

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Representative Jim Braden at  
Chairperson

9:00 a.m./~~XXXX~~  
~~XXXX~~ on March 3, 1983 in room 519S of the Capitol.

All members were present except: Representative Ott who was excused.

Committee staff present:

Wayne Morris, Research Department  
Don Hayward, Revisor of Statutes' Office  
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

The meeting was called to order by the Chairman. The minutes of February 15, 16, 17, and 18 were approved as written.

Wayne Morris of staff presented an overview of the history of reappraisal of property within the state of Kansas and presented information to the committee on the coefficient of deviation. (Attachments I & II)

The Committee returned to discussion on House Bill 2317 which would impose a 1/2 cent countywide highway sales tax to pay off certain bonds or to allow counties to issue general obligation bonds to finance state matching money to federal funds for highways. At the time the meeting was adjourned on March 2, Representative Lowther had made a conceptual substitute motion to amend House Bill 2317 to strike language wherever it appears referencing countywide retailer highway sales tax and all other appropriate sections in the bill. Representative Frey had seconded the motion. When the Chairman called for a vote, the motion carried.

Representative V. Miller made a motion that House Bill 2317 be reported adversely as amended and Representative Jarchow seconded the motion.

Representative Spaniol made a substitute motion that House Bill 2317 be tabled and Representative Jarchow seconded the motion. The motion failed.

Representative King made a conceptual substitute motion to authorize the issuance of General Revenue Bonds to fund highway improvements to be paid from local option sales taxes. Representative Leach seconded the motion. The motion carried.

Representative King made a motion that House Bill 2317 be reported adversely as amended and Representative Crowell seconded the motion.

Representative Leach made a substitute motion to adjourn. The motion died for lack of a second.

The Chairman called for a vote on the original motion to report House Bill 2317 adversely for passage as amended. The motion carried.

The meeting was adjourned.



### Background

During the past few years the Legislature has studied and debated the concurrent issues of whether to order a reappraisal of property in the state and whether to provide some means to mitigate the effects of a reappraisal. In 1978 the Legislature enacted K.S.A. 1980 Supp. 79-1451 which prohibited any county from applying reappraised values prior to the completion of reappraisal in all 105 counties. That section also noted the desire of the Legislature to make a comprehensive study of the entire property tax system.

After the 1978 Session, the Special Committee on Assessment and Taxation was directed to make a comprehensive review and analysis of Kansas state and local taxes and their administration. That Committee gave the property tax a high priority in its study, and recommended to the 1979 Legislature a package which included three major elements: a state spending lid; a new, uniform property tax lid; and a property tax plan that would lay the groundwork for a statewide application of reappraised values. This latter element, a plan for developing reappraised values, was contained in 1979 S.B. 27. In 1979, the bill passed the Senate but was rereferred to the House Committee on Assessment and Taxation after being recommended favorably by the House Committee.

During the 1979 interim, enactment of S.B. 27 was supported strongly by the Special Committee on Assessment and Taxation. That Committee considered but rejected proposals for classification. S.B. 27 died in the House Committee in 1980. Numerous resolutions proposing classification were introduced and considered by the standing tax committees during this same period.

### Committee Activity

The 1981 interim Committee devoted 15 days to hearings and deliberations on Proposal No. 4. Summaries of the major portions of the Committee hearings follow. Copies of all staff memoranda referred to below may be obtained from the Kansas Legislative Research Department.

Staff presented several background memoranda on the property tax system. One memorandum reviewed various statistical measures regarding the property tax, such as per capita state and local taxes, the composition of state and local taxes, per capita property taxes, and the composition of the property tax base. These statistics showed that, in general, combined state and local taxes in Kansas are somewhat below the national average. Kansas was above the national average, however, in its reliance on the property tax and in Kansas, the property tax base consists of a greater percentage of personal property than any state except West Virginia.

Another staff memorandum reviewed the history of assessment problems in Kansas. Statewide reappraisal of all property was last ordered by the Legislature in 1963. The last reappraisal of real estate in most counties occurred sometime during the 1960s; several counties completed reappraisal in 1970 and two counties never completed their reappraisal. Personal property has been reappraised every year.

A related memorandum summarized current court cases regarding property tax issues. Perhaps foremost among these is Janssen v. Martin, filed in the District Court of Rice County. In that action the plaintiff is seeking either an order compelling the Director of Property Valuation to reappraise all property in Kansas or a declaration that K.S.A. 1980 Supp. 79-1451 is unconstitutional and the issuance of an order compelling the Rice County Appraiser to reappraise all property in Rice County.

Dr. John Tollefson, of the University of Kansas and a member of the Technical Advisory Committee on the Assessment Sales Ratio Study, described the methodology used in the annual study. He provided an illustration of the coefficient of deviation: in Clay County, the coefficient of deviation for urban property is 51, with the median ratio being 11. The average urban property in Clay County is thus assessed 51 percent higher or lower than the median of 11 percent of value — 5.5 percent of the value to 16.5 percent of value. The owner of an urban property in Clay County may thus be paying three times the amount of property taxes as the owner of another urban property of the same value.

## Need for Reappraisal

Dr. Darwin Daicoff, of the University of Kansas, spoke the need for reappraisal. Dr. Daicoff said that "we are in a mess now with a \$1 billion Kansas tax source" that shows "appalling inequality."

He said that the degree of property tax inequality is shown by the coefficient of deviation. If, for example, the median assessment ratio for a particular property class is 10 percent and the coefficient of deviation is 40, the average deviation is 4 (40 percent of 10). This means that the average assessment ratios are from 6 percent to 14 percent. If located in the same taxing jurisdiction, the relatively overassessed property owner would pay 2 1/3 times the property tax as the owner of the average relatively underassessed property. Larger coefficients of deviation imply even more unequal taxation. For example, if the coefficient of deviation is 80 (following the example above), the average taxpayer would have a range of assessment ratios of 2 percent to 18 percent. This would result in one taxpayer paying 9 times as much as another.

He estimated that statewide the average effective real property tax rate on rural property is about 1/2 of 1 percent; rural personal property is about 1.9 percent of true market value and state assessed close to 2 percent, pointing out that this is a ratio of 4 to 1. He stated that if local assessments were made in accordance with the spirit of the law on a regular reappraisal basis, inequities could be greatly reduced.

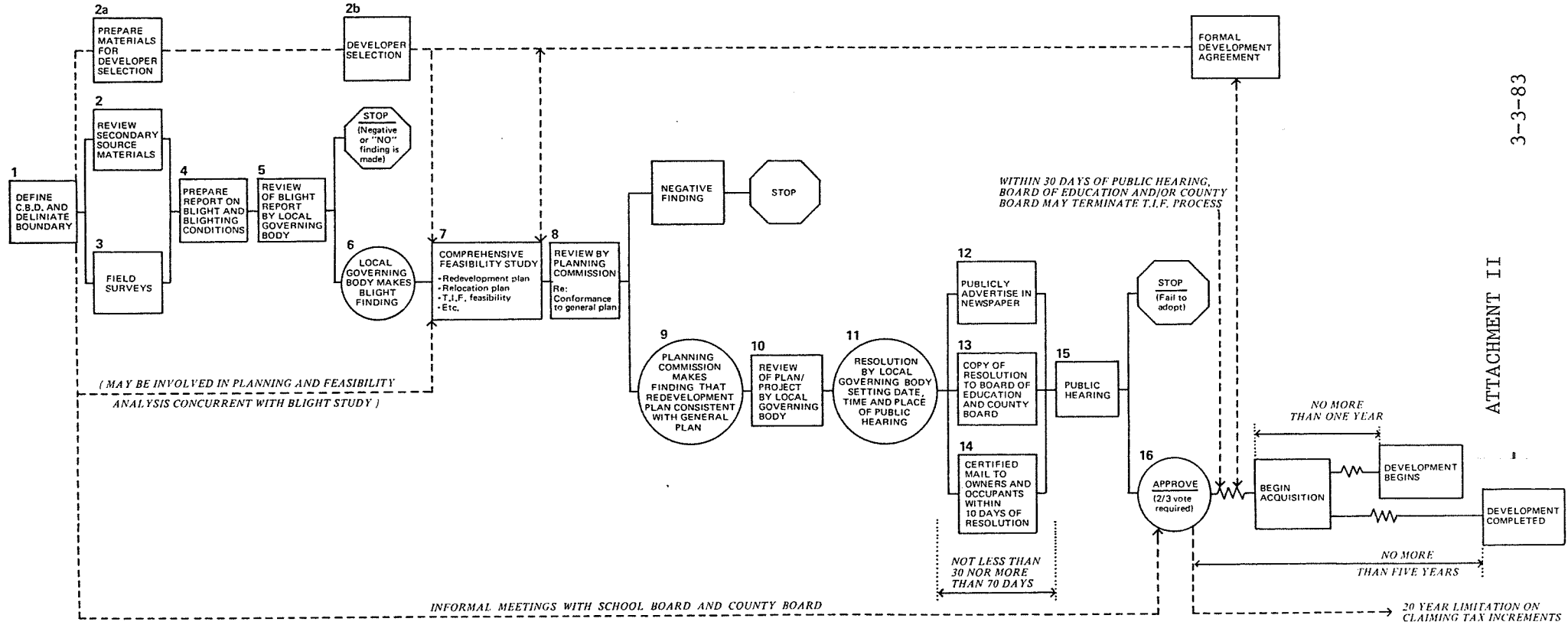
In 1980 the median assessment sales ratio in the state was 6 percent for rural real property, 9 percent for urban real property, with the overall average being 7 percent. That same year, the coefficients of deviation were 40 or above for urban property in 73 counties and for rural property in 66 counties.

The aggregate assessment ratios in 1980 for the various classes of property were:

	<u>Ratio</u>
<u>Residential Class</u>	
Urban residential	8.9%
Urban multifamily	10.4
Rural home sites	7.2
Planned subdivision	8.6
<u>Commercial-Industrial Class</u>	
Urban commercial	11.5%
Urban industrial	12.0
Rural commercial	6.9
Rural industrial	4.5
<u>Agricultural Class</u>	
Agricultural investment	5.1%
Agricultural noninvestment	3.1

*Excerpted from: 1981 Interim  
Tax Committee Report to the 1982  
Legislature for Prop. No. 4.*

CITIZEN PARTICIPATION AND ENVIRONMENTAL REVIEW



3-3-83

ATTACHMENT II

CONCEPTUAL TAX INCREMENT FINANCING PROCESS  
STATE OF KANSAS  
Prepared by TRKLA, PETTIGREW, ALLEN & PAYNE