

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on February 9, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Shirley Sicilian, Kansas Department of Revenue
Senator Robert Tyson
Neil Elkins
George Pretz
Eric Drews
Karl Peterjohn, Kansas Taxpayers Network
Gerald Frantz, Sedgwick County Appraiser
Freda Culver

Others attending: See attached list.

The minutes of the February 7, 2000, meeting were approved.

Senator Langworthy called upon Shirley Sicilian, Kansas Department of Revenue, to present information on gasoline sales on Indian reservations which was requested at the hearing on **SB 409** (concerning the incidence of and liability for certain excise taxes). Ms. Sicilian distributed copies of data regarding tax exempt sales of motor fuel to American Indian tribes and briefly discussed the figures. (Attachment 1)

SB 395–Property taxation; providing a uniform basis of valuation

Senator Robert Tyson, author of **SB 395**, testified in support. He explained that the purpose of the bill is to provide a break for property owners from upward spiraling property tax increases. **SB 395** would freeze all future reappraisals at the 2000 fair market value beginning on December 31, 1999. Senator Tyson noted that the bill would help many older citizens living on a small fixed income and experiencing an ever increasing property tax payment each year. He noted that there would be no fiscal note for Fiscal Year 2001 and called attention to information attached to his written testimony regarding the fiscal note for the out years. (Attachment 2)

Senator Lee began a discussion of how the bill would affect agricultural land appraisals. In Senator Tyson’s opinion, the bill would not affect agricultural land because it only affects the land that the county appraiser appraises. Senator Lee reasoned that eventually it would affect agricultural land because agricultural reappraisals will continue to go up while all other property valuations are capped, and the result will be a gradual shift of the tax burden to agricultural landowners. Senator Tyson commented that he does not expect a permanent freeze on property reappraisals. He said the intent of the bill is to put a temporary stop to the “runaway train” of increased property taxation based on inflated property valuations. He suggested that one solution to the problem would be keeping the value of the property where it is until it is sold.

Neil Elkins, a resident of Miami County, testified in support of **SB 395**. In 1991, he retired, and he and his wife bought a small retirement home located on forty acres of native grassland. He noted that the property was appraised in 1994 for a market value of \$100,780. By 1998, the market value had increased to \$121,800. Taxes paid in 1991 were \$1,201, but by 1999 taxes had increased to \$1,598.14. He estimated that, at that rate, the appraised value in 20 years will be \$255,172, and the property taxes will be approximately \$3,712. He pointed out that, although his house is depreciating as a result of normal aging, the value of the property and the property taxes will continue to increase under the current reappraisal methodology. They will be required continually to pay taxes on an inflated value. The term “market value” has no meaning in their case because their property is not on the market and they plan to remain in their home. He believes that passage of the bill would provide relief to persons on fixed incomes with constantly increasing property taxes. (Attachment 3)

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE
Room 519-S, Statehouse, at 11:10 a.m. on February 9, 2000.

George Pretz, a dairy farmer from Miami County, testified in support of **SB 395**. He noted that he has farmed for 50 years and has no intention of selling the house he has lived in for those years unless property tax increases force him to sell. He and his wife are 70 years old and would like to retire. However, with the continuing raising valuation of their home, it would be difficult. He believes that freezing property tax reappraisals until a better solution to increasing taxes is found would allow them to retire on a fixed income and continue to live in their existing home. Mr. Pretz called attention to statistics attached to his written testimony regarding taxation of his land for the last ten years. He pointed out that, although he has appealed reappraisals, the tax has increased 375 percent in the past ten years. (Attachment 4)

Eric Drews, a professional engineer residing of Miami County, followed with further testimony in support of **SB 395**. He and his wife built a home in 1995 at a cost of \$113,000. In 1996, the tax appraisal was \$117,00. By 1999, the tax appraisal had increased to \$129,999. He noted that in the three-year period the appraised value increased over two times the rate of inflation. He believes that many people will lose their homes if this upward valuation continues; therefore, he supports a freeze on property tax valuations at the 2000 level. (Attachment 5) In addition, Mr. Drews commented that, as a professional practicing engineer, his goal is to improve residential construction in rural communities. The trend he has seen when people come to him to design quality homes is that they can afford to build the home but they cannot afford the taxes. Therefore, the quality of homes is often sacrificed, and the structures which are built are unsafe. He believes the bill is a step to give power back to the people to control government spending and taxation.

Karl Peterjohn, Kansas Taxpayers Network, gave final testimony in support of **SB 395**. He characterized property reappraisals as unlegislated property tax hikes in the sense that no elected official has cast a vote or taken any action to raise taxes or to impose a new tax. He noted that this places taxpayers in an unpleasant and common financial squeeze and that the appeals process is viewed by most laymen as a legal labyrinth. He maintained that the bill would provide time for working out a more detailed way of stopping these automatic property tax hikes. In conclusion, he emphasized that property taxation is the only way taxpayers are taxed on the anticipated but unrealized increase in value of an asset. (Attachment 6)

To illustrate the plight of the elderly living on a fixed income, Mr. Peterjohn introduced a resident of Cherokee County, Freda Culver, who lives in a 40-year-old home. He explained that last year the appraised value on her home went up 50 percent, based on a comparison with new homes in her area. He agrees with Ms. Culver's belief that people are being taxed out of their homes.

Gerald Frantz, Sedgwick County Appraiser, testified in opposition to **SB 395**. He pointed out that different properties and neighborhoods appreciate and depreciate at different rates, and a valuation freeze guarantees that different properties and neighborhoods will be appraised at different levels or ratios of market value. He maintained that any legislation that limits or restricts the assignment of fair market value for any class of properties is in direct conflict with the constitutional requirement for a uniform and equal basis of valuation. To illustrate his point, he discussed three examples of property taxation in three different neighborhoods. (Attachment 7)

Freda Culver informed the Committee that she is 70 years old and lives on a 200 acre farm in a 40 year-old home, and her taxes were increased by \$318 when she paid her 1998 taxes. She said the justification the county gave for the increase was, when her home was compared to homes in a nearby new housing development, its value increased. She decided to put her home on the market; however, two different realtors told her that putting one acre of ground on the market would be a waste of time because the buyer would need to be given a right-of-way, and a home which is part of a group of farm buildings would not be marketable. In conclusion, she observed that we have three choices in this lifetime—to pay taxes over which we have no control, to pay medical bills, and to choose where to be buried. She believes the choice creates a dilemma for many persons living on a fixed income. With this, the hearing on **SB 395** was concluded.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for February 10, 2000.

