

Approved \_\_\_\_\_ 4-29-84 \_\_\_\_\_  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by PAUL "BUD" BURKE at \_\_\_\_\_  
Chairperson

11:00 a.m. ~~pm~~ on February 23, 1984 in room 526-S of the Capitol.

All members were present ~~xxxx~~:

Committee staff present: Wayne Morris, Research Dept.  
Tom Severn, Research Dept.  
Don Hayward, Revisor's Office

Conferees appearing before the committee:

Bill Edds, Dept. of Revenue  
Phil Martin, Property Valuation Division  
Gary Smith, Shawnee County Appraiser

The committee held a hearing on SB 730 which would clarify that the valuation guides devised or prescribed by the Director of Property Valuation are not rules and regulations.

The chairman called on Bill Edds, Revenue Dept., to explain the background and reason for the request. He said the Revenue Department is presently involved in litigation in which the plaintiff has argued the director's guides are invalid since they were not promulgated in accordance with the statutes. He said the Department feels this was obviously not the intent of the legislature that they should be so promulgated and would submit that it would not be feasible to go through the administrative rule and regulation procedure. He said the time frame and procedures do not lend themselves to adoption of valuation guides. The procedure established requires a proposed regulation to be sent to the office of the Department of Administration on or before October 15. A permanent regulation is to be submitted prior to September 15, then be submitted to the Attorney General's office for legality following that. This doesn't give enough time to go through the approval process required by statute and is not geared to what Property Valuation has to do in order to get these guides out for use. He urged support for this bill.

The committee continued discussion of SB 467 which deals with the use of trending factors.

Gary Smith, Shawnee County appraiser, reported to the committee that they had requested recommendations from the county appraisers on their position on trending factors. (Attachment #1)

He said in his opinion trending is simply a tool by the appraiser to include the factors which exist in the market and affect the selling price of specific equipment.

Phil Martin, speaking to the amendments to SB 467 (Attachment #2, Feb. 22 minutes) stated his fears of constitutionality are not there now. They could live with the amendments that have to do with the indices, and he is particularly amenable to those classes in the higher categories of factors above actual cost that provide sales to adjust them. He stated again that he does have problems with the amendment that speaks to the "going concern" because of some of the areas of property they value.

Senator Thiessen moved and Senator Allen seconded a motion to adopt the amendments to SB 467, including the provision to apply to all taxable years commencing after December 31, 1984. The motion passed with Senator Chaney voting "no".

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,  
room 526-S, Statehouse, at 11:00 a.m.~~p.m.~~ on February 23, 1984

Senator Thiessen moved and Senator Allen seconded a motion to report SB 467 as amended favorable for passage. The motion carried with Senator Chaney voting "no".

The committee considered SB 733 which permits the taxpayer to choose the quarter of the year to be used in determining the fair market value of merchants' inventories.

Senator Thiessen made a conceptual motion to amend SB 733 to the 30% threshold provision of the Freeport Act. Senator Montgomery seconded the motion and the motion passed.

Senator Montgomery moved and Senator Hayden seconded a motion to report SB 733 as amended favorable for passage. The motion carried with Senator Chaney voting "no".

The committee considered SB 731 which would permit the taxpayer to choose the day of the month to be used in determining the fair market value of manufacturers' inventories.

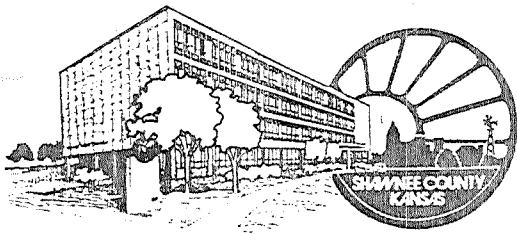
Senator Montgomery moved and Senator Mulich seconded a motion to report SB 731 favorable for passage. The motion passed.

The chairman adjourned the meeting at 12:05 p.m. The committee will meet on February 24, 11:00 a.m.

ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
Feb. 23	Charles Bruner	Ypsantown Ks	
	Glen Walker	COMERCIA, Ks	City
	Ron Gaches	TOPEKA	KCCI
	John Hope	Olathe	KNEA
	Bob Whitehead	OP. Ks.	Blue Valley -
	Dick Munnar	Olathe	K-NEA
	John B. Reynon	Olathe	KNEA
	Tim Givens	Shawnee	KNEA
	Joyce Marcum	Topeka	PVD
	Phil Mart	"	"
	Dick Hoffmold	Shawnee	
	Carol B. Buelcke	Topeka	PVD
	Christy Young	Topeka	Topeka Chamber
	Wesley Black	Dodge City Kansas	<del>SELF</del>
	Joe Conwerth	Dodge City	SELF
	Maxine Conwerth	Dodge City	
	M. Hawer	Topeka	Capital Jour 44/
	Li Linenberger	"	UP 1
	KAREN McCLAIN	Topeka	San Feliciano
	Ed Mullins	"	Budget



Shawnee County  
Office of County Appraiser

GARY M. SMITH ASA, CKA  
APPRAISER

Attachment #1

ROOM 102  
295-4100

COURTHOUSE  
TOPEKA, KANSAS 66603

February 23, 1984

Assessment and Taxation Committee  
Bud Burke, 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 factors 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 was 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 trending can or may

*AKH.1*  
*(2/23/84)*

not necessarily 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 problem that I see with the industrial trending factor which are proposed in Senate Bill #467 is the fact that in many cases identical equipment may be found in two types of business.

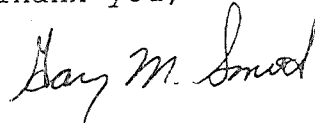
for example:

Many businesses use conveyers, would it be considered equalization if we had different values on conveyers simply because one was used, <sup>and</sup> day in a brewery and one was used in a store. Industrial trending would cause this difference in value.

I would also like to point out that if we were to use Industrial trending factor as proposed, under Senate Bill #467, some equipment would actually increase in value because some factors are above the presently used CPI factors.

Again I would like to thank the Committee for the opportunity to speak, and I stand ready to answer any questions. The Appraisers are willing to follow the directions of the Legislature to the best of their ability.

Thank you,



Gary M. Smith, ASA CKA  
Shawnee Co. Appraiser



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