Approved On: ________________

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 20, 1985 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Senator Nancy Parrish, one of the sponsors of SB-233, an act relating to recapture of inheritance tax on special use valued property, testified as a proponent of this bill. Mr. Jim Weisberger also testified as a proponent. This concluded the public hearing on SB-233.

Mr. Robert Walters, Supervisor Real Estate, speaking as a proponent of SB-164, presented an analysis of agricultural land values. (Attachment 1) He also furnished a map showing status of soil surveys in Kansas. (Attachment 2)

Dr. Severn explained SB-164, an act relating to the taxation of tangible property; mandating a program of statewide reappraisal of real property, which was followed by discussion and questions from the committee.

Mr. Gary Smith, Shawnee County Appraiser, explained SB-198, and suggested some changes that would close the time frame and internal problems in the sequence of events as they happen at the county level. (Attachment 3) Mr. Smith also asked that an amendment be added to SB-198 that would eliminate a problem in taxing escaped real estate. (Attachment 4)

Mr. Robert A. Anderson, Mid-Continent Oil & Gas Association, spoke as a proponent of SB-198. (Attachment 5) He suggested that the word "penalty" be deleted from the bill. Mr. Paul Thornbrugh, of AMCO, also testified as a proponent of SB-198. He pointed out he thought there should be a difference between excludable and exempt property and endorsed the amendment suggested by Mr. Smith. This concluded the public hearing on SB-198.

Mr. Bill Edds explained SB-333 and suggested one change in the wording, changing "shall" to "may" in line 24. This concluded the discussion of SB-333.

The minutes of March 19 were reviewed. There being no change, they were approved as presented.

There being no further business, the meeting was adjourned.

Ed C Rolfs

Ed C. Rolfs, Chairman

Kansas
DEPARTMENT OF REVENUE
State Office Building
TOPEKA, KANSAS 66625

1

TO: Vic Miller, Director
FROM: Robert C. Walters, Supervisor, Real Estate
SUBJECT: Analysis of Agricultural Land Values
DATE: January 11, 1985

In response to a request made by Robert Badenoch in October 1984, who was then the Acting Director, I am submitting the conclusions reached regarding the analysis of agricultural land values in thirteen (13) counties in the State of Kansas. The counties selected for this analysis are as follows and it is my judgement that these counties represent a good cross-section of the agricultural land in Kansas.

Franklin	Greenwood	Ness
Neosho	Jewell	Decatur
Nemaha	Ellsworth	Wallace
Dickinson	Sumner	Grant
		Clark

The Soil Conservation Service identifies eight land capability classes; however, for the purpose of this study a value estimate was not made for Classes I, V and VIII for the following reasons. There is very little Class I land in the State of Kansas and of the counties selected Class I would be found only in Franklin, Neosho and Nemaha Counties. It is further noted that there is little, if any, difference in the production capability of Class I and II. Class V is generally thought of as wet meadow land that is frequently sub-irrigated due to a high water table. There is only a very small amount of this type of land in Kansas. Class VIII is considered as waste from an agricultural use viewpoint and the counties in Kansas have historically placed a small nonimal value on this class of land usually ranging from $5 to $20 per acre.

Value estimates for irrigated land were made only in Grant and Wallace Counties.

The value estimates shown on the attached exhibit are:

1. Estimated Current Fair Market Value
2. Estimated "Use Value"
3. Current Appraised Value on County Records

Current fair market value for the various land capability classes was estimated by researching, verifying and analyzing no fewer than ten (10) unimproved agricultural land sales in each of the thirteen (13) counties. An analysis of each sale was made considering the various land capability classes found on the sale property.

"Use Value" can have more than one meaning; however, it is generally conceded, as it relates to agricultural land, that "Use Value" represents a value based on the net income that the land is capable of producing, assuming typical management practices.

Attachment 1 3/20/85

The procedures used to estimate the net income for the various land capability classes are as follows:

1. Determine the typical cropping practice within a given county by weighting the major crops according to their importance.

2. Determine the commodity price paid for the various commodities averaged over the past eight years. The commodity prices are the weighted prices averaged over the past eight years. The Crop Reporting Service, on a monthly basis, gathers information relating to mid-month prices paid and number of bushels or tons marketed for the various commodities. The reporting is done by district except for corn, soybeans and alfalfa which is reported on a state wide basis.

   The price paid multiplied by the percentage of crops sold in a particular month produces the weighted price and more nearly reflects the actual cash flow into a particular crop reporting district for each crop.

3. Determine the typical production level for crops common to the county and average the production over the past 8 years. Production levels have to be established for each of the dry and irrigated land classes.

4. Estimate the total gross income for each of the dry and irrigated land classes. This is simply a process of multiplying the average yield per acre by the average price paid.

5. Determine the typical landlord-tenant agreement for each of the major crops common to the area. This involves the determination of the percent of landlords share of the total crop and the percent of landlords share of expenses.

6. Estimate the weighted landlords gross income per acre for the various dry and irrigated land classes. This involves the process of establishing the typical gross income per acre for the various crops grown on each of the land classes. This amount is then multiplied by the cropping practice weight for each crop and then multiplying that amount by the landlords percent share which will produce the weighted landlords share of gross income.

7. Estimate the 8 year average of landlords share of expenses for the various crops grown on the several land classes.

8. Determine the weighted landlords expenses per acre for the various crops grown on dry and irrigated land classes.

9. Estimate the net income received by the landlord for the various land classes. This is simply a process of subtracting the weighted expenses from the weighted gross income.

10. Process the net income into capital value by dividing the net income, for each of the various land classes, by a capitalization rate to be determined.

11. Determine the gross cash rent paid per acre for the various rangeland classes. The gross cash rent is an average of that amount paid over the past eight years.

12. Estimate the typical landlord expenses for each of the rangeland classes. This amount is an average of those expenses incurred over the past eight years.

13. Deduct the expenses from the gross income for each of the various rangeland classes and process the net income into capital value.

14. The net income was capitalized at 12.6 percent. This rate represents an average of the Federal Land Bank "New Loan" rate for the years 1980 thru 1984 plus .75 to account for the interest on non-interest bearing stock that has to be purchased at the time a mortgage is placed on the property.

Current appraised values were taken from the county records. Most counties have more categories than are shown here and the values are a composite of several values recorded on the county property record cards.

COUNTY	Land Classes	ESTIMATED MARKET VALUE					USE VALUE					COUNTY APPRAISED VALUE				
		II	III	IV	VI	VII	II	III	IV	VI	VII	II	III	IV	VI	VII
Franklin		$625	$575	$450	$275	N/A	$240	$220	$140	$ 95	$ 70	$190	$165	$120	$150	$ 75
Neosho		625	525	375	250	$100	240	185	160	95	70	135	120	100	100	60
Nemaha		700	625	475	325	200	290	265	200	65	45	230	145	120	80	50
Dickinson		575	500	400	300	175	235	215	175	55	30	200	120	100	85	50
Greenwood		N/A	N/A	N/A	300	150	N/A	N/A	N/A	80	30	N/A	N/A	N/A	60	50
Jewell		600	525	425	225	150	250	190	140	75	30	165	110	85	65	50
Ellsworth		435	350	300	250	150	185	150	115	75	30	150	120	90	80	50
Sumner		800	750	575	N/A	N/A	265	250	235	75	35	200	165	130	100	60
Ness		500	450	375	200	100	125	95	75	55	30	100	90	85	87	40
Decatur		550	400	375	275	N/A	140	110	100	40	20	100	75	60	45	25
Wallace		N/A	400	300	175	N/A	N/A	110	80	45	15	N/A	110	85	70	35
Grant		N/A	350	275	150	75	N/A	110	90	40	15	N/A	90	75	60	20
Clark		N/A	400	350	165	80	N/A	100	75	45	15	N/A	125	90	60	35

IRRIGATED LAND VALUES

COUNTY	Land Classes	I	II	III	IV	I	II	III	IV	I	II	III	IV
Grant		$800	$650	N/A	$650	$340	$270	N/A	$235	$190	$160	N/A	$110
Wallace		750	625	N/A	580	325	260	N/A	230	180	160	N/A	140

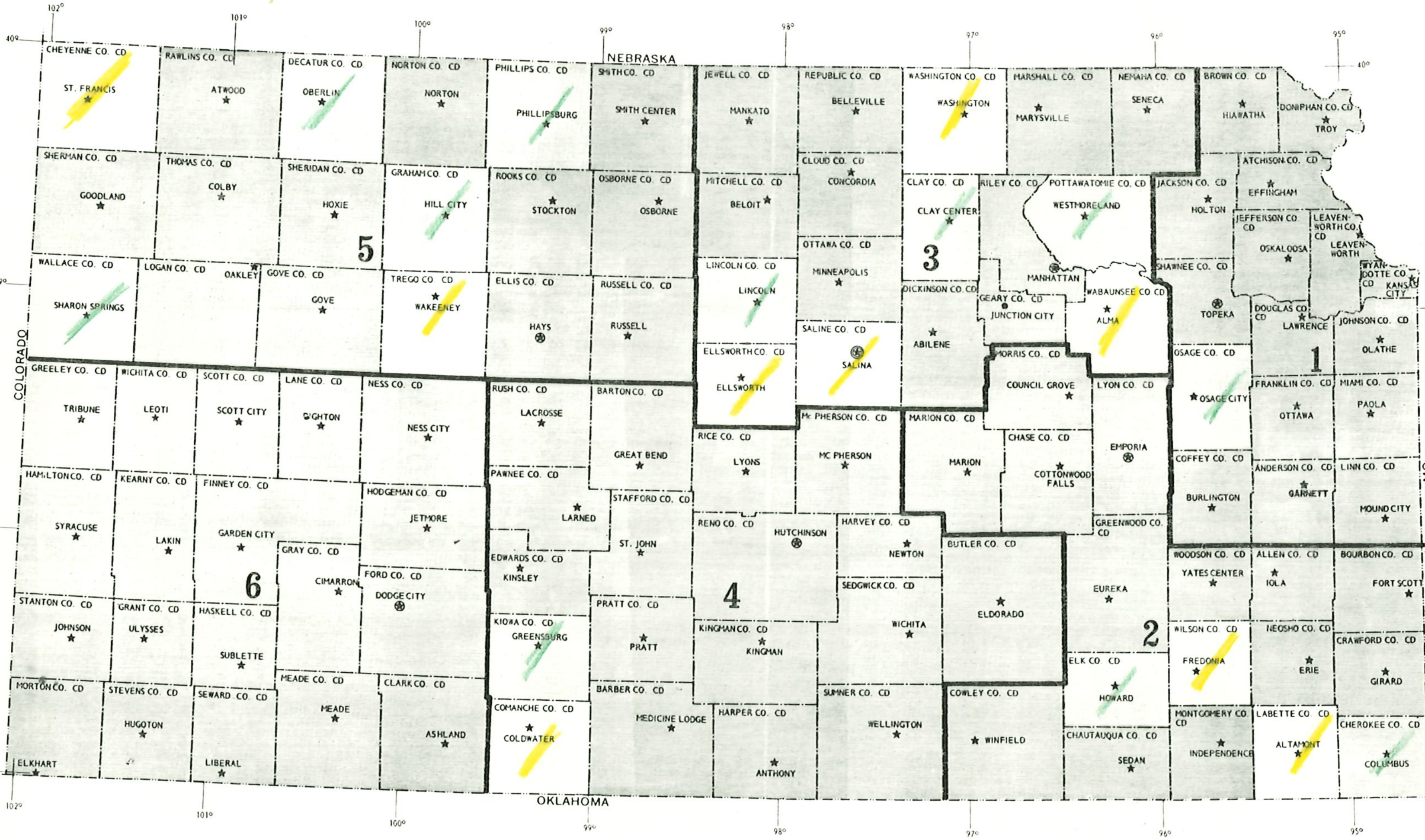
2

Attachment 2

3/20/85

U.S. DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE



LEGEND

◎	STATE OFFICE, SALINA
○	AREA HEADQUARTERS
★	FIELD OFFICE (HDQRS. OF DC)
•	ADDITIONAL FIELD OFFICE
3 ———	AREA NUMBER AND BOUNDARY
	MODERN PUBLISHED SOIL SURVEY
	MAPPING COMPLETE, PUBLICATION PLANNED
	MAPPING FOR PUBLICATION IN PROCESS, COMPLETION DATE SET
	MAPPING AND PUBLICATION PLANS INCOMPLETE

STATUS OF SOIL SURVEYS

KANSAS

OCTOBER 1984

0 20 40 60 80 MI

0 20 40 60 80 100 120 KM

SOURCE:
...CS DRAWINGS 5,S-32,550, 5,R-31,052, AND
...RMATION FROM SCS FIELD PERSONNEL.
...UAL AREA PROJECTION.

REVISED AUGUST 1984 5,S-32,917

Atch. 2

Shawnee County
Office of County Appraiser
GARY M. SMITH ASA, CKA
APPRAISER

ROOM 102
295-4100

COURTHOUSE
TOPEKA, KANSAS 66603

3

March 7, 1985

Representative Ed Rolfs
House Assessment and Taxation Committee

1. I would like to thank this committee for the time and concern shown over the problems which surfaced during the 1984 tax year.

   Senate Bill #198 would with three (3) minor changes close time frame and internal problems in the sequence of events as they happen at the County level.

2. There are 10 types of filings by taxpayers with which the County Appraiser and County Clerk must contend during the tax year.

    1. Filed on time (79-306) - March 1, April 1, April 15
    2. Extentions (79-1422)
    3. Late Filings (79-1422) - After above dates
    4. Failure to file (79-1422) - between late file and one year later
    5. Inaccurate lists (79-1461)
    6. Under investigations (79-1461)
    7. Equipment before July (79-316)
    8. Inventory before November (79-1003)
    9. Transient Merchant (79-1434)
    10. Escaped Property (senate Bill #31) - one year after 79-306

3. If you will follow along with me we need to account for all ten (10) types of filings to complete a tax roll for any given year.

   Line 0084 indicates the Appraiser shall certify that such Appraisals constitute the <u>complete</u> Appraisal roll for personal property, except:

   A.--0087 - KSA 79-1461 (investigations)
   B.--0089 - Escaped Appraisal (Senate Bill #31)

Attachment 3 3/20/85

As this paragraph is written all other personal properties are to be included in the complete Appraisal roll. I believe if you will consider for a moment that property described in #2 extentions, #3 late filings, #4 failure to file, #7 equipment before July, #8 inventory before November and #9 Transient Merchant, these lists would not have been in the office by April 30th and therefore should be excepted from the complete appraisal roll.

I am concerned that if we do not make exception in the statutes that all property described above could be illegal assessments and be lost in an appeal procedure.

The paragraph beginning on line 0093 speaks to the County Clerks taxable personal property roll which should inclued all property which needs to be appraised for any given year. The language used in this paragraph with the exception of the term [subsection (B) of] found on line #0096 would include all other property which needs to be included due to the language beginning on line 0098 which states, any other records prepared by the Appraiser, which would include any remaining property which needed to be Appraised during the year.

4. If the requested changes in 79-1467 are approved the Appraiser will certify by April 30 to the Clerk the Appraisal roll of accurate lists rendered on time with the balance of the filings being added to the Clerks taxable property roll as they are completed after investigation and valueing in an orderly manner.

The Appraisers Association would request the changes be approved for a more orderly method of taxation for the people of Kansas.

Sincerely,

Gary M. Smith

Gary M. Smith
Appraiser, ASA, CKA

kb

Shawnee County
Office of County Appraiser
GARY M. SMITH ASA, CKA
APPRAISER

ROOM 102
295-4100

COURTHOUSE
TOPEKA, KANSAS 66603

4

March 19, 1985

Ed Rolfs, Chairman
House Assessment and Taxation Committee
State Capitol Building

The Appraisers Association and the County Clerks Association would request House Bill #2427 which has died in the House Assessment and Taxation Committee for 1985, be added as an amendment to Senate Bill #198.

The time frame problems for Personal Property have been addressed in Senate Bill #198, but the addition of escaped Real Estate needs to be corrected as indicated by House Bill #2427.

As the law is now written, escaped Real Estate could not be added after November 1, and would be added to the year following tax roll and the tax bill would not be collected until the following December 20th.

This is not the way it is traditionally being handled by Counties and does not seem logical or in order to be efficient in administration.

I hope the Committee can amend Senate Bill #198 to eliminate this problem.

I stand ready to answer any questions.

Sincerely,

Gary M. Smith

Gary M. Smith
Appraiser ASA, CKA

Sincerely,

Patsy A. McDonald

Patsy A. McDonald
County Clerk

kb

Attachment 4 3/20/85

Session of 1985

HOUSE BILL No. 2427

By Committee on Local Government

2-15

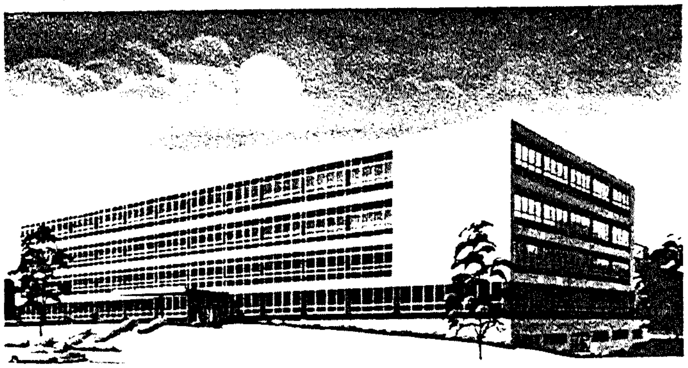
AN ACT relating to property taxation; concerning the appraisal and taxation of property omitted from the tax rolls.

Be it enacted by the Legislature of the State of Kansas:

Section 1. Whenever the county appraiser discovers any property subject to taxation as required by law, that has been omitted from the tax rolls, such property shall immediately be listed and valued by the appraiser and returned to the county clerk. The county clerk, upon receipt of the value of the property, shall compute the amount of tax due, based upon the mill levy for the year in which such tax should have been assessed and forthwith certify the amount of tax to the county treasurer as an added or escaped appraisal.

Sec. 2. The county treasurer shall proceed to collect and distribute tax in the same manner as other tax.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas register.



SHAWNEE COUNTY
OFFICE OF COUNTY CLERK
Patsy A. "Pat" McDonald
COUNTY CLERK

(913) 295-4155 CLERK
(913) 295-4159 ACCOUNTING

COURTHOUSE – ROOM 107
TOPEKA, KANSAS 66603

February 27, 1985

Rep. Edward C. Rolfs, Chairman
Assessment and Taxation Committee
State Capitol Building, 155-E
Topeka, Kansas 66612

Re: House Bill 2427

Rep. Rolfs:

Thank you for participating in the movement to see that Senate Bills 31 and 198 have swift passage. We also, heartily support the swift passage of proposed House Bill 2427.

Senate Bills 31 and 198 have closed most of the loopholes for the appraiser and allows for personal property to be picked up and valued, thereby assuring that each individual participates in correct and equal assessment each year. However, we still have one problem. In 1981, when K.S.A. 79-1427 (escaped property tax law) was in effect, the Attorney General issued an opinion that no tax would be added to the November 1 tax roll, stating as follows:

> "Under the statutory procedure outlined above, the tax roll must be completed on or before November 1. After that date, the tax roll is no longer in the care and custody of the county clerk. Thereafter, the only phase of the taxing process for that particular tax year which remains to be completed is the collection process. See, e.g., Mobil Oil Corporation v. Medcalf, 207 Kan. 100, 107 (1971). In our judgment, November 1 is the date beyond which no adjustments may be made in either the assessment roll or the tax roll, under KSA 49-417."

This was brought to the attention of all counties in 1984 by the Division of Property Valuation, and their feeling was that the interpretation meant not only real, but personal and vehicles not under the tax and tags law. Therefore, we desperately need a bill passed which will allow us the continuing process of adding tax (either as added to the current tax roll or escaped 'prior years').

In summation, we feel we need the ability to have the continuing process of adding tax after November 1, without waiting two years to place a missed assessment on the tax rolls. I feel that almost all 105 counties are following this procedure. At the present time, we add a missed trailer, house or whatever has been missed and it is processed immediately. We are always issuing correction orders, so the two offset. Therefore, we urge support of House Bill 2427.

Sincerely,

Patsy A McDonald

Patsy A. McDonald
Shawnee County Clerk

PAM/llh

5

SENATE BILL 198

Mr. Chairman and members of the Committee:

In the interest of saving the Committee's time, I would like to endorse the statements of David S. Litwin of the K.C.C.I. on Senate Bill 31. That statement is true as to Senate Bill 198. In particular on the first point there is no way to protect the innocent or a taxpayer who does not file a return as he honestly believed no return was necessary from the taxpayer or is litigating the question of whether or not a return is required. An assessor should not be in a position of assessing a penalty in this situation. ~~If the taxpayer is required to file, the penalty should be less severe than a taxpayer who just does not file or files a less than accurate return.~~

As Mr. Litwin stated in his testimony the use of the word penalty may cause the I.R.S. to disallow the deduction of a penalty on the Federal and State income tax return. We think the word penalty should be deleted.

Robert A. Anderson
Mid-Continent Oil & Gas Assn.
3/20/85

Attachment 5 3/20/85