decisions grounded in sound appraisal principles. After the county invests time and property tax revenue in developing a recommendation ostensibly based on the appraisal training and experience of its staff, there is nothing in the law to require that decision to be followed or given any consideration whatsoever.

For all of these reasons the Appraisers Association has consistently supported elimination of the payment under protest process. Because of the previous resistance in the legislature to that idea, two alternatives have been introduced during the current session.

#### Senate Bill 193

The State Board of Tax Appeals has interpreted K.S.A. 79-2005 to require that protests based solely upon the mill levy must still be heard at the county level before they will be considered by that board. Due to dramatic shifts in mill levies resulting from changes in school finance there were a significant number of protests filed in some counties. One county in southwest Kansas experienced 5,000 such appeals.

The county appraiser is never given the authority to alter or change the mill levy in any way. To require the taxpayer to meet with the appraiser when the dispute arises solely from the mill levy is a waste of both the taxpayer's and the county's time and resources. A simple change in this statute limiting protest hearings with the county appraiser to appraisal and/or assessment issues will eliminate this problem.

#### Senate Bill 261

If the legislature retains the payment under protest process it can be made much more efficient by eliminating the county hearings. The best result of such hearings allowed under current law is a stipulation, wherein the county and property owner agree on a value. The State Board of Tax Appeals is not bound by this stipulation, however, and is more likely to require an additional hearing as the amount of the value change increases. In this case and especially where there is no stipulation, the county hearing is relegated to an exercise in administrative excess which the taxpaying public cannot afford.

I would respectfully suggest that it would be much more efficient and cost effective to eliminate the county hearing requirement. The issue of a stipulation then becomes one of

timing, where it is warranted at all. Such a stipulation can occur with the concurrence of the Board at or in conjunction with the state board of tax appeals hearing. Where there is no chance for a stipulation, property taxpayers are saved the cost of an additional hearing.

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**KANSAS COUNTY APPRAISERS ASSOCIATION**

**P.O. Box 1714  
Topeka, Kansas 66601**

TO: Senate Assessment and Taxation Committee

FROM: Sam Schmidt, President  
Kansas County Appraisers Association

DATE: February 23, 1993

Madame Chairman and members of the committee, thank you for the opportunity to testify in support of Senate Bill 324. My name is Sam Schmidt and I represent the Kansas County Appraisers Association.

For several years, we have used computers to process our personal property assessments. Due to the terminology of K.S.A. 79-1476, we copied our file back to the rendition to be re-data entered by the clerk's office. This type of redundancy not only costs the taxpayer but often causes unnecessary errors. I have had some fun with this as you can see by my exhibit on page two.

*Senate Assessment + Taxation  
February 23, 1993  
attachment 3-1*



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 23, 1993

Madame Chairman and members of the committee thank you for the opportunity to testify in support of Senate Bill 324. My name is Larry Clark and I represent the Kansas County Appraisers Association.

Background:

Every year county appraisal offices throughout the state of Kansas build real estate and personal property appraisal rolls using a combination of paper forms, electronic media and whatever else they have available to them. The final result which is certified to the county clerk is an estimate of value for every piece of personal property and real estate in the county.

Problem

The problem is that some county clerks have interpreted K.S.A. 79-1466 and 79-1467 to require the transfer of whatever physical records are in the appraiser's possession as a part of the appraisal roll. In those counties where values are maintained on an electronic data base which is readily available to all property tax administrators this requirement is unnecessary, expensive and can be very misleading. For example, a personal property assessment form may list the personal property turned in by a given taxpayer and some of the values. If the county has a computerized personal property file the final values will be on that file, however. Looking at the physical record will only yield an incomplete picture of the true assessment. The same is true of the real estate system where most counties utilize some assessment administration software system which is attached to their computer assisted mass appraisal files.

Senate Bill 324

This bill attempts to erase the confusion and allow counties to complete the transfer of data between offices in an efficient manner using current technology. By defining the real estate and personal property rolls in terms of appraisals rather than forms or documents counties are free to simply move figures from one part of a computer system to another and/or generate reports of such appraisals in whatever form suits their needs.

*Senate Assessment + Taxation*  
*February 23, 1993*  
*Attachment 4-1*