

Approved _____
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m./~~XXX~~ on Wednesday, April 23, 1986 in room 519-S of the Capitol.

All members were present except:
Senator William Mulich (Excused)

Committee staff present:
Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office

Conferees appearing before the committee:
Bev Bradley, Kansas Association of Counties
Vic Miller, Division of Property Valuation, Department of Revenue
Keith Farrar, Board of Tax Appeals
Gerry Ray, Johnson County

H.B. 3130 - Appraisal of property exempted from taxation not required

It was explained that the bill provides that exempt property is not required to be appraised during the state-wide reappraisal process.

Bev Bradley said that some county officials favor the bill and others oppose it (Attachment 1). She suggested that possibly the bill could be amended to exclude appraisal of government owned properties or to include a "laundry list" of which properties need not be appraised. Mrs. Bradley mentioned the time and expense of appraising such properties as the University of Kansas, Clinton Lake, Haskell Indian Junior College, etc. There was discussion whether or not exempt properties are included in the base for bonding purposes. The Committee was advised that, with a very few exceptions, exempt properties are not included with regard to bonded indebtedness, but that exempt properties do affect bond ratings.

Vic Miller said he neither supports nor opposes the bill (Attachment 2). He discussed various concerns: property may be erroneously classed as exempt, it is more efficient to compile data for exempt property during a reappraisal program, changes in use of exempt properties and the need to have accurate listing and valuation of exempt properties. Mr. Miller advised that the Reappraisal Advisory Committee voted yesterday to oppose the bill 8-0. He noted that 6 members did not vote. He said that his recommendation would be that counties not include properties such as universities in any contracts for appraisal, but that they simply conduct an in-house appraisal without going into great detail.

Keith Farrar expressed concerns of the Board of Tax Appeals (Attachment 3). She talked about ag-related problems where property may be owned by the Federal Land Bank, Farmers Home Administration and other government entities. Mr. Farrar mentioned the possible use change of certain exempt properties. He noted that there is a certain amount of work involved in determining whether property is exempt and he pointed out that mapping will be done on all properties anyway, so it is his feeling that the exempt properties should be appraised during the state-wide reappraisal.

Gerry Ray said the Johnson County appraiser had expressed concern about bond ratings and the need to have some record of exempt property.

Chairman Kerr asked Mr. Miller if it is his intent to send a memorandum to county appraisers explaining PVD's position on exempt properties. Mr. Miller replied that it is. He said that, upon further reflection, it might be all right for counties to include exempt properties in reappraisal contracts if it did not increase the cost much.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~xxx~~ on April 23, 1986.

Senator Allen moved that the minutes of the April 9, 1986 meeting be approved. Senator Burke seconded the motion, and the motion carried.

Meeting adjourned.

Kansas Association of Counties

Serving Kansas Counties

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

April 23, 1986

To: Senator Fred Kerr
Members Senate Assessment on Taxation Committee

From: Beverly Bradley, Legislative Coordinator
Kansas Association of Counties

Re: HB-3130

Good morning, I am Bev Bradley, Kansas Association of Counties. As you know this bill was introduced late in the session. We have had numerous county officers with what we believe to be legitimate concerns over the process of appraising exempt property. Some questions we would like you to consider are:

Does the need, if there is one, justify the time and money spent obtaining the information?

Should the bill be amended to exclude the appraisal of "government owned" exempt property or exempt property owned by a "governmental entity". Then the appraiser in Douglas County would not need to appraise all the buildings on the KU campus or Haskell Indian Junior College, but the industrial bonded property which should be coming on to the tax roles would be appraised as would the parsonages.

Please consider - Is it a waste of appraiser's time and taxpayer's money to appraise the county courthouse, State office building and Clinton Lake, not to mention public or privately owned cemeteries and all the water district's property?

In Douglas County, based on number of parcels, 35%-40% of the property is tax exempt. PVD uses 32,226 parcels in Douglas County. That number, times 35% equals 11,279 exempt parcels. If reappraisal cost is \$30.00 a parcel the dollar amount is \$338,370. to appraise exempt property just in Douglas County. Is it worth it????



KANSAS DEPARTMENT OF REVENUE

April 23, 1986

Mr. Chairman and members of the Committee, my name is Vic Miller, Director of the Division of Property Valuation. PVD neither opposes nor supports the passage of HB 3130, but I would urge the Committee to consider the following prior to passing such a measure:

1. Exempt property can lose its eligibility if it is sold to a party who will change the use. It is much easier for the county appraiser to value the parcel if the building characteristics are already on file. The most accurate data is obtained at the time of new construction and reviewed on a regular basis.
2. Many properties may erroneously enjoy an exempt status due to non-compliance with statutory requirements. Most counties do not have a formal program in place to make a regular on site physical inspection of properties on the exempt roll. A reappraisal project provides an excellent opportunity to conduct this investigation.
3. It is much more efficient to confirm or list data for exempt property during a reappraisal program. The management framework, staff and procedures are already in place. Certain expenses, such as mapping costs, will be incurred regardless of the taxable status of the property.
4. The review and valuation of exempt properties is often the most cost beneficial component of a reappraisal program. The discovery of and subsequent placement of unqualified properties back on the tax rolls in one reported jurisdiction provided an \$18 increase of tax revenue for each dollar of appraisal cost. (See Assessment Digest, January 1982 published by the International Association of Assessing Officers)

5. Without an accurate valuation and listing of exempt property it is almost impossible to determine the extent or financial impact of current exemptions on a taxing jurisdiction. There is no other source of valuation information for exempt properties other than the county appraisers' files. Citizens, legislators and researchers frequently request information useful for planning, zoning and emergency preparedness agencies. The recent discussion of exemption bills in this year's legislative session highlights this point.
6. The net worth of exempt properties is considered in some bond applications.

April 22, 1986

MEMO

To - Fred Kerr

From - Fred L. Weaver, Board of Tax Appeals

RE: Analysis Problems of House Bill No. 3130

This Bill removes the requirement for the counties to reappraise property, both real and personal, which is currently exempt. Furthermore, the requirement that there be an exempt tax roll is eliminated. If this is done, at a minimum, the following problems will result:

1. There will be no accurate method of tracking the value of exempt property;
2. There will be no established current value for exempt property, if and when, it is returned to the tax rolls;
3. The counties will not have the benefit of having accurate current values upon which to base a potential payment in lieu of tax on exempt property (particularly with respect to industrial revenue bond properties);
4. The counties will have no way of obtaining an accurate determination of their total wealth;
5. The counties, the state nor the legislature will have any accurate method of estimating the impact of exemptions on the tax base and the resulting reduction in ad valorem tax revenues. As the tax base is reduced the mill levies will potentially increase raising taxes; and
6. Government owned property make up a very small portion of the total exempt property rolls. Today the Federal Land Bank, SBA, FmHA all have properties holding exempt status. It would seem almost imperative for a county to maintain an exempt roll in order to maintain an accurate tax roll.

It will also be important to insure that even if this Bill passes and exempt property is not reappraised that it be part of the mapping process.

FLW:ct

Attachment 3
Senate Tax Comm. - 4/23/86