

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on March 17, 2004, in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Larry Baer, League of Kansas Municipalities
Randall Allen, Kansas Association of Counties
Mark Desetti, Kansas National Education Association and Kansas Association of School Boards.
Erik Sartorius, City of Overland Park
Mark Beck, Property Valuation Division

Others attending:

See Attached List.

Continued hearing on: **SCR 1620—Constitutional amendment requiring legislature to limit valuation increases on residential real property**

Larry Baer, League of Kansas Municipalities, testified in opposition to **SCR 1620**. Mr. Baer emphasized that, when the valuation of one type of property decreases, the tax burden shifts to other types of property. **SCR 1620** would result in the inequitable shifting of property taxes from residential property to business and commercial property. The League adamantly opposes any amendment to the Kansas Constitution which alters the current fair market value approach to valuing residential property or which would place any cap or limitation on increase of valuation for residential property. (Attachment 1)

Randall Allen, Kansas Association of Counties, testified in opposition to **SCR 1620** for the following reasons: (1) Limiting the growth in appraised valuation of real estate to a cap established by legislative enactment would in no way guarantee lower taxes, and (2) The proposal would create an inequity between and among parcels. He pointed out that, as a result of an artificial limitation, the tax burden would merely shift from more rapidly appreciating properties to older, established properties which are stable or decreasing in value. Mr. Allen emphasized that, although the current system is not perfect, it is infinitely better than it was before property values were revisited on an annual basis. (Attachment 2)

Mark Desetti testified in opposition to **SCR 1620** on behalf of the Kansas National Education Association and the Kansas Association of School Boards. He noted that, while he and other citizens demand state, city, and county services, no one likes to pay for them. However, it is our duty to pay for those services with taxes. He pointed out that **SCR 1620** will cut revenue, but the need for law enforcement, fire protection, and schools will not go away just because there is less money available to spend on them. In his opinion, services will be cut or mill levies will be raised. (Attachment 3)

Erik Sartorius, representing the City of Overland Park, testified in opposition to **SCR 1620**. He pointed out that passage of **SCR 1620** would alter the current state policy of tying the valuation of a homeowner's property to its fair market value, and the state will be positioning itself for the problems that brought about classification and reappraisal in the late 1980s. He noted that, rather than realizing the increase in fair market value for property, a cap on assessed valuations would artificially dampen their growth. In addition, the state could see significant budgetary challenges if assessed valuations are no longer tied to fair market value. Projections of revenue growth will have to be adjusted downward, leaving the legislature three choices, (1) raise the statewide mill levy, (2) cut funding for schools, or (3) take additional resources from the State General Fund. (Attachment 4)

Senator Corbin called the Committee's attention to written testimony in opposition to **SCR 1620** submitted by Paul Welcome, Johnson County Treasurer (Attachment 5); Marlee Carpenter, Kansas Chamber of

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Commerce ([Attachment 6](#)); and Wes Ashton, Overland Park Chamber of Commerce ([Attachment 7](#)).

Mark Beck, Director, Property Valuation Division, distributed information relevant to Cherokee County requested by Committee members at the March 15 hearing on **SCR 1620**. He called attention to tables labeled Report 6 ([Attachment 8](#)) and Report 7 ([Attachment 9](#)), which include comparative data on assessed value, property taxes levied, and county wide mill levies for all 105 Kansas counties. He noted that Report 6 is sorted in county order, but Report 7 is sorted in mill levy order. With regard to the “countywide average mill levy” column in Report 6, he pointed out that Cherokee County has a ranking of 96th highest. With regard to the “countywide average mill levy” column on page 4 of Report 7, he pointed out that Cherokee County ranks as the 96th lowest. He went on to point out that Report 6 shows that Cherokee County ranks 34th in assessed value, but ranks 95th in per capita value. He noted that, when the population figure is included, the numbers change, and one sees a totally different picture. He commented that questions arising when comparing Cherokee County to another county can be answered in a variety of ways. Thus, trying to determine what is a high tax county as opposed to a medium or low tax county plays different when it is presented differently. Mr. Beck stated that he would not make any conclusions on appraisals in Cherokee County discussed by conferees at the hearing on March 15 and that his intent was simply to share information in an attempt to picture Cherokee County in perspective with other counties.

In conclusion, Mr. Beck distributed copies of a packet of tables entitled, “Cherokee County Assessed Value, Major Classes of Property (Millions),” from a Property Valuation Division statistical report of property assessment and taxation. ([Attachment 10](#)) He explained that the handout gives a picture of what is happening with valuation and tax distribution in Cherokee County. He pointed out that, as the percent of the tax base shifted to residential over the years, commercial, utilities, and ag land all become smaller portions of the tax base. He then called attention to a chart showing the tax distribution in Cherokee County, noting that the figures do not indicate anything out of the ordinary other than, as for everyone, taxes are going up. He observed that, as tax needs go up, the shift to residential occurs at the same time. With regard to the last page of the packet, he noted that the numbers shown regarding the average sale price/ average appraised value do not have a tie to each other. He explained that the average appraised value is for the entire population, but the sale price applies only to properties that sold. He went on to say that he has discovered that there some assessment regressivity issues in Cherokee County, which simply means that the lower valued properties are valued higher in relation to market value than the higher value properties. He indicated that the county would benefit most by examining their low dollar property initially and then their residential properties in the range of \$20,001 to \$40,000.

Senator Corbin closed the hearing on **SCR 1620** and opened a discussion on a previously heard bill, **SB 507** concerning a motor vehicle tax exemption for military personnel.

Senator Oleen informed the Committee that she had an opportunity to visit with county treasurers and appraisers since the hearing on the bill. She went on to explain that currently most states exempt automobiles owned by full time active duty military personnel; however, Kansas does not. She noted that **SB 507** provides that motor vehicles become exempt when someone becomes a full time soldier. She recalled that Senator Barnett offered an amendment which would allow an exemption for two vehicles titled in a soldier’s name. As to the eligibility for the exemption, she explained that persons deployed before the renewal date would be exempt for one year, and persons deployed after the renewal date would not qualify for the exemption unless they are still on active duty the next year. She noted that this procedure causes the least amount of difficulty for county treasurers. She also observed that most soldiers are deployed six to nine months; therefore, in all probability, all soldiers will benefit at some point.

Senator Oleen moved to amend **SB 507** to provide that the exemption apply to no more than two vehicles and that it be effective upon publication in the Kansas register, seconded by Senator Lee. The motion carried.

Senator Corbin called the Committee’s attention to the minutes of the March 15 meeting. Senator Donovan moved to approve the minutes of the March 15, 2004, meeting, seconded by Senator Buhler. The motion carried.

The meeting was adjourned 11:50 a.m. The next meeting is scheduled for March 18, 2004.

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