

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~~ on March 22, 1984 in room 519S of the Capitol.

All members were present ~~XXXX~~.

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:

Dee Likes, Kansas Livestock Association
Don Hineman, Kansas Livestock Association
John Blythe, Kansas Farm Bureau
Becky Crenshaw, Association of Farm Organizations
Representative Guldner
Janice Marcum, Property Valuation Department

Hearings were held on Senate Bill 813 which would require agricultural land to be valued on the basis of its agricultural productivity or agricultural income (use value), as well as fair market value, whenever a statewide reappraisal of real property is ordered or undertaken. The capitalization rate to be used would be the five-year moving average of the Federal Land Bank contract rate, plus .75 percentage point.

Tom Severn, of staff, gave a brief review of Senate Bill 813.

Dee Likes, Kansas Livestock Association, testified in support of Senate Bill 813.

Don Hineman, Chairman of Assessment and Taxation Committee for the Kansas Livestock Association, testified as a proponent of Senate Bill 813.
(Exhibit I)

John Blythe, Kansas Farm Bureau, testified in support of Senate Bill 813. Mr. Blythe distributed copies of information available from the Kansas State Board of Agriculture which could be used to establish use value for agricultural land. (Exhibit II)

Becky Crenshaw, Association of Farm Organizations, also testified in support of Senate Bill 813. She stated that a statewide reappraisal would be incomplete without gaining the knowledge gathered from this bill. She stated that this information would be necessary if the legislature is to make future informed decisions with regard to assessment and taxation.

This concluded testimony from the proponents of Senate Bill 813.

The chairman then called for testimony from opponents of Senate Bill 813.

Representative Guldner stated that he was not testifying as either a proponent or opponent. He stated that should there be a reappraisal and real estate taxed at uniform and equal, we would need some kind of use value although he was concerned about the capitalization rate. He stated that he was not sure that the capitalization rate provided for in Senate Bill 813 was adequate, but felt that the capitalization rate is something with which the legislature or the Property Valuation Department should not tamper.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519S, Statehouse, at 9:00 a.m./~~P.M.~~ on March 22, 1984.

Janice Marcum, of PVD, in response to a question relating to the sales assessment ratio, stated that at any time a sale came into the PVD showing a sale of less than 10 acres, the information was returned to the appraiser with the request that he check to see if the property was to be used for agriculture purposes and not for rural residential property. She was also asked if the PVD has data on the sales assessment ratio as it affects school districts. She stated that the new sales assessment ratio study does reflect this information.

The committee then discussed Senate Bill 467 which would amend two statutes relating to the valuation of personal property for taxation purposes.

Representative Frey made a motion to strike, in lines 47 and 48 following property "only after a carefully documented study based upon objective evidence is made" and in line 46 by striking the word "appropriate" and inserting in lieu thereof the word "reasonable". Representative Miller seconded the motion.

Representative Crowell requested that the question be divided.

The Chairman called for a vote on the first portion of the question, in lines 47 and 48 following property to strike the language "only after a carefully documented study based upon objective evidence is made". The motion failed.

The Chairman then called for the vote on the second part of the motion that in line 46 by striking the word "appropriate" and inserting in lieu thereof the word "reasonable". The motion carried.

Representative Rolfs made a motion that Senate Bill 467 be amended in line 47 by striking "only after a carefully documented study" and in line 48 by striking "is made". Representative Leach seconded the motion. The motion carried.

Representative Miller made a motion that Senate Bill 467 be amended on line 45 by striking the words "industry or". Representative Leach seconded the motion.

Representative Rolfs made a substitute motion that Senate Bill 467 be reported favorable for passage as amended and Representative Lowther seconded the motion.

Representative Leach made a motion to table Senate Bill 467 and Representative Jarchow seconded the motion. The motion carried.

The meeting was adjourned.



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Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

Statement of the
Kansas Livestock Association
with respect to
SB 813
Use-Value Appraisal
presented to the
House Assessment & Taxation Committee
Rep. Jim Braden, Chairman
by
Don Hineman
Chairman, KLA Tax Committee
March 22, 1984

Mr. Chairman and members of the committee, my name is Don Hineman, Chairman of the Tax Committee of the Kansas Livestock Association. I am a grain farmer and cattleman from Dighton in Lane county.

It is natural that members of the KLA have a high interest in the method of appraisal used to value farmland for tax purposes since land is a basic resource in animal agriculture.

The property tax in Kansas has been with us since the early days of statehood, and always attendant with it has been the problem of how to accurately value various classes of property in order to place a fair and equitable tax upon them. Traditionally and currently the easiest and most commonly used method has been to evaluate property based on its sale value.

Although sale value may be a good measure of the value of many classes of property, special problems arise when it is used to evaluate agricultural land. In my home county the annual net return to the owner of a parcel of grassland amounts to only 2 or 3% of the current sale value of that land. The owner of Lane county cropland fares only a little better, earning a return of somewhere between 3 and 5½% of the sale value of his land. Obviously the people buying this land today are not doing so strictly for its modest ability to produce income. Why would anyone invest in a piece of property with such a low income producing potential? The answer is that land, unlike fast-food franchises, condominiums or any number of alternative investments,

is truly and continually in limited supply. They simply aren't making any more land today, and that fact makes it an attractive investment for an increasingly large number of people in our society.

The effect of this demand for a limited supply of land is to inflate its sale value. A more accurate value for agricultural land, what it is worth to a farmer or rancher as he attempts to produce food and fiber at a profit -- is use value -- whereby a valuation is derived directly from the income-producing potential of the property.

I want to point out that use value of agricultural land is not strictly a rural issue. It is not uncommon for a farmer on the fringes of an urban area to find he must eventually sell out because taxes on his land have risen dramatically as a result of his land being evaluated based on its speculative value to a real estate developer. Other states have implemented use-value of agricultural land for the express purpose of providing an esthetically pleasing greenbelt on the outskirts of urban areas and to control urban sprawl.

Use-value appraisal is not a new idea. Back in 1976 the original use value amendment to the Kansas constitution was passed by both houses of the legislature by a two-thirds vote and was overwhelmingly approved by the voters of Kansas in the general election that year. Also, KSA 79-503a, that portion of Kansas statute dealing with the valuing and taxing of property, specifically allows for the valuing of property based in part on its income-producing ability. Unfortunately that portion of the statute is not utilized today. If we look at what other states are doing we find that 45 of the 50 states employ a use-value appraisal or differential tax treatment of agricultural land. Obviously there are a great many people in this state and throughout the country who believe use-value appraisal is an equitable and desirable way to value agricultural land.

One final point. Use-value appraisal is not a tax break for the farm community. Instead, it represents tax equity. We do not really know what the true effect of use-value appraisal will be, and we won't know unless and until the data collection process outlined in SB 813 provides us with the necessary information. For this reason the Kansas Livestock Association strongly supports SB 813 and respectfully urges this committee to adopt it.

<u>Year</u>	<u>Acres Harvested</u>	<u>Yield Acre</u>	<u>Total Production</u>	<u>Farm Value</u>	<u>Price Per Bushel</u>
WHEAT					
75	111,200	31.5	3,498,500	\$ 11,999,900	\$ 3.43
76	98,800	33.2	3,277,000	\$ 8,456,600	\$ 2.58
77	103,100	25.2	2,600,100	\$ 5,798,200	\$ 2.23
78	91,500	33.0	3,022,100	\$ 8,644,100	\$ 2.86
79	99,400	32.8	3,255,900	\$ 12,051,900	\$ 3.70
80	107,800	32.4	3,492,200	\$ 13,302,300	\$ 3.81
81	123,900	28.2	3,498,800	\$ 13,170,500	\$ 3.76
82	126,600	32.4	4,102,500	\$ 14,666,000	\$ 3.57
8 yr. ave.	107,788	31.0	3,343,388	\$ 11,011,188	\$ 3.29
MILO					
75	63,000	38.5	2,426,000	\$ 5,464,900	\$ 2.25
76	59,700	42.6	2,545,800	\$ 4,735,200	\$ 1.86
77	64,100	47.1	3,021,700	\$ 5,136,900	\$ 1.70
78	63,300	41.7	2,638,800	\$ 5,066,300	\$ 1.92
79	47,700	65.5	3,122,900	\$ 6,792,500	\$ 2.18
80	28,800	24.6	708,800	\$ 2,024,700	\$ 2.86
81	29,900	70.5	2,180,900	\$ 4,449,800	\$ 2.11
82	32,100	71.8	2,305,600	\$ 5,879,300	\$ 2.55
8 yr. ave.	48,575	48.8	2,368,813	\$ 4,943,700	\$ 2.09
CORN					
75	10,600	88.5	938,000	\$ 2,330,000	\$ 2.48
76	9,100	79.8	726,300	\$ 1,539,800	\$ 2.12
77	10,600	89.3	946,200	\$ 1,769,400	\$ 1.87
78	14,600	109.9	1,605,000	\$ 3,594,800	\$ 2.24
79	9,600	123.6	1,186,400	\$ 2,892,800	\$ 2.44
80	9,100	83.8	763,000	\$ 2,493,200	\$ 3.27
81	8,300	128.2	1,064,000	\$ 2,664,600	\$ 2.50
82	9,500	114.6	1,088,400	\$ 2,947,400	\$ 2.71
8 yr. ave.	10,175	102.2	1,039,663	\$ 2,529,000	\$ 2.43
SOYBEANS					
75	6,980	21.2	147,700	\$ 649,800	\$ 4.40
76	4,200	18.0	75,600	\$ 478,600	\$ 6.33
77	4,600	38.7	177,800	\$ 951,200	\$ 5.35
78	7,300	20.9	152,400	\$ 984,500	\$ 6.46
79	10,700	25.9	277,200	\$ 1,601,600	\$ 5.78
80	11,500	14.6	168,000	\$ 1,253,700	\$ 7.46
81	13,900	36.4	506,000	\$ 2,965,200	\$ 5.86
82	15,000	29.3			
8 yr. ave.	9,273	26.2			

Kansas Farm Bureau
 Information from Kansas State Board of Agriculture

GEARY COUNTY

<u>Year</u>	<u>Acres Harvested</u>	<u>Yield Acre</u>	<u>Total Production</u>	<u>Farm Value</u>	<u>Price Per Bushel</u>
WHEAT					
75	28,900	31.9	921,700	\$ 3,087,700	\$ 3.35
76	31,000	30.7	950,400	\$ 2,542,100	\$ 2.67
77	20,700	25.3	524,600	\$ 1,206,600	\$ 2.30
78	21,300	36.9	786,700	\$ 2,328,900	\$ 2.96
79	22,600	44.6	1,006,900	\$ 3,797,100	\$ 3.77
80	26,600	38.3	1,019,500	\$ 4,005,100	\$ 3.93
81	29,700	28.3	839,300	\$ 3,225,900	\$ 3.84
82	30,800	32.9	1,013,700	\$ 3,714,900	\$ 3.66
8 yr. ave.	26,540	33.3	882,850	\$ 2,988,538	\$ 3.39
MILO					
75	18,510	38.9	720,800	\$ 1,614,600	\$ 2.24
76	12,700	45.0	571,500	\$ 1,074,400	\$ 1.88
77	15,400	61.8	951,900	\$ 1,656,300	\$ 1.74
78	13,900	54.1	752,600	\$ 1,475,000	\$ 1.96
79	12,100	76.8	928,800	\$ 2,010,900	\$ 2.17
80	10,300	31.8	327,200	\$ 941,200	\$ 2.88
81	11,000	79.7	876,400	\$ 1,875,500	\$ 2.14
82	11,300	67.9	767,800	\$ 2,004,000	\$ 2.61
8 yr. ave.	13,151	56.1	737,125	\$ 1,581,488	\$ 2.15
CORN					
75	2,800	55.4	155,000	\$ 388,000	\$ 2.50
76	2,000	59.9	119,800	\$ 263,600	\$ 2.20
77	1,600	93.0	148,800	\$ 290,200	\$ 1.95
78	1,800	57.9	104,300	\$ 238,800	\$ 2.29
79	1,800	109.4	196,900	\$ 474,200	\$ 2.41
80	200	45.0	9,000	\$ 30,500	\$ 3.39
81	1,400	109.5	153,300	\$ 393,100	\$ 2.56
82	1,100	94.6	104,100	\$ 281,900	\$ 2.71
8 yr. ave.	1,588	78.0	123,900	\$ 295,038	\$ 2.38
SOYBEANS					
75	3,300	20.3	66,900	\$ 300,400	\$ 4.49
76	1,700	15.0	25,500	\$ 165,800	\$ 6.50
77	2,200	36.5	80,300	\$ 435,200	\$ 5.42
78	3,800	16.4	62,200	\$ 414,200	\$ 6.66
79	3,900	28.0	109,100	\$ 651,300	\$ 5.97
80	3,400	19.6	66,500	\$ 503,600	\$ 7.57
81	4,000	36.5	146,000	\$ 862,800	\$ 5.91
82	4,400	28.7	126,100	\$ 680,800	\$ 5.40
8 yr. ave.	3,338	25.6	85,325	\$ 501,763	\$ 5.88

<u>Year</u>	<u>Acres Harvested</u>	<u>Yield Acre</u>	<u>Total Production</u>	<u>Farm Value</u>	<u>Price Per Bushel</u>
WHEAT					
75	19,400	30.0	582,400	\$ 2,015,100	\$ 3.46
76	20,500	25.9	530,100	\$ 1,437,900	\$ 2.71
77	18,600	26.9	499,500	\$ 1,195,100	\$ 2.39
78	7,700	29.9	230,100	\$ 697,300	\$ 3.03
79	10,600	39.6	419,400	\$ 1,623,200	\$ 3.87
80	15,800	34.4	543,200	\$ 2,177,200	\$ 4.01
81	23,400	35.8	837,500	\$ 3,293,600	\$ 3.93
82	25,000	23.2	579,200	\$ 2,174,700	\$ 3.75
8 yr. ave.	17,625	29.9	527,675	\$ 1,826,763	\$ 3.46
MILO					
75	13,390	34.5	461,700	\$ 1,052,700	\$ 2.28
76	25,500	55.0	1,402,500	\$ 2,650,700	\$ 1.89
77	27,100	73.5	1,991,000	\$ 3,504,200	\$ 1.76
78	23,700	66.9	1,586,600	\$ 3,125,500	\$ 1.97
79	16,100	73.5	1,182,700	\$ 2,631,700	\$ 2.23
80	18,600	57.8	1,074,200	\$ 3,143,500	\$ 2.93
81	20,300	64.4	1,307,600	\$ 2,902,900	\$ 2.22
82	17,300	66.5	1,151,300	\$ 3,050,900	\$ 2.65
8 yr. ave.	20,249	62.7	1,269,700	\$ 2,757,763	\$ 2.17
CORN					
75	18,000	40.8	734,000	\$ 1,844,000	\$ 2.51
76	16,500	50.4	830,900	\$ 1,794,800	\$ 2.16
77	13,400	72.6	972,800	\$ 1,955,300	\$ 2.01
78	20,800	82.7	1,721,000	\$ 3,906,200	\$ 2.27
79	17,400	93.4	1,625,700	\$ 3,898,600	\$ 2.40
80	14,400	40.4	581,200	\$ 1,762,000	\$ 3.03
81	11,400	89.6	1,022,000	\$ 2,579,900	\$ 2.52
82	11,400	89.7	1,022,100	\$ 2,747,500	\$ 2.69
8 yr. ave.	15,413	69.0	1,063,713	\$ 2,561,038	\$ 2.41
SOYBEANS					
75	14,000	23.6	330,000	\$ 1,501,400	\$ 4.55
76	12,000	16.0	192,000	\$ 1,257,600	\$ 6.55
77	17,100	30.4	520,000	\$ 2,953,600	\$ 5.68
78	24,300	21.9	531,500	\$ 3,529,000	\$ 6.64
79	28,000	34.6	968,700	\$ 5,763,500	\$ 5.95
80	24,200	26.2	633,000	\$ 4,787,100	\$ 7.56
81	25,000	27.2	681,000	\$ 4,038,300	\$ 5.93
82	29,600	28.9	855,300	\$ 4,583,700	\$ 5.36
8 yr. ave.	21,775	27.0	588,938	\$ 3,551,775	\$ 6.03

<u>Year</u>	<u>Acres Harvested</u>	<u>Yield Acre</u>	<u>Total Production</u>	<u>Farm Value</u>	<u>Price Per Bushel</u>
WHEAT					
75	135,300	27.0	3,649,400	\$ 12,262,000	\$ 3.36
76	135,600	30.6	4,153,400	\$ 10,718,200	\$ 2.58
77	135,600	31.8	4,315,000	\$ 9,665,600	\$ 2.24
78	128,200	26.7	3,417,900	\$ 9,981,300	\$ 2.92
79	124,200	32.9	4,091,900	\$ 15,349,500	\$ 3.75
80	133,800	33.5	4,481,000	\$ 17,202,600	\$ 3.84
81	135,700	18.8	2,546,900	\$ 9,713,400	\$ 3.81
82	135,500	35.2	4,768,000	\$ 17,187,900	\$ 3.60
8 yr. ave.	132,988	29.5	3,927,938	\$ 12,760,063	\$ 3.25
MILO					
75	20,900	43.7	914,300	\$ 2,057,200	\$ 2.25
76	18,000	40.9	736,800	\$ 1,311,500	\$ 1.78
77	16,700	53.4	891,800	\$ 1,542,800	\$ 1.73
78	21,400	27.1	580,100	\$ 1,148,600	\$ 1.98
79	13,900	54.8	761,800	\$ 1,687,500	\$ 2.22
80	15,700	41.9	657,100	\$ 1,922,900	\$ 2.93
81	13,000	51.8	672,900	\$ 1,460,200	\$ 2.17
82	13,100	45.1	590,700	\$ 1,541,700	\$ 2.61
8 yr. ave.	16,588	43.7	725,688	\$ 1,584,050	\$ 2.18
CORN					
75	3,400	97.4	331,000	\$ 835,000	\$ 2.52
76	4,200	98.0	411,600	\$ 847,900	\$ 2.06
77	3,500	95.0	332,500	\$ 641,700	\$ 1.93
78	2,700	104.7	282,800	\$ 664,500	\$ 2.35
79	600	103.3	62,000	\$ 156,800	\$ 2.53
80	0	0.0	0	\$ 0	\$ 0
81	400	129.8	51,900	\$ 134,700	\$ 2.60
82	400	93.5	37,400	\$ 103,500	\$ 2.77
8 yr. ave.	1,900	99.3	188,650	\$ 423,013	\$ 2.24
SOYBEANS					
75	90	17.8	1,600	\$ 7,100	\$ 4.44
76	0	0.0	0	\$ 0	\$ 0
77	0	0.0	0	\$ 0	\$ 0
78	100	16.0	1,600	\$ 10,500	\$ 6.56
79	100	25.0	2,500	\$ 14,700	\$ 5.88
80	100	22.0	2,200	\$ 16,600	\$ 7.55
81	200	35.5	7,100	\$ 41,700	\$ 5.87
82	300	29.7	8,900	\$ 47,000	\$ 5.28
8 yr. ave.	111	26.9	2,988	\$ 17,200	\$ 5.76

Prepared by
 Kansas Farm Bureau
 RE: SB 813 Use-Value Appraisal
 March 22, 1984

Agricultural Land Classes (PVD 1982 Statistical Report)

No. 1	Irrigated	1,457,216)	2,215,519 acres	4.6%
No. 2	"	758,303)		
No. 1	Bottom	1,255,900)	2,265,290 acres	4.7%
No. 2	"	1,009,390)		
No. 1	Upland	13,658,002)	23,701,018 acres	49.1%
No. 2	"	10,042,996)		
No. 1	Tame Grass	744,304)	1,782,037 acres	3.7%
No. 2	" "	1,037,733)		
No. 1	Native Pasture	8,756,170)	18,278,995 acres	37.9%
No. 2	" "	9,522,825)		

Total 48,242,859 acres

In addition 1,106,548 acres of waste land and 212,300 acres of yard plots

Capitalization of Net Income to Determine Agriculture Land Value
 Flint Hills Native Pasture

Gross Income	\$15.00
Expenses	
Taxes (\$21.00 assessed value X .096 = \$2.02)	2.00
Upkeep (fences, well, pond, ect.)	.50
Management (10%)	<u>1.50</u>
Total Expense	\$4.00
Net Income	\$11.00
$\$11.00 \div 11.65\% \text{ (cap. rate (5 year effective F.L.B. loan rates))} = \94.42	