

## M I N U T E S

## SPECIAL COMMITTEE ON USE VALUE APPRAISAL

November 17, 1977  
Room 522 - State House

The meeting was called to order by Chairperson Powell shortly after 10:00 a.m., with all members except Representative Hineman present. Staff present: Bill Edds, Arden Ensley, Roy Johnson, Richard Ryan, and Robert Taylor. Consultants: Raymond Vaughn, Lyle Clark, and Bob Walters, Division of Property Valuation; Dr. Barry Flinchbaugh and Mark Edelman, K.S.U.

It was moved by Representative Jarchow and seconded by Representative Thiessen that the minutes of the meeting of November 7-8 be approved. Motion carried.

Impact Study

Dr. Flinchbaugh presented and explained a computer print-out of Tables 8-A through 15-A, which correspond to Tables 8 through 15. The new set of tables shows the changes in county government tax shares from 1976 actual expressed as percentages. He called attention to figures for Wyandotte County in Table 9-A, where a change of 167.1 percent was shown but the change was from a starting base of only 0.1 percent, as illustrating how misleading percentages can be without a full explanation.

Representative Jarchow stated that the figures in Table 7 for Sedgwick County (Columns 2 and 6) show an 82 percent tax break for farm land, which is a major purpose of the bill.

Dr. Flinchbaugh presented a report on the \$11,000 budgeted for the use value appraisal impact study, showing an estimated balance of \$1,000 as of December 31, before payment for printing 1,000 copies of the report. Printing costs were estimated to be from \$750 to \$1,000. He requested that the term of the agreement be extended to March 1, since the billing for printing of the reports could not be processed by December 31. It was moved by Senator Pomeroy and seconded by Senator Mulich that the Committee express to the Legislative Coordinating Council support for the requested extension. Motion carried.

Committee members asked if it would be possible to speed up the printing of the report and especially of Table VII. After discussion of possible reproduction of one or a few key tables by the Research Department or by K.S.U., it was moved by Senator Simpson and seconded by Senator Johnston, that all legislators be advised through Legislative Services and Facilities of the availability of computer runs of selected tables on request. Motion carried. (The notice has been sent out, with a request deadline of December 1. K.S.U. will provide the tables, with a sample illustrating what each shows, for mailing by Legislative Services.)

Bill Draft

Staff reviewed a revised bill mock-up, pointing out the changes from the most recent version. A final section-by-section review included the following discussion and actions.

Section 2 (definitions). It was moved by Senator Pomeroy and seconded by Senator Simpson that the words "as used in this act" be added. Motion carried.

In connection with discussion of Section 7, it was moved by Senator Pomeroy and seconded by Senator Simpson that the definition be amended to make it clear that a farm home site and yard plot would not be included in the land appraised at use value. Motion carried.

A question was raised as to whether the statutory provisions relating to expenses, especially the management allowance, are adequate. Division of Property Valuation personnel agreed that the management allowance could vary, by areas or types of land, but stated that in the final analysis could be defended only if it

accurately reflected the market place. Staff added that "typical within the area" establishes a guideline.

Section 3(d). Consistency in the use of "normally received" was directed.

Section 4. By consensus, it was agreed to add to the six year rollback provision language such as "or the number of years the land was valued under this act, whichever is less."

In the final paragraph, it was agreed that "upon" be changed to "for," and it was moved by Senator Simpson and seconded by Senator Pomeroy that "may" be changed to "shall." Motion carried.

It was moved by Senator Pomeroy and seconded by Senator Johnston that there be added a requirement of notification to the taxpayer of his obligation to report a change of use and of the penalty resulting from failure to do so. Motion carried.

It was further moved by Senator Pomeroy and seconded by Senator Mulich that the notice paragraph be made applicable to tax statements for 1981 and thereafter. Motion carried.

Section 7. Review of this section led into further discussion of how the farm house and the land under it should be appraised. It was agreed that the language of the constitutional amendment is limited to land in agricultural use and that therefore the home and land under it must be appraised at market value. The motion to make this clear has been reported under Section 2.

Section 10. It was moved by Senator Simpson and seconded by Senator Pomeroy that the provision making the Director of Property Valuation a party to appeals from the county board be limited to those affecting land valued under this act. Motion carried.

Section 13. It was moved by Representative Slattery and seconded by Senator Johnston that agricultural lands continue to be included in the assessment-sales ratio study. Motion failed, on a five to five tie vote.

After further discussion, it was moved by Senator Simpson and seconded by Senator Pomeroy that the exclusion from the ratio study be expanded to include "or any improvements thereon and farm home sites and yard plots sold therewith." Motion carried.

It was moved by Senator Simpson and seconded by Representative Slattery that the bill be recommended for favorable action.

Several members expressed reservations about the bill or certain aspects of it.

Senator Johnston offered a substitute motion, seconded by Senator Pomeroy, to report the bill without recommendation. Motion failed, by a vote of 3 to 6.

The original motion carried, by a vote of 8 to 2. Voting yes: Senators Simpson, Pomeroy, Mulich and Kerr, and Representatives Wilkin, Thiessen, Powell and Slattery. Voting no: Senator Johnston and Representative Jarchow.

It was moved by Senator Pomeroy and seconded by Representative Thiessen that the Committee recommend introduction in the House. Motion carried.

#### Committee Report

Staff reviewed a report draft, calling attention to some revisions and additions in the part previously distributed, and suggesting addition of discussion relating to the ratio study and to school finance. The Committee added a request for inclusion of the discussion and decision on farm home sites.

It was moved by Senator Johnston and seconded by Representative Thiessen that the additions be added and copies mailed (along with the minutes) to members for review, with five days to voice any objections. Motion carried.

Representative Jarchow submitted a minority report for printing with the majority report.

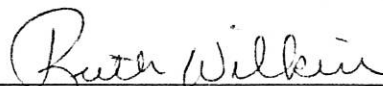
Prepared by Roy H. Johnson

Approved by Committee on:

\_\_\_\_\_  
Date

Held in Room 532 N, at the Statehouse at 1:30 ~~xxm~~/p. m., on January 26, 1978

All members were present except: Representative Robert Frey

Staff present: Bob Taylor, Kansas Legislative Research Department  
Roy Johnson, Kansas Legislative Research Department  
Bill Edds, Revisor of StatutesThe next meeting of the Committee will be held at 8:30 a. m./~~xxm~~, on January 27, 1978.These minutes of the meeting held on January 26, 1978 were considered, corrected and approved.


Chairman

The conferees appearing before the Committee were:

John Meetz, Kansas Livestock Association  
 John Blythe, Kansas Farm Bureau  
 Joe Cope, President of the Board, Flint Hills School District  
 Joe Converth, representing himself & Ford County Wheat Growers  
 Bob Wood, Kansas Forestry, Fish, and Game Commission  
 John Miller, Committee of Farm Organizations  
 Walter Graber, Kansas Association of Wheat Growers

Vice-Chairman Powell called the meeting to order and chaired the meeting for the day. Representative Stites moved, seconded by Representative Shelor, that the minutes of the January 25, 1978 meeting be approved as printed. Motion carried.

HB 2732 - AN ACT relating to taxation; concerning valuation, assessment and taxation of land devoted to agricultural use; amending K.S.A. 79-501, 79-1412a, 79-1435, 79-1436a, 79-1437, 79-1439, 79-1609 and 79-2005 and K.S.A. 1977 Supp. 72-7040 and repealing the existing sections.

Chairman Powell offered an amendment to HB 2732 (See Attachment I.) and asked Arden K. Ensley, Revisor of Statutes Office, to explain this amendment to the committee members. Mr. Ensley spoke to the amendment and also answered questions from the members. Lyle Clark, Property Valuation Department, also responded to questions. Chairman Powell accepted questions and further explained the history and background behind HB 2732 and his proposed amendment. To insure that all of the people wanting to be heard on this bill would have sufficient time, Chairman Powell suggested that discussion be continued later.

A copy of a letter from Brian Whitehead, Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees, was brought to the attention of the committee members. Chairman Powell explained that Mr. Whitehead was unable to appear before the committee but wanted his written testimony presented. (See Attachment II.)

## CONTINUATION SHEET

Minutes of the House Committee on Assessment & Taxation, January 26, 19 78.

John Meetz, Kansas Livestock Association appeared in support of HB 2732 and the proposed amendment (See Attachment III.).

Joe Cope, Flint Hills USD 492, spoke in support of HB 2732 (See Attachment IV.).

Joe Converth, representing himself, spoke in support of HB 2732 (See Attachment V.). Mr. Converth accepted questions from the committee members.

Bob Wood, Agricultural Liaison for Kansas Forestry, Fish and Game Commission, appeared and expressed a concern for the protection to critical wildlife habitats which are being lost due to economic pressures being placed on agricultural landowners. Mr. Wood offered amendments for consideration (See Attachment VI.).

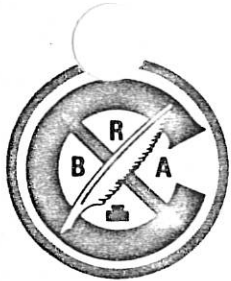
John Miller, Committee of Kansas Farm Organizations, spoke in support of HB 2732. He, as Mr. Wood, expressed a concern for the protection of wildlife habitats being lost. Mr. Miller commended the committee, interim committee, and subcommittee for their many long hours of work.

Walter Graber, Kansas Association of Wheat Growers, spoke in support of HB 2732. Mr. Graber stated that this bill, if passed, will bring about stability in taxes of agricultural land.

Chairman Powell asked the committee if they wished to continue discussion regarding HB 2732 and the proposed amendment. It was the consensus of the members to do so at a later date.

Mr. Paul B. Irvine, Route 6, Manhattan, Kansas, asked that his written testimony be included in the records. (See Attachment VII.).

Meeting adjourned.



Attachment II

# BROTHERHOOD OF RAILWAY, AIRLINE AND STEAMSHIP CLERKS, FREIGHT HANDLERS, EXPRESS AND STATION EMPLOYEES

AFL-CIO — CLC

KENNETH O. RICHARDSON  
*Regional Legislative Director*  
1010 Lavaca Street, Suite 308  
Austin, TX 78701  
Office Phone: (512) 472-6719  
Home Phone: (512) 441-7404

BRYAN K. WHITEHEAD  
*Assistant Regional Legislative Director*  
4917 Haskell  
Kansas City, KS 66104  
Phone: (913) 287-9062

Kansas City, Kansas, January 21, 1978

Rep. Ruth Wilkin, Chairperson,  
House Assessment & Taxation Committee,  
Room 503N, Statehouse,  
Topeka, Kansas, 66612,

Dear Rep. Wilkin:

This letter concerns House Bill No. 2732, An Act concerning taxation of land devoted to agricultural use, which was introduced by the Special Committee on Use Value. The bill is scheduled for public hearing before your Committee on January 26th.

Regretfully, an assignment to work in Washington the week of January 23rd will preclude my being present to appear as an adversary of HB-2732.

Therefore, will you please accept this letter as formal notice on behalf of approximately 8,000 active and retired members of the Brotherhood of Railway & Airline Clerks residing in every county and in the majority of cities in Kansas that we object to enactment of HB-2732.

As I have previously apprised your Committee, I am painfully aware of the "market place" problems in the current and recent-past agricultural economy. But, I cannot agree that owners of residential property in Kansas have any obligation to absorb a "shift" in the real property tax burden in order to give farm land owners a tax "break" to offset their losses in the "market place"!

Members of your Committee will recall that I along with other conferees urged careful study of Use Value impact. The studies conducted by the Property Valuation Department and by staff at Kansas State University have confirmed predictions of inequitable "shifts" to resident property taxpayers.

I have observed some discounting and distortion of conclusions resulting from the studies. I suggest it is a serious mistake to not fully consider projected adverse affects most particularly in school districts.

Dr. Flinchbaugh reported results of his studies of Use Value appraisal impact on school finance to the Special Committee at its November 7th meeting and said:

- 1 -

"The use value appraisal bill now being considered by the state legislature would have required \$24.7 million more in state aid to education had it been in effect last year."

There are exceptions, of course, but in my judgement the result of a fully implemented use value appraisal law will generally increase the real property tax burden on resident homeowners.

Moreover, as the valuation of agricultural property in school districts decreases it will ultimately become necessary to increase sales tax and/or income tax rates to fund the increased general revenue payments to school districts. Further increasing the tax burden on middle-income, wage-earner taxpayers.

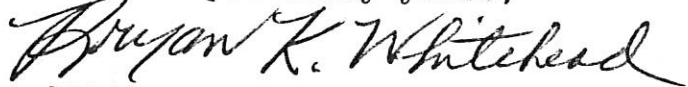
I understand an amendment to HB-2732 will be submitted which would provide for a mandatory county-wide re-appraisal of real property to be effective in the year use value appraisal of agricultural property is adopted in the county.

Madam Chairperson, I want to assure you and members of your Committee that I cannot fully agree with the reappraisal theory. Current net income from agricultural investment land is low when determined by the formula in New Section 3. of HB-2732. As the eight (8) year average productivity moves into the 1980s, net income will steadily decrease. With the valuation factors of "fair market value", the "sales ratio study", and "normal inflation" removed from the value determination formulae, assessed valuation of farm land will continue to depress.

There are thousands of active and retired railroad employes residing in the counties of Seward, Ford, Saline, Dickinson, Marshall, Harvey, Reno, Pratt and other rural counties. All the present valuation factors will remain in the value determination formulae as applied to resident property. Consequently, homeowners will see their real property taxes increase proportionate to the decrease enjoyed by owners of farm land. And, the "uniform and equal" protection of Section 1. of Article 11 of our Constitution is lost!

I expect to return to Topeka the week of January 30th. If you, or members of your Committee, wish me to respond to questions before the Committee I will do so at your convenience.

Very respectfully yours,



BRYAN K. WHITEHEAD, Director,  
Kansas Legislative Committee, BRAC

4917 HASKELL  
KANSAS CITY, KS 66104  
PHONE: (913) 287-9062



BRYAN K. WHITEHEAD  
Assistant Regional Legislative Director

- 2 -

Brotherhood of Railway, Airline and  
Steamship Clerks, Freight Handlers,  
Express and Station Employes (AFL-CIO)

WASHINGTON OFFICE:  
815-16TH STREET, NW  
WASHINGTON, DC 20006  
PHONE: (202) 783-3660



2044 FILLMORE / TOPEKA, KANSAS 66604 / TELEPHONE 913/232-9358  
Owns and Publishes The Kansas Stockman magazine and KLA News & Market Report newsletter

Attachment III

PREPARED FOR THE  
HOUSE ASSESSMENT AND TAXATION COMMITTEE

IN SUPPORT OF

HB 2732

by the

KANSAS LIVESTOCK ASSOCIATION

JANUARY 26, 1978

I am John Meetz, Executive Vice President of the Kansas Livestock Association, which is a voluntary membership association of farmers, ranchers and feeders that depend on the livestock industry for their livelihood.

I first want to compliment the joint House/Senate Interim Study Committee for its work this past summer and fall. Their efforts, hard work and compromises are found in HB 2732. It is our opinion in the Kansas Livestock Association that HB 2732 is a good piece of legislation and although we might like to make two or three changes in the bill we support HB 2732 as is and encourage its early passage.

Use-value appraisal in itself is not a complicated subject because it is merely determining value based on the land's productivity and income producing ability. In appraisal terms we are capitalizing an income stream to determine value.

NEED FOR USE-VALUE

First, agricultural land has two values. Its first value is the amount it is worth to a farmer or rancher to produce food and fiber for a profit. The second value is the sale price of the land which, today, is considerably more than its first value.

OFFICERS

FLOYD FAIRLEIGH, President, Scott City

J. RICHARD PRINGLE, President-Elect, Yates Center

JACK VANIER, Immediate Past President, Brookville

DIRECTORS

J. HAROLD CARSWELL, Alton

JIM HARPER, Ashland

REX HEADRICK, Jewell

BEN KELLER, Winona

PAT KOONS, Lakin

FRANCIS NUTSCH, Washington

HARLAN OLTJEN, Everest

NATHAN PIKE, Minneola

SCOTT REITER, Winfield

GEORGE SCHLICKAU, Haven

ROB SMITH, Erie

KEN STIELOW, Paradise

GEORGE TISCHHAUSER, Carlton

LEWIS TRENTMAN, Sublette

JIM UNGLES, Salanta

JIM WIGHT, Burlingame

STAFF

JOHN MEETZ, Executive Vice President

CRAIG SHARP, Director of Member Services

VIRGIL HUSEMAN, Executive Secretary, Feedlot Division

J. C. BARR, Managing Editor

DEE LIKES, Executive Secretary, Cow-Calf/Stocker Division

Let's examine briefly the causes for the second value. We have a constant -- or even shrinking -- availability of private land and a growing, affluent population that is seeking their piece of that supply. These people are looking for their piece of the land, either to have their place in the country or as a hedge against inflation. Another factor is that the agricultural economy has forced farmers and ranchers from the land and when one leaves the land most often his land is purchased by another existing farmer or rancher. This expanding farmer is generally willing to pay more than the land is worth for food production because it may join his property, it may never again be for sale during his lifetime, and he can spread the fixed cost over his present land. By expanding, he will probably become more efficient in his total operation.

The results of these factors, along with past economic conditions in the country, have caused highly inflated sales prices which cannot be supported from a business point of view.

Now, let's take a look at this problem in relation to the Kansas tax structure. Kansas recognized this problem, in part, when it passed the present law (79-503). It contains several factors, including productivity and earning capacity. The problem is that these factors are not weighted and the assessor can use any factors he wants. By the same token, he can exclude any factors. The result has been that sales price, being common knowledge, has received the greatest emphasis. This, coupled with the fact that the Assessment Sales Ratio Study measures the job of the assessor by only one factor -- sales -- it tends to force the county official to put the greatest emphasis on sales price.

The problem is not one of present valuations but could cause great hardships if agricultural land were reappraised under current law. A reappraisal is imminent in the very near future. A reappraisal would result in the doubling and tripling of most valuations if the current sales approach to appraisal is used.



One more factor ... the fair market value approach to appraisal no longer fits the unique class of property known as agricultural land. Under today's conditions, one could not find more than a handful of sales that fit the willing buyer and willing seller concept. Experts in the appraisal field tell me that to meet the test the sale should fit the following criteria:

- 1) The sale should be a complete unit for the seller and the buyer;
- 2) Both the seller and buyer should have other options;
- 3) It should be on the market for a reasonable period of time; and,
- 4) The property should be capable of selling at the same price in repeat sales.

It would be hard to find an agricultural land sale in Kansas which would fit all that criteria. Therefore, through the changes in our country and the economy, agricultural land is a unique commodity today -- a commodity which doesn't logically fit under our general assessment statutes. Remember, we are talking about the method of valuation only. To explain further, let's review the tax equation: (valuation) X (assessment rate, 30% in Kansas) X (tax rate, mill levy) = (tax). Only the first part of the equation -- valuation -- would change under use-value appraisal. All other factors would be the same for agricultural land as they are for all other properties.

#### MAIN PROVISIONS OF HB 2732

1) Definition of Agricultural Land -- The definition includes land that is used for the production of plants, animals and horticultural products. But it excludes any land used for recreational purposes, suburban residence or rural home site whose primary purpose is recreational or residential even though the property may grow some plants or animals.

2) Land Classification -- Agricultural land will be classified according to the USDA Soil Conservation Service.

3) Productivity -- Is to be determined by land class for each county or homogeneous region based on an eight year average at a degree of management reflecting median production levels.

4) Dry Crop Land and Irrigated Land -- Value will be determined by arriving at the share of net income normally received by the landlord.

5) Pasture and Rangeland -- Value will be determined by arriving at the landlord's net rental income.

6) Expenses -- Those expenses typically incurred by the landlord and paid from his share of net income on crop land or from his net rental income on grassland will be deducted.

7) Average of Eight Years -- All income to the landlord, expenses, productivity and commodity prices will be based on an eight-year moving average.

8) Capitalization Rate -- The landlord's net income will be capitalized at a rate equal to the rate of interest on new federal land bank loans in Kansas averaged over the preceding five years plus seventy-five hundredths of one percent.

9) Recoupment -- Whenever the use of agricultural land is changed to something other than agricultural, a recoupment tax would be levied equal to the difference in taxes that were paid under use-value and those that would have been paid under market value. The roll-back would equal six years' difference.

10) Appeal Procedure -- If a taxpayer wants to appeal whether or not his land qualifies for use-value -- or his land classification -- he would appeal to the County Board of Equalization (county commissioners). If the taxpayer wants to appeal his valuation that would be set by a schedule produced by the Property Valuation Division, his first appeal would be to the State Board of Tax Appeals.

#### THE CURRENT KANSAS PROBLEM

The last reappraisal in Kansas began in 1961 and for the most part was completed in 1971. It was an expensive ten-year experience for the 105 counties as well as the state. But the problem is that most of the property valuations for the many thousands of parcels have not been changed since that last reappraisal. During that same period, inflation has been at record levels. The result is that statewide, rural land has an assessment sales ratio of 7%, urban 12% with an overall statewide ratio

of 9%. Kansas law clearly requires all property to be at 30%. Furthermore, all state assessed property is reappraised annually as is personal property. Thus, both classes are assumed to be at 30% of value. Whether these classes are truly at 30% or not is another question, but if studied carefully I am sure we would find them closer in compliance with the 30% law than locally assessed real property classifications.

These inequities between classes of property cannot exist indefinitely. Why? In our opinion any one of three alternatives will in fact force a statewide reappraisal in Kansas. First of all, KSA 79-1436b states that after December 31, 1978, the Director of Property Valuation is directed to order a reappraisal for any class or subclassification if the coefficient of deviation is greater than 20. It is our understanding that if not all, nearly all, classes in all counties are out of compliance and thus, the Director will have no choice but to order a reappraisal in late 1979 or 1980. Of course, the legislature can postpone the December 31, 1978, date again as it has done twice in previous sessions. However, in our opinion that is a moot question because there are two additional alternatives that we believe are even more likely to cause the reappraisal.

The next one is simply that any state assessed or personal property taxpayer could bring an equity suit to court and in our judgement the state would be defenseless and the court would have to order the state to reappraise. Given the current public attitude toward several personal property assessment levels this year, I believe such a case is not only likely but probable.

Third, at least one county has completed reappraisal and I believe several more are in process. As these counties put their new values on the books, extreme inequities will begin appearing between counties and with the large numbers of school districts that cross county lines, again according to current statutes, we believe the Director of Property Valuation would have no choice but to equalize between contiguous counties which would trigger reappraisal statewide.

It seems to us the legislature has no choice. Even if it postpones the day of reckoning in 79-1436b the courts will probably enter the picture and force the issue.

To correct the inequities and bring the various classes into compliance, Kansas may have three alternatives. First, we could lower the 30% law to some other assessment rate such as 10%. But with state assessed-property and personal property assumed to be at 30% these two classes would have a tremendous decrease in valuation and pay considerably less taxes. Agricultural land would be the only major class of property that would pay significantly more taxes. A second choice would be to reappraise all property under current law. But again, ag land would take the biggest jump in assessed valuation and would get a larger tax burden shifted to it.

The last alternative is to apply use value to agricultural land. This latter alternative seems to be the most palatable choice. It would value ag investment land more like other business property, and would cause the least disruption in the Kansas tax system.

In closing, KLA supports HB 2732. We also would support and encourage the adoption of the proposed amendment that would implement use value when other property is being reappraised. Use value for ag land is a principal that should be adopted in Kansas law but should not force a reappraisal which is a separate issue to consider. By adopting the amendment use value can be considered as such and not cause something that was never intended.

Again, we compliment the work of the interim committee and encourage early passage of HB 2732.

January 26, 1978

K.S.B.A.

Schools for Quality Education

The adoption of use value appraisal will allow our member school districts to levy taxes in a more equitable way. It will provide for the taxation of land on its ability to generate income. Thus, it will result in a more fair taxing structure within our districts.

Also, the adoption of use value appraisal will remove the need for computing sales ratios and adjusted valuation of land in the school finance formula, thus, making it possible to develop a more equitable and understandable school finance formula.

Therefore, we would request that this committee report use value appraisal favorably to the legislature for adoption.

REPRESENTATIVE WILKEN AND MEMBERS OF THIS COMMITTEE:

I AM JOE CONVERTH OF DODGE CITY AND I AM APPEARING BEFORE YOU TO ASK THAT YOUR COMMITTEE REPORT H.B. 2732 TO THE HOUSE WITH THE RECOMMENDATION THAT IT BE PASSED.

TWO YEARS AGO THE PEOPLE OF KANSAS GAVE YOU A MANDATE TO ENACT USE VALUE ASSESSMENT, AS IT PERTAINS TO FARM LAND.

YOUR COMMITTEE HAS LABORED LONG AND HARD ON THIS MEASURE AND MOST OF THIS LABOR WILL BE LOST IF THIS MEASURE IS NOT CONSIDERED DURING THE PRESENT TERM.

THIS IS THE FIRST TIME THAT A SERIOUS STUDY HAS BEEN COMPLETED ON A MODERN CONCEPT OF TAXATION , THE CONCEPT OF TAXING PROPERTY BY ITS ACTUAL VALUE BASED UPON ITS POTENTIAL TO PRODUCE INCOME.

ALTHOUGH THIS PRECEPT HAS BEEN USED IN A SHODDY MANER IN THE TAXING OF PUBLIC UTILITIES, WITH ITS RESULTING INEQUITIES, KANSAS HAS NEVER HAD A FAIR AND UNIFORM METHOD OF REAL PROPERTY TAXATION.

IF CERTAIN INDIVIDUALS WILL PAY SOMEWHAT HIGHER TAXES, AS THE RESULT OF THIS MEASURE, IT IS BECAUSE THEY HAVE BEEN ENJOYING UNFAIR BENIFITS UNDER OUR PRESENT SYSTEM AND SHOULD NOT ASK THAT THOSE BENIFITS BE CONTINUED.

I URGE YOU TO TAKE THIS FIRST STEP IN EQUAL TAXATION, AND HOPE THAT THIS EXAMPLE, CAN BE USED IN NEXT YEARS SESSION, IN EQUALIZING THE UNEQUAL TAXATION ON OTHER TYPES OF TANGIBLE PROPERTY.

\*\*\*\*\*

Currently there are varying amounts of permanent habitat left in Kansas, but long-term trends indicate a continuing decline in quantity and quality of several habitat communities. These declines are primarily the result of more intensive agricultural use of the land. The native species of wildlife in Kansas are dependent on remaining areas of permanent vegetative cover.

The current deliberations on legislation to implement use-value assessment in Kansas provide the opportunity for the state to offer some incentive to rural agricultural landowners to provide permanent wildlife habitat. Incorporating such an incentive would divide the cost of producing a public resource over a broader segment of the general public than is now the case.

House Bill 2732 will implement use-value tax assessment on lands devoted to agricultural use. The Forestry, Fish and Game Commission is in support of the concept of this bill, but we are concerned about the fate of such lands as windbreaks, noncommercial woodlands, wildlife management areas, or any other permanently vegetated but nonincome-producing lands. The bill requires that all lands not devoted to defined agricultural use be assessed at fair market value in money.

HB 2732 does not appear to offer protection to those critical wildlife habitats which are being lost due to economic pressures being placed on agricultural landowners. In view of this lack of protection, there is need for clarification on how assessors will look at parcels of rural lands which are not producing income (woody draws, shelterbelts, woodlands which are not commercial, ponds, ungrazed grasslands) but are still part of most farms. If such areas are not considered devoted to agricultural use, they will likely be assessed at a much higher

value, thus encouraging landowners to convert them to agricultural use.

With the above in mind, we respectfully offer the following amendments to HB 2732 for consideration.

RECOMMENDED AMENDMENTS

Section 2(a) amend beginning at line 0029 to read:

"..." "Land devoted to agricultural use" shall mean and include (1) land actively devoted ... to greenhouse products, or (2) designated wildlife lands which are lands in rural areas where some agricultural goods may be produced but the primary source of value is wildlife production not for commercial sale.

Justification:

This proposed amendment would incorporate "designated wildlife lands" into the land assessment category of "land devoted to agricultural use." Our testimony has illustrated the direct relationship of wildlife to agricultural lands in Kansas thus "wildlife lands" can logically be classified a part of lands devoted to agricultural use.

Section 3(c) amend at line 0071 to read:

"... flecting median levels. Wildlife lands, as defined by Section 2 of this act, will be deemed actively devoted to such agricultural use when such land is currently being used for the primary purpose of wildlife production or is in the process of being developed for such production. Valuation assessment for designated wildlife lands under provisions of this act will begin with the first period, following the date of such designation, on which taxes are regularly levied.



Justification:

Here "wildlife lands" are defined for the purposes of the proposed act. Also, there is no need from the standpoint of valuation to establish a five-year record of wildlife production. The amendment provides for when the appropriate valuation and taxation is to be effective.

Section 3 add new subsection between existing subsections (e) and (f), line 0101:

On designated wildlife lands having production of non-monetary wildlife benefits rather than monetary income, the assessed valuation will be 40% of the average assessed valuation of all lands devoted to agricultural use within the county where such designated wildlife lands are located. Wildlife production shall be determined upon the basis of information or evidence from the state forestry, fish and game commission, state extension service, soil conservation service or other such available information deemed pertinent by the director of property valuation.

Justification:

Since there is no monetary value in wildlife production as defined herein, this section must be amended to make provision for a valuation standard. The 40% figure proposed is not arbitrary on our part. This rate was incorporated as part of SB 293 as introduced last year by Senator Reilly. Senator Reilly's bill was aimed specifically at reducing taxes on certain wildlife lands recognizing the important public benefits generated therefrom.

The proposed amendment to Section 3 further defines sources of information or evidence for classifying wildlife lands by the director of property valuation. The FF&GC, Extension Service and SCS all have private land assistance programs which can result in designating certain areas as "wildlife lands" in a management plan which an operator may follow. These programs will be a primary source of information for property valuation.

Section 4 (a) amend at line 0136 to read:

"...hereinafter provided. Whenever land designated for wildlife which has been valued for ad valorem tax purposes upon the basis of its nonmonetary production as defined in Section 3 of this act, is devoted to agricultural activity for production for sale of items defined in Section 2 of this act, a recoupment of all previous ad valorem taxes which were not levied upon such land and collected by reason of the valuation thereof under the provisions of this act shall become due.

Justification:

Since wildlife lands generate significant public benefits and the resource in question is facing a diminishing supply of adequate habitat, greater protection is warranted for the habitat that remains. Use-value assessment alone will not guarantee protection for wildlife lands any more than it will guarantee protection for agricultural use lands. Since wildlife lands would receive a lower tax valuation than agricultural lands under this proposal, the same penalty for conversion of wildlife lands to agricultural lands is proposed as that for conversion of land devoted to agricultural use to a nonagricultural use. Conversion of wildlife lands to agricultural income production will result in a significant loss of wildlife production.

Attachment VI

TESTIMONY TO  
HOUSE ASSESSMENT AND TAXATION COMMITTEE

On HB 2732

Bob Wood, Agricultural Liaison  
Kansas Forestry, Fish and Game Commission

January 26, 1978

Under Kansas statute KSA 32-107, ownership and title to all wild animals, birds and fishes in the state and not held by private ownerships, legally acquired, are held by the state. The state's responsibility for wildlife is further broadened under KSA 32-502 where wildlife is specifically defined to include all mammals, fishes, birds, amphibians, reptiles and invertebrates. At present, nearly all wildlife in Kansas is produced on private land. Since over 90% of the state is currently agricultural lands in private ownership, this means that the state is almost totally dependent on private agricultural lands for production of the public's wildlife resources. The state could never be able to afford or justify acquisition of enough lands to sustain that wildlife production even if all lands purchased were managed for wildlife to their maximum.

In the long term, Kansas wildlife faces a bleak future. Although wildlife production is dependent on agricultural lands in general, it is more accurate to say wildlife is dependent upon those areas within agricultural lands which are permanently vegetated with naturally occurring plants or are planted with perennial vegetation having benefit to wildlife. Many of these wildlife lands are producing little or no agricultural income. As a result of man's intensive use of land, every parcel of permanent habitat left in Kansas has become extremely important to the state's wildlife resource base. When existing habitat is lost, regardless of its quality, those animals which were dependent upon it are also lost as there will be no place for them to go.

Currently there are varying amounts of permanent habitat left in Kansas, but long-term trends indicate a continuing decline in quantity and quality of several habitat communities. These declines are primarily the result of more intensive agricultural use of the land. The native species of wildlife in Kansas are dependent on remaining areas of permanent vegetative cover.

The current deliberations on legislation to implement use-value assessment in Kansas provide the opportunity for the state to offer some incentive to rural agricultural landowners to provide permanent wildlife habitat. Incorporating such an incentive would divide the cost of producing a public resource over a broader segment of the general public than is now the case.

House Bill 2732 will implement use-value tax assessment on lands devoted to agricultural use. The Forestry, Fish and Game Commission is in support of the concept of this bill, but we are concerned about the fate of such lands as windbreaks, noncommercial woodlands, wildlife management areas, or any other permanently vegetated but nonincome-producing lands. The bill requires that all lands not devoted to defined agricultural use be assessed at fair market value in money.

HB 2732 does not appear to offer protection to those critical wildlife habitats which are being lost due to economic pressures being placed on agricultural landowners. In view of this lack of protection, there is need for clarification on how assessors will look at parcels of rural lands which are not producing income (woody draws, shelterbelts, woodlands which are not commercial, ponds, ungrazed grasslands) but are still part of most farms. If such areas are not considered devoted to agricultural use, they will likely be assessed at a much higher

value, thus encouraging landowners to convert them to agricultural use.

With the above in mind, we respectfully offer the following amendments to HB 2732 for consideration.

RECOMMENDED AMENDMENTS

Section 2(a) amend beginning at line 0029 to read:

"..." "Land devoted to agricultural use" shall mean and include (1) land actively devoted ... to greenhouse products, or (2) designated wildlife lands which are lands in rural areas where some agricultural goods may be produced but the primary source of value is wildlife production not for commercial sale.

Justification:

This proposed amendment would incorporate "designated wildlife lands" into the land assessment category of "land devoted to agricultural use." Our testimony has illustrated the direct relationship of wildlife to agricultural lands in Kansas thus "wildlife lands" can logically be classified a part of lands devoted to agricultural use.

Section 3(c) amend at line 0071 to read:

"... flecting median levels. Wildlife lands, as defined by Section 2 of this act, will be deemed actively devoted to such agricultural use when such land is currently being used for the primary purpose of wildlife production or is in the process of being developed for such production. Valuation assessment for designated wildlife lands under provisions of this act will begin with the first period, following the date of such designation, on which taxes are regularly levied.

Justification:

Here "wildlife lands" are defined for the purposes of the proposed act. Also, there is no need from the standpoint of valuation to establish a five-year record of wildlife production. The amendment provides for when the appropriate valuation and taxation is to be effective.

Section 3 add new subsection between existing subsections (e) and (f), line 0101:

On designated wildlife lands having production of non-monetary wildlife benefits rather than monetary income, the assessed valuation will be 40% of the average assessed valuation of all lands devoted to agricultural use within the county where such designated wildlife lands are located. Wildlife production shall be determined upon the basis of information or evidence from the state forestry, fish and game commission, state extension service, soil conservation service or other such available information deemed pertinent by the director of property valuation.

Justification:

Since there is no monetary value in wildlife production as defined herein, this section must be amended to make provision for a valuation standard. The 40% figure proposed is not arbitrary on our part. This rate was incorporated as part of SB 293 as introduced last year by Senator Reilly. Senator Reilly's bill was aimed specifically at reducing taxes on certain wildlife lands recognizing the important public benefits generated therefrom.

The proposed amendment to Section 3 further defines sources of information or evidence for classifying wildlife lands by the director of property valuation. The FF&GC, Extension Service and SCS all have private land assistance programs which can result in designating certain areas as "wildlife lands" in a management plan which an operator may follow. These programs will be a primary source of information for property valuation.

Section 4 (a) amend at line 0136 to read:

"...hereinafter provided. Whenever land designated for wildlife which has been valued for ad valorem tax purposes upon the basis of its nonmonetary production as defined in Section 3 of this act, is devoted to agricultural activity for production for sale of items defined in Section 2 of this act, a recoupment of all previous ad valorem taxes which were not levied upon such land and collected by reason of the valuation thereof under the provisions of this act shall become due.

Justification:

Since wildlife lands generate significant public benefits and the resource in question is facing a diminishing supply of adequate habitat, greater protection is warranted for the habitat that remains. Use-value assessment alone will not guarantee protection for wildlife lands any more than it will guarantee protection for agricultural use lands. Since wildlife lands would receive a lower tax valuation than agricultural lands under this proposal, the same penalty for conversion of wildlife lands to agricultural lands is proposed as that for conversion of land devoted to agricultural use to a nonagricultural use. Conversion of wildlife lands to agricultural income production will result in a significant loss of wildlife production.

I am Paul Irvine from Manhattan, Kansas, Riley County. Together with my wife and 6 children I farm in the Blue River Valley on the edge of Manhattan, below Tuttle Creek Dam.

I am very concerned with the prospect of a large tax increase. I support the concept of use value assessment for agricultural land, but am somewhat confused as to what the ramifications of this bill could be.

To begin with let me say that I feel that a recoupment of tax for a six year period for land that is developed is too long. It will inhibit orderly development, and will unduly penalize the seller of the land. I feel that it would also increase the cost of housing to the final owner of a house on such property, and many young couples can hardly now, afford to purchase a home. In lieu of this I would suggest that a three year period should be the maximum.

Last year our farm expenses increased 11.4% over 1976. This was entirely due to inflation of our farm inputs. Let me emphasize that our operation in 1977 was the same as in 1976. If I can make one point abundantly clear in this testimony, it is that any sizeable tax increase will put undue burden on an already struggling operation, whether it be an increase with use value or a reappraisal.

I would also like to add that in 1977 we had a 15% increase in personal property taxes for our farm. This was not due to an increase in tangible property, but to added valuation. I would support Rep. Ivan Sand's bill regarding assesment of hay and silage, and any other bill that could give the farmer some tax relief.

I would oppose any bill that removes sales tax from food except perhaps for the elderly.

Paul B Irvine  
Route 6  
Manhattan K.



MINUTES OF THE House COMMITTEE ON Assessment & Taxation

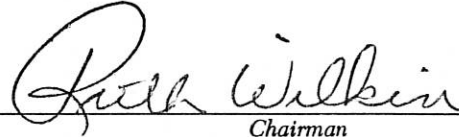
Held in Room 510-S, at the Statehouse at 1:30 a./m./p. m., on February 8, 1978.

All members were present except: Representative Holt

Staff present: Bob Taylor, Kansas Legislative Research Department  
Roy Johnson, Kansas Legislative Research Department  
Bill Edds, Revisor of Statutes Office

The next meeting of the Committee will be held at 1:30 a./m./p. m., on February 9, 1978.

These minutes of the meeting held on February 8, 1978 were considered, corrected and approved.

  
Chairman

The conferees appearing before the Committee were: Representative Farrar

Chairperson Wilkin called the meeting to order. She reminded the members about the Kansas Tobacco and Candy Vendors and Distributors Dinner, the new agenda, and the additional information from the Kansas Fish & Game (See Attachment I.). Chairperson Wilkin said that Vice-Chairman Powell would chair the meeting for the day.

HB 3093 - AN ACT relating to taxation; concerning the valuation and appraisal of property for the purpose of taxation; amending K.S.A. 79-503 and repealing the existing section.

Representative Farrar, co-author of this bill, gave an explanation and the intent of HB 3093. He said it offered an alternative and that some kind of approach should be made on use value this year. Representative Farrar responded to questions from the members.

HB 2732 - AN ACT relating to taxation; concerning the valuation, assessment and taxation of land devoted to agricultural use; amending K.S.A. 79-501, 79-1412a, 79-1435, 79-1436a, 79-1437, 79-1439, 79-1609 and 79-2005 and K.S.A. 1977 Supp. 72-7040 and repealing the existing sections.

Arden K. Ensley, Revisor of Statutes, gave further explanation of the proposed amendment offered for this bill at the January 26, 1978 meeting. (See minutes for January 26 meeting.) Mr. Ensley responded to questions from the members.

Representative Hineman made the motion, seconded by Representative Thiessen, that the above mentioned amendment by Representative Powell to HB 2732 be adopted (See Attachment II.). Discussion followed.

Representative Jarchow made a substitute motion to amend HB 2732 by deleting most of the bill and substituting language to postpone reappraisal until 1982 (See Attachment III.). Representative Stites seconded the motion. Discussion followed. Representative Jarchow gave a statement regarding the reason for his substitute motion. Several members of the committee asked questions. The substitute motion failed. Representative Jarchow and Representative Sutter are recorded as voting "yes."

CONTINUATION SHEET

Minutes of the House Committee on Assessment & Taxation, February 8, 19 78.

The Chairman returned to the original motion. Discussion followed. Representative Jarchow passed out further information (See Attachment IV.) in regard to HB 2732. The original motion carried. Representative Jarchow is recorded as voting "no."

Representative Wilkin made the motion that a proposed amendment to HB 2732 be adopted which would clarify platting (See Attachment V.). Representative Frey seconded the motion.

Representative Talley made a substitute motion to amend HB 2732 to retain platted land under use value (See Attachment VI.). Representative Crowell seconded the motion. Discussion followed. Representative Stites asked the voting be delayed until the following day. This was not the consensus of the members. The substitute motion carried. Representative Wilkin is recorded as voting "no."

The staff presented additional information for the committee members (See Attachment VII.).

Meeting adjourned.