

Approved: 1/25/94  
Date

## MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on January 19, 1994 in Room 519-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee:

David Cunningham, Director Division of Property Valuation, Kansas  
Department of Revenue  
Larry Clark, Kansas County Appraisers Association  
Paul Welcome, Johnson County Appraiser

Others attending: See attached list

Chairperson Roe opened the hearing on HB 2620, HB 2621, HB 2622, HB 2623 and HB 2624.

HB 2620 - establishing a financial incentive program to encourage the continuing education of appraisers employed by the state and political subdivisions of the state.

HB 2621 - providing for the electronic transmission of appraisals.

HB 2622 - relating to cancellation of certain personal property assessed valuation.

HB 2623 - relating to property taxation; concerning the computation of tax levy rates.

HB 2624 - relating to property taxation; concerning requests for exemption thereof.

David Cunningham, Director, Division of Property Valuation, testified in support of HB 2620 and said that some counties have paid for staff education only to have those individuals leave government service because the financial opportunities were better elsewhere. Mr. Cunningham said in support of HB 2621 that this bill would allow data to be quickly, simply and more accurately transferred electronically. He testified that he supports HB 2624 because this change will save both the counties and the state board time and money. Mr. Cunningham said that he supports HB 2622 because it is not economically feasible to send and collect tax bills for five dollars or less. HB 2623 was supported by Mr. Cunningham and he said that this bill would help counties to eliminate a potential shortfall of revenue because budgets are calculated on the base including the penalty that has been abated in some amount (Attachment 1).

Larry Clark, Kansas County Appraisers Association, testified in support of HB 2620, HB 2621, HB 2622, HB 2623 and HB 2624. Mr. Clark mentioned his concern, regarding HB 2620, that county appraisal offices have faced a continued exodus of well trained and experienced appraisers. He said that this has escalated in recent years with the shift in emphasis toward state licensing and certification (Attachment 2).

Paul Welcome, Johnson County Appraiser, testified in support of HB 2620. He said that the appraisal system is very complex and it generally takes several years for an appraisers to achieve an acceptable level of competence. He said that they spend an estimated \$15,000 is spent over a five-year period to train staff. Mr. Welcome was requested to provide information regarding the training and education requirements needed to qualify for the various appraiser designations.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on January 19, 1994.

The Chair closed the hearings on HB 2620, HB 2621, HB 2622, HB 2623 and HB 2624.

Chairperson Roe directed the committee to discussion and possible action on bills.

A motion was made by Representative Empson, seconded by Representative Adkins, to report favorably HB 2624. The motion carried.

A motion was made by Representative Pottorff, seconded by Representative Brown, to report favorably HB 2622. The motion carried.

A motion was made by Representative Wagnon, seconded by Representative McKinney, to pass HB 2623 favorably. The motion carried.

The Chair noted that the subject matter in HB 2621 is the same as in SB 250. Staff noted that the Committee had amended SB 250 on March 23, 1993.

A motion was made by Representative Lahti, seconded by Representative Larkin, to amend HB 2621 into SB 250 and to strike the provisions of SB 250.

A substitute motion was made by Representative Adkins, seconded by Representative Brown, to amend the current provisions of HB 2621 into SB 250. The substitute motion carried with a vote count of 12 ayes and 8 nays.

A motion was made by Representative Grotewiel, seconded by Representative Pottorff, to amend SB 250 in Section by striking the words "governing body" and inserting the words "county treasurer." The motion failed.

A motion was made by Representative Larkin, seconded by Representative Wagle, to table SB 250. The motion failed with a count of 9 ayes and 12 nays.

A motion was made by Representative Wagnon, seconded by Representative Adkins, to pass SB 250 favorably as amended. The motion carried.

The Committee was directed to turn to HB 2557.

HB 2557 - cost-benefit analysis for tax exemptions.

A motion was made by Representative Wilk, seconded by Representative Glasscock, to report favorably HB 2557.

A substitute motion was made by Representative Wiard to amend HB 2557 by changing in line 18 the word "shall" to the word "may." The motion died for lack of a second.

A substitute motion was made by Representative Brown, seconded by Representative Larkin, to amend HB 2557 in line 13 to add words "for the purpose of statewide data collection." The motion carried.

A motion was made by Representative Wilk, seconded by Representative Adkins, to pass favorably as amended HB 2557. The motion carried. Representatives Lahti and Welshimer requested to be recorded as voting no.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on January 19, 1994.

The Committee was requested to turn to HB 2556.

HB 2556 - ensures Kansas Inc. access to tax information.

A motion was made by Representative McKinney, seconded by Representative Adkins, to amend HB 2556 so that individual taxpayer information cannot be revealed by Kansas Inc. The motion carried.

A motion was made by Representative Empson, seconded by Representative Rock, to amend HB 2556, to add to the last sentence in the opening paragraph of Section 1: *Upon specific written request by the President of Kansas Inc.*, the secretary of revenue shall provide data...The motion carried.

A motion was made by Representative Larkin, seconded by Representative Empson, to pass favorably as amended HB 2556. The motion carried. Representative Lahti requested to be recorded as voting no.

The minutes of January 13, 1994, were approved as read.

The meeting adjourned at 10:35 a.m.

The next meeting is scheduled for January 20, 1994.



# HOUSE TAXATION COMMITTEE

DATE 1/19/94

NAME	ADDRESS	REPRESENTING
<del>Jim McMillan</del>	<del>Topeka</del>	<del>Observer</del>
Alan Steppat	Topeka	Pete McBill & Assoc.
David Cunningham	<del>Kearney</del> <del>Topeka</del>	12000 PUD
Irish Pfannenschiel	Topeka	Leg Post Audit
Bob Brown	Topeka	KS Lumber Dealer
Jamie Clover Adams	Topeka	KS Grain & Feed Assn.
Tom Tummel	Topeka	KS Grain & Feed Assn.
Julie Hein	Topeka	Hein, Ebert & Weir
BEU BRADLEY	TOPEKA	KS Assoc of Counties
ELLEN ROSS	TOPEKA	KANSANS FOR FAIR TAXATION, INC.
Jack Dwyer	Topeka	XFFT
BOBENT DAVIS	WICHITA	KA SB
JO Long	Topeka	Utili Corp United
Harvey Siemens	818 Ks Ave Topeka	Western Resources Inc
Gary Clingan	Topeka	Santa Fe
Heidi M Jarland	Overland Park	OP Chamber of Commerce
GERRY RAY	Overland Park	City of Overland PK Jo Co Commission
Kevin Wut	Topeka	DPS - Dept of Admin
Paul Welcome	Johnson County	Johnson County Commissioners Office
Ray Clark	Johnson County	Johnson County Commissioners
Buster Z Hanzel	Topeka	Motors News
John Conrad	Rt. 1 LeCompton	AA RP
Patrick H. Hurler	Topeka	KCPH



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Department of Revenue  
Division of Property Valuation

MEMORANDUM

**To:** Representative Roe, Chair  
House Taxation Committee

**From:** David C. Cunningham, Director *DCC*  
Division of Property Valuation

**Date:** January 11, 1994

**Subject:** Representative Roe's Working Group Recommendations

Thank you for the opportunity to appear today and discuss the recommendations for Representative Roe's Working Group. This was a productive series of meetings covering a wide range of topics. I appreciated the opportunity to meet with legislators and county officials to discuss common issues. I am convinced that meetings which include all levels of government and the private sector are necessary if we are to continue resolving property tax issues.

I have attached copies of my December 9, 1993 memo summarizing the Working Group's recommendations and my January 10, 1994 memo concerning specific changes recommended by the Kansas County Appraisers' Association which were endorsed and recommended by the Working Group. I will discuss each of the recommendations and answer any questions you may have.

*1/19/94*  
*House Taxation Cmte*  
*Attachment 1*

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Department of Revenue  
Division of Property Valuation

MEMORANDUM

**To:** Representative Keith Roe, Chair  
House Taxation Committee

Senator Audrey Langworthy, Chair  
Senate Assessment and Taxation Committee

**From:** David C. Cunningham, Director,  
Division of Property Valuation

**Date:** December 9, 1993

**Subject:** Representative Roe's Ad Hoc Working Group on Property  
Tax Issues

The Working Group met on October 11 and 26 and November 9 and 23, 1993. Membership consisted of House Taxation and Senate Assessment and Taxation Members; Secretary Parrish; Director Cunningham; Legislative Committee Members, Kansas County Appraisers Association; Presidents of County Clerks, Commissioners, Treasurers, and Register of Deeds Associations; Chairman Shriver, State Board of Tax Appeals; Bev Bradley, Kansas Association of Counties; and, Tom Severn and Chris Courtwright, Legislative Research. The Group made specific recommendations for legislation that are summarized herein and attached as exhibits. I have also included copies of the minutes for your records.

The agenda was, in part, set by Representative Roe and the legislators who discussed forming this group. The initial agenda items centered around the Post Audit report while other items were added as time permitted. In all, approximately 13 issues were discussed.

They include:

1. Enacting certain minimum appraisal qualifications for members of SBOTA;
2. Enacting "recapture" legislation of other provisions designed to eliminate the ability of owners of undeveloped lots to have their land use-valued by planting crops;
3. Restricting the number of times a property owner can go through the appeals process for a given tax year;
4. Allowing county appraisers to conduct final reviews of only those properties for which the value has changed by more than a certain percentage;
5. Allowing a two-year appraisal cycle;
6. State compensation for education levels and/or designations;
7. Land improvement/value split;
8. Ratio study;
9. Electronic transfer bill (transfer of appraisal records to clerk electronically);
10. Exemption of governmental right-of-way without SBOTA application and order;
11. Abatement of value associated with five dollar tax bill;
12. Exclusion of penalty for late filing as part of tax base; and,
13. Mineral valuation issues.



Unfortunately, there was not adequate time to fully discuss the broader issues regarding the "regressivity" of the property tax system or assessment levels on not-for-profit organizations.

The Working Group made six recommendations for legislation. They are:

1. *Providing direct compensation from the state to county and state appraisal personnel for attaining specified educational levels and/or specified professional appraisal designations.* <sup>HB 2620</sup> County and state appraisal staff have very little incentive to invest time and personal funds in attaining higher levels of education or professional appraisal designations because salary levels are not comparable to the private sector. Some counties have paid for staff education only to have those individuals leave government service because the financial opportunities were better elsewhere. It is equally important that staffs' level of professionalism be enhanced to more effectively handle the complexities of appraisal. Additional training is critical and this provides an excellent incentive.
2. *Allow the land and improvement values to be combined on the valuation and tax notices (current law requires that they be listed separately).* County appraisers continually deal with taxpayers who do not understand valuation concepts. When a valuation notice or tax bill is received with separate values for both the land and improvements, the separate values are challenged when the appraiser is really looking at the sum of these two parts rather than the individual values. For example, if a home is purchased the contract does not specify what portion of the selling price is for land or for improvements, it reflects the total price. This suggested change would merely follow accepted practice and allow the appraiser and taxpayer to focus on the value of the "whole" property rather than to quibble over the land component where a change in the land value would have no affect on the property's overall value.

- HB 2621*
3. *Transfer of appraisal records from appraiser to clerk electronically.* This suggested change allows county officials to take advantage of existing computer capabilities. There is no need to transfer appraisal records in hard copy or paper form which requires the data to be re-entered in the computer when it can be quickly, simply and more accurately transferred electronically.
- HB 2624*
4. *Allow the appraiser to remove governmental right-of-way properties from the appraisal/tax rolls without an application to and order from the State Board of Tax Appeals.* This type of legislation has been adopted for properties acquired by the Kansas Department of Transportation; however, local units of government were not addressed. This change will save both the counties and the state board time and money.
- HB 2622*
5. *Abate value associated with five dollar tax bills.* It is not economically feasible to send and collect tax bills for five dollars or less; however, under current law the value generating the tax is left on the books when the taxes are abated. This does not allow the county clerk to balance the appraisal role with the tax roll. A more appropriate solution is to abate the value associated with the five dollar or less tax bill thereby eliminating the record keeping problem.
- HB 2623*
6. *Exclude from the tax base penalties added for the untimely filing of the personal property rendition.* Taxpayers who file their personal property renditions late are assessed a penalty which currently becomes part of the counties' tax base. The taxpayer may petition the State Board of Tax Appeals to have all or a portion of the penalty abated. Currently, the county has no ability to adjust the tax base for this change and that results in a potential shortfall of revenue because budgets are calculated on the base including the penalty that has been abated in some amount.

Representative Roe  
Senator Langworthy  
December 9, 1993  
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The other topics were discussed at length; however, no consensus was reached as to any recommended legislation. Finally, I have included bill drafts (of varying types) for some proposals and plan to complete the remaining drafts and revise the current drafts for consistency next week.

I would like to thank you and your legislative colleagues for the opportunity to participate in this working group. I believe this type of exchange is extremely beneficial and necessary if the myriad of property tax issues are to be effectively addressed. If I can be of further assistance, please let me know.

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Department of Revenue  
Division of Property Valuation

MEMORANDUM

**To:** Representative Keith Roe, Chair  
House Taxation Committee  
  
Senator Audrey Langworthy, Chair  
Senate Assessment and Taxation Committee

**From:** David C. Cunningham, Director,  
Division of Property Valuation

**Date:** January 10, 1993

**Subject:** Representative Roe's Ad Hoc Working Group on Property  
Tax Issues

On December 9, 1993, I sent you a memorandum summarizing the Working Group's activities and included six specific recommendations for legislation. I did not include several recommendations made by the Kansas County Appraisers' Association that were discussed and endorsed by the Working Group because I believed those recommendations were to be considered as proposed changes to S. B. 223.

Some question has arisen as to where these recommendations will be introduced. I have no personal preference whether the recommended changes are introduced as new legislation stemming from the Working Group's recommendations or as proposed changes to S. B. 223. It was certainly the group's belief and expectation that these issues would be introduced and discussed. I have included a copy of the material discussed and will draft the necessary bill or amendments to S. B. 223 to effect these changes as you direct.

Rep. Roe and Sen. Langworthy  
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I apologize for any inconvenience this may have caused and will be pleased to meet and discuss any of these recommendations at your convenience.

SENATE BILL NO. 223

AN ACT relating to property taxation; concerning the appeal process; and amending K.S.A. 79-344, 79-411, 79-501, 79-1460, 79-1476, 79-1480, 79-1486, 79-1488, and 79-2005 and repealing the existing statutes.

Be it enacted by the legislature of the State of Kansas:

Section 1. K.S.A. 1992 Supp. 79-1460 is hereby amended to read as follows: K.S.A. 79-1460. The county appraiser shall notify each taxpayer in the county annually on or before March 1, for real property and May 1 for personal property, by mail directed to the taxpayer's last known address, of the classification or and appraised valuation of the taxpayer's property, except that, for tax year 1993 1994, and each year thereafter the valuation for all real property shall not be increased unless: (a) ~~A specific review thereof is conducted, including an individual physical inspection of such property by the county or district appraiser or such appraiser's designee provided that no such inspection shall be required to change the valuation of land devoted to agricultural use;~~ (b) a record of such the latest physical inspection is maintained, including the documentation for such increase, and such record is available to the affected taxpayer; and ~~(e)~~ (b) for the taxable year next following the taxable year that the valuation for real property has been reduced due to a final determination made pursuant to the valuation appeals process, documented substantial and compelling reasons exist therefor and are provided by the county appraiser. For the purposes of this section and in the case of real property, the term "taxpayer" shall be deemed to be the person in ownership of the property as indicated on the records of the office of register of deeds or county clerk. Such notice shall specify separately both the previous and current appraised and assessed values for ~~the land and buildings situated on such lands~~ each property class identified on the parcel. ~~Such notice shall also include the most recent county sales ratio for the particular subclass of property to which the notice relates, except that no such ratio shall be disclosed on any such notices sent in any year when the total assessed valuation of the county is increased or decreased due to reappraisal of all of the property within the county.~~ Such notice shall also contain the uniform parcel identification number prescribed by the director of property valuation. Such notice shall also contain a statement of the taxpayer's right to appeal and the procedure to be followed in making such appeal. Such notice shall contain an estimation of the taxes that would be due for the current year based on the assessed valuation of the taxpayer's property using the preceding year's mill levies. Failure to timely mail or receive such notice shall in no way invalidate the classification or appraised valuation as changed. The secretary of revenue shall adopt rules and regulations necessary to implement the provisions of this section.

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Changes are made in this section to accomplish three purposes:

1) Current section (a) is being stricken to eliminate the requirement for a final physical review on every property which increases in value. With this eliminated the appraiser will be required to focus attention and taxpayer resources on identified problem areas of the county rather than taking such a broad and expensive approach as is currently required.

2) Language is being changed to allow counties to report only the total appraised and assessed value of each class of property on a parcel. The requirement to separate the land and improvement values was begun at a time when appraisers used the cost approach primarily, if not exclusively, to value property. Neither the income or comparative sales approaches produce separate estimates of value for the land and the improvements. To continue to report separate values is misleading to the property owners.

3) Finally, language is added to require the inclusion of an estimate of the tax consequences of the value change. General property tax liability is to be shown on the valuation notice under the previous and the changed value using the last actual mill rate for the taxing jurisdiction.

New Sec. 2. K.S.A. 1992 Supp. 79-1476 is hereby amended to read as follows: K.S.A. 79-1476. The director of property valuation is hereby directed and empowered to administer and supervise a statewide program of reappraisal of all real property located within the state. Except as otherwise authorized by K.S.A. 19-428, and amendments thereto, each county shall comprise a separate appraisal district under such program, and 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. In the case of multi-county appraisal districts, the district appraiser shall have the duty of reappraising all of the real property in each of the counties comprising the district pursuant to such guidelines and timetables and of updating the same on an annual basis. Commencing in 1990 1994, the record of physical characteristics of every parcel of real property shall be ~~actually viewed and inspected~~ checked for accuracy by the county or district appraiser once every ~~four~~ eight years. Any county or district appraiser shall be deemed to be in compliance with the foregoing requirement in any year if 12.5% or more of the parcels in such county or district are actually viewed and inspected and the valuation on all remaining are updated by statistical analysis in such year. The director shall require the initiation of such program of statewide reappraisal immediately after the effective date of this act.

Compilation of data for the initial preparation or updating of inventories for each parcel of real property and entry thereof into the state computer system as provided for in K.S.A. 79-1477, and amendments thereto, shall be completed not later than January 1, 1989. Whenever the director determines that reappraisal of



all real property within a county is complete, notification thereof shall be given to the governor and to the state board of tax appeals.

Valuations shall be established for each parcel of real property at its fair market value in money in accordance with the provisions of K.S.A. 79-503a, and amendments thereto.

In addition thereto valuations shall be established for each parcel of land devoted to agricultural use upon the basis of the agricultural income or productivity attributable to the inherent capabilities of such land in its current usage under a degree of management reflecting median production levels in the manner hereinafter provided. A classification system for all land devoted to agricultural use shall be adopted by the director of property valuation using criteria established by the United States department of agriculture soil conservation service. For all taxable years commencing after December 31, 1989, all land devoted to agricultural use which is subject to the federal conservation reserve program shall be classified as cultivated dryland for the purpose of valuation for property tax purposes pursuant to this section. Productivity of land devoted to agricultural use shall be determined for all land classes within each county or homogeneous region based on an average of the eight calendar years immediately preceding the calendar year which immediately precedes the year of valuation, at a degree of management reflecting median production levels. The director of property valuation shall determine median production levels based on information available from state and federal crop and livestock reporting services, the soil conservation service, and any other sources of data that the director considers appropriate.

The share of net income from land in the various land classes within each county or homogeneous region which is normally received by the landlord shall be used as the basis for determining agricultural income for all land devoted to agricultural use except pasture or rangeland. The net income normally received by the landlord from such land shall be determined by deducting expenses normally incurred by the landlord from the share of the gross income normally received by the landlord. The net rental income normally received by the landlord from pasture or rangeland within each county or homogeneous region shall be used as the basis for determining agricultural income from such land. The net rental income from pasture and rangeland which is normally received by the landlord shall be determined by deducting expenses normally incurred from the gross income normally received by the landlord. Commodity prices, crop yields and pasture and rangeland rental rates and expenses shall be based on an average of the eight calendar years immediately preceding the calendar year which immediately precedes the year of valuation. Net income for every land class within each county or homogeneous region shall be capitalized at a rate determined to be the sum of the contract rate of interest on new federal land bank loans in Kansas on July 1 of each year



averaged over a five-year period which includes the five years immediately preceding the calendar year which immediately precedes the year of valuation, plus a percentage not less than .75% nor more than 2.75%, as determined by the director of property valuation.

Based on the foregoing procedures the director of property valuation shall make an annual determination of the value of land within each of the various classes of land devoted to agricultural use within each county or homogeneous region and furnish the same to the several county appraisers who shall classify such land according to its current usage and apply the value applicable to such class of land according to the valuation schedules prepared and adopted by the director of property valuation under the provisions of this section.

For the purpose of the foregoing provisions of this section the phrase "land devoted to agricultural use" shall mean and include land, regardless of whether it is located in the unincorporated area of the county or within the corporate limits of a city, which is devoted to the production of plants, animals or horticultural products, including but not limited to: Forages; grains and feed crops; dairy animals and dairy products; poultry and poultry products; beef cattle, sheep, swine and horses; bees and apiary products; trees and forest products; fruits, nuts and berries; vegetables; nursery, floral, ornamental and greenhouse products. Land devoted to agricultural use shall not include those lands which are used for recreational purposes, suburban residential acreages, rural home sites or farm home sites and yard plots whose primary function is for residential or recreational purposes even though such properties may produce or maintain some of those plants or animals listed in the foregoing definition.

The term "expenses" shall mean those expenses typically incurred in producing the plants, animals and horticultural products described above including management fees, production costs, maintenance and depreciation of fences, irrigation wells, irrigation laterals and real estate taxes, but the term shall not include those expenses incurred in providing temporary or permanent buildings used in the production of such plants, animals and horticultural products.

~~The valuations established for tangible property under the program of statewide reappraisal shall not be applied by any county as a basis for the levy of taxes shall not be applied by any county as a basis for the levy of taxes until January 1, 1989.~~ The provisions of this act shall not be construed to conflict with any other provisions of law relating to the appraisal of tangible property for taxation purposes including the equalization processes of the county and state board of tax appeals.

The changes proposed in this section are intended to allow the extension of the reinspection cycle from four to eight years and to insure that counties are considered in compliance with PVD directives when they extend that cycle.



New Sec. 3. K.S.A. 1992 Supp. 79-2005 is hereby amended to read as follows: K.S.A. 79-2005. (a) Any taxpayer, before protesting the payment of such taxpayer's taxes shall be required, either at the time of paying such taxes, or, if the whole or part of the taxes are paid prior to December 20, no later than December 20, or, with respect to taxes paid in whole on or before December 20 by an escrow or tax service agent, no later than January 31 of the next year, to file a written statement with the county treasurer, on forms approved by the state board of tax appeals and provided by the county treasurer, clearly stating the grounds on which the whole or any part of such taxes are protested and citing any law, statute or facts on which such taxpayer relies in protesting the legality of the levy. The county treasurer shall forward a copy of the written statement of protest to the county appraiser who shall within 15 days of the receipt thereof, schedule a formal meeting with the taxpayer or such taxpayer's agent or attorney with reference to the property in question. The county appraiser shall review the appraisal of the taxpayer's property with the taxpayer or such taxpayer's agent or attorney and may change the valuation of the taxpayer's property, if in the county appraiser's opinion a change in the valuation of the taxpayer's property is valued according to law, and shall, within 15 business days thereof, notify the taxpayer and the state board of tax appeals, in the event the valuation of the taxpayer's property is change, in writing of the results of the formal meeting. The state board of tax appeals may within 45 days after receipt of notification of such change review such change and schedule a hearing thereon upon a finding that the taxpayer's property may not be valued according to law. If the state board of tax appeals takes no action within such 45 day period, the results of the formal meeting shall be final state board of tax appeals.

~~(b) If the grounds of such protest shall be that the valuation or assessment of the property upon which the taxes so protested are levied is illegal or void, such statement shall further state the exact amount of valuation or assessment which the taxpayer admits to be valid and the exact portion of such taxes which is being protested.~~

~~—(c) If the grounds of such protest shall be that any tax levy, or any part thereof, is illegal, such statement shall further state the exact portion of such tax which is being protested.~~

~~—(d) Upon the filing of a written statement of protest, the grounds of which shall be that any tax levied, or any part thereof, is illegal, the county treasurer shall mail a copy of such protest to the governing body of the taxing district making the levy being protested.~~

~~—(e) Within 30 days after notification of the results of the formal meeting, the protesting taxpayer may, if aggrieved by the results of the formal meeting with the county appraiser, appeal such results to the board of county commissioners, or the hearing officer or panel appointed pursuant to K.S.A. 79-1602 79-1611, of~~



~~the county wherein the property is located by filing a notice of such appeal with the county clerk, or, at the taxpayer's option, the taxpayer may appeal the results of the formal meeting directly to the state board of tax appeals, on forms approved by the state board of tax appeals and provided by the county treasurer, together with a copy of the written statement of protest. A copy of the written notification of the results of the formal meeting with the county appraiser shall be provided by the county appraiser.~~

~~(f) Upon receipt of the copy of the written statement of protest and a copy of the written notification of the results of the formal meeting with the county appraiser, the board of county commissioners or hearing officer or panel shall within 30 days of such receipt hear the taxpayer's appeal and shall within 15 days thereafter notify the taxpayer and the state board of tax appeals, in the event the valuation of the taxpayer's property is changed. The state board of tax appeals may within 45 days after receipt of notification of such change review such change and schedule a hearing thereon upon a finding that the taxpayer's property may not be valued according to law. If the state board of tax appeals takes no action within such 45 day period, the decision of the board of county commissioners or the hearing officer or panels shall be final. If the taxpayer remains aggrieved by the results of such hearing, such taxpayer may appeal such results to the state board of tax appeals within 30 days of the date of such notice application. Thereupon, the board shall docket the same and notify the taxpayer and the county treasurer of such fact. In addition thereto if the grounds of such protest is that the valuation or assessment of the property is illegal or void the board shall notify the county appraiser thereof.~~

~~(g) (b) After examination of the copy of the written statement of protest and a copy of the written notification of the results of the formal meeting with the county appraiser, the board shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act, unless waived by the interested parties in writing. If the grounds of such protest is that the valuation or assessment of the property is illegal or void the board shall notify the county appraiser thereof.~~

~~(h) (c) In the event of a hearing, the same shall be originally set not later than 90 days after the filing of the copy of the written statement of protest and a copy of the written notification of the results of the formal meeting with the county appraiser with the board. In all instances where the board sets a request for hearing and requires the representation of the county by its attorney or counselor at such hearing, the county shall be represented by its county attorney or counselor.~~

~~(i) (d) When a determination is made as to the merits of the tax protest, the board shall render and serve its order thereon. The county treasurer shall notify all affected taxing districts of the amount by which tax revenues will be reduced as a result of a refund.~~



~~(j) If a protesting taxpayer fails to file a copy of the written statement of protest and a copy of the written notification of the results of the formal meeting with the county appraiser with the board within the time limit prescribed, such protest shall become null and void and of no effect whatsoever.~~

(k) (e) In the event the board orders that a refund be made and no appeal is taken from such order, the county treasurer shall, as soon thereafter as reasonably practicable, refund to the taxpayer such protested taxes from tax moneys collected but not distributed. Upon making such refund, the county treasurer shall charge the fund or funds having received such protested taxes.

(l) (f) Whenever, by reason of the refund of taxes previously received or the reduction of taxes levied but not received ~~as a result of decreases in assessed valuation~~, it will be impossible to pay for imperative functions for the current budget year, the governing body of the taxing district affected may issue no-fund warrants in the amount necessary. Such warrants shall conform to the requirements prescribed by K.S.A. 79-2940, and amendments thereto, except they shall not bear the notation required by such section and may be issued without the approval of the state board of tax appeals. The governing body of such taxing district shall make a tax levy at the time fixed for the certification of tax levies to the county clerk next following the issuance of such warrants sufficient to pay such warrants and the interest thereon. All such tax levies shall be in addition to all other levies authorized by law.

~~(m)~~ (g) The county treasurer shall disburse to the proper funds all portions of taxes paid under protest and shall maintain a record of all portions of such taxes which are so protested and shall notify the governing body of the taxing district levying such taxes thereof and the director of accounts and reports if any tax protested was levied by the state.

~~(n)~~ (h) This statute shall not apply to the valuation and assessment of property assessed by the director of property valuation and it shall not be necessary for any owner of state assessed property, who has an appeal pending before the board of tax appeals, to protest the payment of taxes under this statute solely for the purpose of protecting the right to a refund of taxes paid under protest should that owner be successful in that appeal.

Changes in this section are intended to limit a protest at the time taxes are paid to the levy.

New Sec. 4. K.S.A. 79-1486 is hereby amended to read as follows: K.S.A. 79-1486. (a) "Sale" or "sales" shall include all transfers of real estate for which a real estate sales validation questionnaire is required by K.S.A. 79-1437c, and amendments thereto and which are valid indicators of market value as that term is defined in Kansas statutes and in the Standard on Ratio Studies promulgated by the International Association of Assessing Officers;



(b) "real estate" shall include land, improvements and structures which are appraised as real property;

(c) "director" shall mean the director of property valuation;

(d) "classification" shall mean those classifications which apply to real property contained in K.S.A. 79-1439, and amendments thereto, or any stratification which may be prescribed by the director;

(e) "average" shall mean that measure or measures of central tendency which the director shall determine best describes a group of individual ratios;

(f) "ratio" shall mean the numerical relationship between the appraised or assessed value and the selling price; and

(g) "study year" shall mean that twelve-month period beginning annually on January 1. (Chpt 131, 1992 Session Laws)

Changes in this section are intended to limit sales to be used in the published state ratio study to "valid sales" as that term is defined in the Standard on Ratio Studies published by the International Association of Assessing Officers.

New Sec. 5. K.S.A. 79-1488 is hereby amended to read as follows: K.S.A. 79-1488. It shall be the duty of the director to obtain all sufficient information relating to each sales of real estate as the director shall deem necessary ~~to carry out the intent and purposes of this act to perform an appraisal/sales ratio study according to the Standard on Ratio Studies promulgated by the International Association of Assessing Officers.~~ The director shall prescribe the form in which the data is obtained. The director shall assign agents who shall verify that all sales are included considered. The director shall determine the average median ratio, coefficient of dispersion and price related differential for residential, commercial and vacant classes of real estate within each county of real estate sales and the coefficient of dispersion for each classification of property in each county. If, in the director's opinion, sales from the study year are insufficient to determine reliable ratios for any classification of property in any county, sales from the ~~twelve-month~~ four year period preceding the study year may be used to supplement study year sales or the director may obtain or conduct appraisals for the purpose of supplementing, verifying or correcting ratios for the study year.

Changes in this section are meant to cause the adoption of the IAAO Standard on Ratio Studies as the standard to be used in the State of Kansas and to extend the period from sales are derived from one year prior to the ratio study year to up to four years prior.

New Sec. 6. K.S.A. 79-344 is hereby amended to read as follows: K.S.A. 79-344. (a) Whenever the total assessed valuation upon the tangible personal property of any taxpayer



results in an estimated tax liability aggregate amount of tax owed upon tangible personal property by any taxpayer is less than \$5, such assessed valuation shall not be certified to the county clerk as required by K.S.A. 79-1467 and amendments thereto tax shall be cancelled and no personal property tax statement shall be issued. Said tax liability shall be estimated based upon the preceding year's mill rate for the tax district in which the personal property is located for tax purposes.

(b) The provisions of this section shall apply to all taxable years commencing after December 31, 1994.

Changes in this section are meant to eliminate the situation where a taxing jurisdiction budgets for certain revenue and then does not receive it because of the tax bill of several property owners in that jurisdiction falling below \$5. Instead, an estimate of taxes will be made at the time of the assessment and the assessed value will not be certified to the county clerk in the first instance if the new assessed value will not generate more than \$5 in property taxes using the average county mill rate.

New Sec. 7. K.S.A. 79-411 is hereby amended to read as follows: K.S.A. 79-411. The assessor or appraiser from actual view and inspection or from statistical methods prescribed by the property valuation director, 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 is practicable the fair market value in money of all taxable real property within his or her township, city or county, as the case may be and he shall appraise all such real property at its fair market value in money and assess the same as required in K.S.A. 79-1439.

The change proposed will allow local appraisers to combine the resources of the reinspection cycle and the computer to assist in the annual revaluation process. Once quality reviews of property characteristic files show that the information collected is correct this change will allow the county to place more reliance upon sales and other direct market information in arriving at value estimates.

New Sec. 8. K.S.A. 79-501 is hereby amended to read as follows: K.S.A. 79-501. Each 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 following the Uniform Standards of Professional Appraisal Practice~~. The price at which such real property would sell at forced sale may be taken as a criterion of such fair market value in the market place of such sale if the appraiser believes such price to be a reasonable factor in arriving at fair market value. The price at which real property would sell at auction may be taken as the criterion of fair market value in money if the appraiser determines such sale to be an arms-length transaction between a willing buyer and seller. In addition,



land devoted to agricultural use shall be valued as provided by K.S.A. 79-1476, and amendments thereto. Tangible personal property shall be appraised at its fair market value in money except as provided by K.S.A. 79-1439, and amendments thereto. All such real and tangible personal property shall be assessed at the rate prescribed by K.S.A. 79-1439, and amendments thereto.

This change is consistent with legislative mandates passed in the last two sessions urging county appraisers toward higher levels of professionalism. When such appraisers become licensed they must place themselves under the guidance of the Uniform Standards of Professional Appraisal Practice. Adopting those guidelines provides a clear direction for all appraisers; it provides an avenue of relief for appraisers who violate its provisions; and attaches national credibility to state guidelines.

New Sec. 9. K.S.A. 79-412 is hereby amended to read as follows: K.S.A. 79-412. It shall be the duty of the assessor appraiser to examine all such buildings and other improvements as are not expressly exempt from taxation and shall separately value the land and improvements; but the value of the land and the improvements thereon shall be entered on the assessment roll in a single aggregate.

This change supports the use of the income approach for commercial/industrial property and the sales comparison approach for residential property. In these two approaches one single value results. Any separation of that total into components tends to be arbitrary and a disservice to the property owner.

New Sec. 10. K.S.A. 79-1448 is hereby amended to read as follows: K.S.A. 79-1448. Any taxpayer may complain or appeal to the county appraiser from the classification or appraisal of the taxpayer's property by giving notice to the county appraiser on or before April 15 for real property and on or before May 15 for personal property. The county appraiser or the appraiser's designee shall arrange to hold an informal meeting with the aggrieved taxpayer with reference to the property in question. At such meeting it shall be the duty of the county appraiser or the county appraiser's designee to initiate production of evidence to substantiate the valuation of such property. No property owner from whom the county appraiser had previously requested income and expense information relative to the property under appeal and who refused to provide such information at that time, may introduce such evidence at the time of the informal meeting with the appraiser. The county appraiser may extend the time in which the taxpayer may informally appeal from the classification or appraisal of the taxpayer's property for just and adequate reasons. Except as provided in K.S.A. 79-1404, and amendments thereto, no informal meeting regarding real property shall be scheduled to take place after May 15 nor shall a final determination be given by the appraiser after May 20. Any



taxpayer who is aggrieved by the final determination of the county appraiser may appeal to the hearing officer or panel appointed pursuant to section 7, and amendments thereto, and such hearing officer, or panel, for just cause shown and recorded, is authorized to change the classification or valuation of specific tracts or individual items of real or personal property in the same manner provided for in K.S.A. 79-1606 and amendments thereto. Any taxpayer who is aggrieved by the final determination of a hearing officer or panel may appeal to the state board of tax appeals provided in K.S.A. 79-1609, and amendments thereto. An informal meeting with the county appraiser or the appraiser's designee shall be a condition precedent to an appeal to the county or district hearing panel.

The change in this section is intended to urge owners of income producing property to provide that information to the county appraiser prior to a hearing so that it may be used to value all such property. The refusal on the part of a property owner will not cause the property owner to lose his/her right to appeal, but that appeal cannot be based on the income approach.

HOUSE BILL 2620

HOUSE COMMITTEE ON TAXATION

JANUARY 19, 1994

Mr. Chairman and members of the House Committee on Taxation, my name is Larry Clark and I am here representing the Kansas County Appraisers' Association in support of passage of House Bill 2620.

Since the onset of reappraisal in 1986 and reappraisal maintenance in 1989, county appraisal offices have faced a continued exodus of well trained and experienced appraisers. Counties have invested hundreds of thousands of taxpayer dollars hiring and training staff to carry out the mandates of this legislature only to see many of those persons leave county government for the private sector. This has escalated in recent years with the shift in emphasis toward state licensing and certification.

Because of the sophistication of the current system and the fact that each appraisal cycle of events is twelve months in length, it generally takes several years for an appraiser to achieve an acceptable level of competence. Unfortunately, counties are not universally able or willing to reward the effort it takes to achieve those levels. The result is that many appraisers staff become frustrated and give in to mediocrity or leave that county for another county which offers better compensation, or they leave government work for the private sector.

We will never be able to gain consistency within the Kansas appraisal system until we are able to retain competent staff in every county. This bill offers the incentive to achieve the highest levels of professionalism without leaving the county.

There are currently twelve (12) persons holding the CAE designation and three (3) holding the RES designation in the state of Kansas. In addition there are fourteen (14) candidates for the CAE and five (5) candidates for the RES designation. The CAE, RES, CMS and PPS designations are the only professional designations which recognize expertise in the mass appraisal field. The fiscal impact of awarding an annual stipend to all current designees would be modest, especially compared to the ability to retain those professionals in county government.

1/19/94

House Taxation Cmte  
Attachment 2



HOUSE BILL 2621

HOUSE COMMITTEE ON TAXATION

JANUARY 19, 1994

Mr. Chairman and members of the House Committee on Taxation, my name is Larry Clark and I am here representing the Kansas County Appraisers' Association in support of passage of House Bill 2621.

Modern data processing methods allow the rapid and efficient retrieval and transmission of massive amounts of data. One of the most important achievements of the recent reappraisal effort was the computerization of all counties in the state. The next logical step is to take advantage of the savings inherent in using that technology. It makes little, if any, sense to manually transfer records from one office of county government to another when the same results can be achieved electronically. It makes even less sense to extract records from a computer, print a copy and take that copy to another office so that the staff there can re-enter the data back into the computer. Unfortunately, a strict interpretation of the current statutes requires the latter to take place, even where the computer capability exists to do otherwise.

The Appraisers's Association supports a change in the law to allow counties to transfer data electronically between offices, saving county employee's time and taxpayers' money.

HOUSE BILL 2622

HOUSE COMMITTEE ON TAXATION

JANUARY 19, 1994

Mr. Chairman and members of the House Committee on Taxation, my name is Larry Clark and I am here representing the Kansas County Appraisers' Association in support of passage of House Bill 2622.

During the 1992 session, this legislature passed a bill which required the county treasurer to cancel any personal property tax bill or a tax bill on the royalty interest of an oil or gas well which is less than five dollars (\$5). That created a situation in which levied revenues did not equal revenues actually received. When that occurs taxing jurisdictions must make adjustments up to and including raising levies in the following year to account for the lost revenue, which forces everyone's taxes to increase.

Appraisers are involved in this issue because this proposal involves appraisers in a possible solution. What is proposed is that each time an appraisal is calculated on personal and oil or gas property, a second calculation be made of the possible tax liability using the previous tax year's mill rate. If the resulting estimated tax bill is less than \$5, the appraiser does not include the value of that property on the certified appraisal roll. By doing so, that property value is not used to set levies and counties may avoid cancelling tax bills later, after levies are set.

This could be accomplished without a great deal of extra work and may be done as a part of the program which calculates value in those counties using such programs.



HOUSE BILL 2623

HOUSE COMMITTEE ON TAXATION

JANUARY 19, 1994

Mr. Chairman and members of the House Committee on Taxation, my name is Larry Clark and I am here representing the Kansas County Appraisers' Association in support of passage of House Bill 2623.

Much like House Bill 2622 the involvement of appraisers in this issue is advisory. Appraisers are required under current law to assess prescribed penalties for the late filing of personal property renditions. Property owners, on the other hand, may and in many cases do, receive relief from some or all of those penalties through a grievance filed with the State Board of Tax Appeals.

The problem which this bill seeks to address is that the grievance procedure is not typically accomplished until budgets and levies are set, based on values which include the penalties. It is unusual for the State Board of Tax Appeals to completely eliminate a penalty, but it is not unusual for the Board to significantly reduce it. In some instances those penalties equal 50% or even 100% of the value of the property involved. If a county is experiencing a significant amount of late filing, the result may be a valuation base which is inflated with penalties that may receive significant reductions after levies are set.

Since the penalty is intended to be a transitory value increase and is subject to change up to and including removal, the Appraisers' Association would support efforts to allow county clerks to remove that portion of the valuation from the base prior to calculating levies. Any tax revenue received from penalties not challenged in a given year could be carried forward and budgeted for in ensuing tax years.

HOUSE BILL 2624

HOUSE COMMITTEE ON TAXATION

JANUARY 19, 1994

Mr. Chairman and members of the House Committee on Taxation, my name is Larry Clark and I am here representing the Kansas County Appraisers' Association in support of passage of House Bill 2624.

The Appraisers' Association fully supports the principle of taxation as the rule and exemption as the exception and would oppose efforts to weaken the current exemption application procedures. The situation addressed in this bill however is one in which the use is clearly governmental in nature. The application exercise then becomes one of costly paper shuffling between levels of government at the expense of taxpayers and for no useful purpose.

We, therefore, support the exception spelled out in this proposed legislation which would eliminate the application requirement for property dedicated for right-of-way purposes by units of local government.