

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./~~p.m.~~ on March 16, 1984 in room 519S of the Capitol.

All members were present except: Representatives Adam, Rolfs, Frey and Lowther who were excused.

Committee staff present:

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

Conferees appearing before the committee:

Phil Martin, Director, Property Valuation Department
Gary Smith, Shawnee County Appraiser

Hearings were held on Senate Bill 731 which would amend K.S.A. 79-1005 to require manufacturers to value their inventory on the same day of each month in computing annual average value of the manufacturer's inventory.

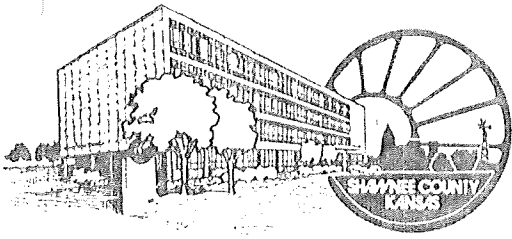
Phil Martin, Director of Property Valuation Department, appeared in support of the bill. He explained that the bill was requested by the Department of Revenue for clarification purposes.

Representative Vancrum made a motion that Senate Bill 731 be reported favorably and placed on the consent calendar. Representative Erne seconded the motion. The motion carried.

Hearings were continued on Senate Bill 467 which would amend two statutes relating to the valuation of personal property for taxation purposes. K.S.A. 75-5105a would be amended to require the Director of Property Valuation to use economic indicators reasonably applicable to the industry or property affected, and to make a study of economic lives, in preparing trended cost factors for use in personal property appraisal guides. Fair market values established by the personal property guides could not exceed original cost unless it could be clearly established by the Director that the property could be sold for more than its original cost. K.S.A. 1983 Supp. 79-503a would be amended to prohibit the use of the going concern value of a business for determining the fair market value of the tangible personal property of that business.

Gary Smith, Shawnee County Appraiser, testified in opposition to Senate Bill 467. (Exhibit I) Mr. Smith also presented a listing of salvage values which are currently in use in conjunction with trending factors. (Exhibit II)

The meeting was adjourned.



Shawnee County
Office of County Appraiser

GARY M. SMITH ASA, CKA
APPRAISER

ROOM 102
295-4100

COURTHOUSE
TOPEKA, KANSAS 66603

March 12, 1984

Assessment and Taxation Committee
Jim Braden, Chairman

Honorable members of the Committee, I would like to thank you for this opportunity to appear before the Assessment and Taxation Committee concerning the Senate Bill #467.

To begin, I would like to report on the Appraisers annual update that was held in December. The director of Property Valuation, at that time, presented the County Appraisers as a whole, several options on the trending factor and asked for their recommendations. At that time, of the six(6) regional divisions, four(4) reported that they would prefer that we maintain the current system used in trending factors. Two(2) regional divisions opposed the present system. One(1) of the regions requested that we use the industrial trending factor that is similar to what is recommended in House Bill #467. One(1) recommended that we use the average of the Marshall Swift valuation industrial factors.

If we could at this time, I would like to review quickly, the purpose of the trending factor. The trending factor was devised by the Property Valuation Department to help the County Appraiser to arrive at an estimate of market value on equipment that could not be found in a guide that is provided for specific equipment and machinery. In the opinion of this County Appraiser, the trended value can or may not actually achieve actual market value, but is simply

a tool by the Appraiser to include the factors which exist in the market and effect the selling price of specific equipment.

The problems that I see with using the industrial trending factor as they are proposed in Senate Bill #467 is in many cases identical equipment may be found in two(2) types of business.

FOR EXAMPLE

Two taxpayers in the same County purchase very same equipment in the same year for an identical price, one operates a metal manufacturing plant, the other a warehouse. The tax calculation under the industrial trending factor as suggested under Senate Bill #467 creates two different market values.

The Appraiser would be constantly trying to defend a factor which did not produce the very lowest value possible for a taxpayer creating more appeals to the County Boards and the State Board of Tax Appeals.

I would like to remind the Committee of testimony which was presented during the summer to the Intern Committee. The majority of increases in taxes of personal property was brought about by more accurate reporting of machinery and equipment.

EQUIPMENT COST INDEXES
 (Converted for a 1967 Base)
 & CPI-U for 1/83 in Order of Size

12/1/83

Petroleum	315.6
Contractor's Equipment	312.3
Rubber	306.3
Shipbuilding	304.9
Logging Equipment	304.0
Cement Manufacturing	302.7
Clay Products	302.1
Metal Working	300.5
Mining & Milling	300.3
Paint Manufacturing	299.7
Brewing & Distilling	299.1
Steam Power	298.5
Candy & Confectionery	298.0
Refrigeration	296.2
Creamery & Dairy	293.2
Airplane Manufacturing	292.4
CPI-U	292.1
Chemical	291.9
Packing (Meat)	291.6
Flour, Cereal & Feed	290.4
Glass Manufacturing	289.8
Cannery (fish)	288.0
Paper Manufacturing	287.9
Cannery (fruit)	287.2
Hospital	286.1
Bakery	285.8
Bottling	285.4
Average of All	284.3
Garage	284.1
Printing	282.0
Elec. Power Equipment	281.1
Laundry & Cleaning	279.8
Textile	278.4
Motion Picture	276.2
School	274.7
Woodworking	274.4
Elec. Equipment Manufacturing	274.1
Library	274.0
Packing (fruit)	273.2
Theater	271.7
Restaurant	270.5
Warehousing	267.9
Store	267.7
Hotel	265.3
Banking	264.2
Church	259.8
Office Equipment	257.4
Apartment	238.0
Dwelling	235.6

GKM:bak

June 1981

FIXTURES AND EQUIPMENT

These tables are furnished primarily for the experienced equipment appraiser who has knowledge of the normal lives of fixtures and equipment, as a check against his other methods of determination of the total depreciation of equipment.

The tables are based on actual cases of sales and mortality to which mathematical curves have been matched. They are averages and as such must be used with care using effective age and modifying for above or below-normal wear and tear.

NORMAL DEPRECIATION—PERCENTAGE

EFFECTIVE AGE IN YEARS	TYPICAL LIFE EXPECTANCY IN YEARS							
	30	25	20	15	12	10	8	5
1	2	2	3	5	6	8	10	15
2	3	5	7	10	13	16	21	31
3	5	7	10	15	20	24	33	48
4	7	10	14	21	27	33	46	66
5	9	13	18	27	34	42	57	77
6	11	16	22	32	42	51	67	82
7	14	19	26	38	50	61	74	
8	16	22	30	45	57	70	78	
9	18	25	35	51	64	76	80	
10	21	29	40	57	71	79		
11	24	32	45	63	76	80		
12	26	36	50	69	78			
13	29	40	55	74	80			
14	32	44	60	77				
15	35	48	65	79				
16	39	52	69	80				
17	42	56	73					
18	46	61	76					
19	49	66	78					
20	53	70	79					
22	60	74						
24	66	77						
26	72	79						
28	77							
30	79							
32	80							

REMAINING LIFE—YEARS

EFFECTIVE AGE IN YEARS	TYPICAL LIFE EXPECTANCY IN YEARS							
	30	25	20	15	12	10	8	5
1	29	24	19	14	11	9	7	4
2	28	23	18	13	10	8	6	3
3	27	22	17	12	9	7	5	2
4	26	21	16	11	8	6	4	1
5	25	20	15	10	7	5	3	1
6	24	19	14	9	6	4	2	1
7	23	18	13	8	5	3	1	
8	22	17	12	7	4	2	1	
9	21	16	11	6	3	1	1	
10	20	15	10	5	2	1		
11	19	14	9	4	2	1		
12	18	13	8	3	1			
13	17	12	7	3	1			
14	16	11	6	2				
15	15	10	5	1				
16	14	9	4	1				
17	13	8	4					
18	12	7	3					
19	11	6	2					
20	10	5	2					
22	8	4						
24	6	3						
26	5	2						
28	4							
30	3							
32	2							

SALVAGE VALUE

The following table lists average salvage value of all equipment and fixtures by industry. Thus, all the equipment in a bakery, taken as a whole, might be expected to have a 10% salvage value when fully depreciated.

Airplane mfg.	10%	Clay products	7%	Library	10%	Restaurant	14%
Apartment	10%	Construction equip.	14%	Logging equip.	10%	Rubber	9%
Bakery	10%	Creamery - dairy	11%	Metal working	12%	School	10%
Bank	10%	Dwelling	12%	Mining, milling	8%	Sewage disposal (city)	7%
Bottling	10%	Elec. equip. mfg.	10%	Motion picture	12%	Shipbuilding	9%
Brewery, distillery	8%	Elec. power equip.	10%	Office equipment	12%	Steam power	10%
Candy, conf.	10%	Flour, cereal, feed	8%	Oil refining	7%	Store	10%
Cannery - fish	8%	Garage	10%	Packing - meat	7%	Textile	8%
Cannery - fruit	8%	Glass mfg.	8%	Paint mfg.	7%	Theater	12%
Cement mfg.	8%	Hospital	12%	Paper mfg.	7%	Warehousing	10%
Chemicals	6%	Hotel	10%	Printing	10%	Waterworks, city	6%
Church	10%	Laundry - dry cleaning	10%	Refrigerating	8%	Woodworking	10%

Ex. II 3/16/84

EXHIBIT II