

Nick Jordan, Secretary
David N. Harper, Director

Sam Brownback, Governor

March 5, 2012

Rep. Gary Hayzlett, Chairman
House Transportation Committee

RE: House Bill 2735

Mr. Chairman and Members of the Committee, I am Bill Waters, Attorney, Kansas Department of Revenue, Division of Property Valuation.

The Department would ask that HB 2735 be amended to remove from line 6 language requiring the director of property valuation to value all property within a federally railbanked right-of-way. The requirement to value railbanked property is presently the responsibility of the county or district appraiser and the Department believes that requirement should not be changed.

K.S.A. 79-1404, *Fifteenth*, provides that the director of property valuation shall value all railroad property, except such real property as is not used in the daily operation of a railroad. Railbanked property is not used in the daily operation of a railroad. Also, K.S.A. 79-5a04 requires the director of property valuation to determine and deduct from the unit value of a public utility the nonoperating properties of such companies.

Including nonoperating properties or real property not used in the daily operation of a railroad presents appraisal and apportionment problems. Railroads, as most public utilities, are valued as a unit with primary reliance on the income approach to value. Including non-income producing properties in the value of railroad properties would not increase the unit value of the railroad, but would result in value being apportioned to railbanked and other nonoperating properties (and removed from operating properties). This result can be avoided by continuing the present practice of requiring county and district appraisers to value railbanked and nonoperating properties of railroads.