

Approved February 2, 1987  
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./~~p.m.~~ on January 28, 1987 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn, Research  
Chris Courtwright, Research  
Don Hayward, Revisor's Office  
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:

Senator Ehrlich  
Don Schnacke, Kansas Independent Oil & Gas Association  
Secretary Harley Duncan, Department of Revenue  
Senator Jack Steineger  
Jim Maag, Executive Director Kansas Banker's Association  
Fred Weaver, Board of Tax Appeals  
Gary Smith, Shawnee County Appraiser

Chairman Kerr called the meeting to order and confirmed that the agenda would be to hold hearings on S.B. 48 and S.B. 54.

Senator Ehrlich, sponsor of S.B. 48, explained the bill and expressed support for it. The bill is designed to require that non-residents who own mineral interests in Kansas pay Kansas income taxes. Currently such persons are subject to Kansas income taxes but collection procedures are difficult and many persons do not pay it.

Don Schnacke, KIOGA, testified in support of S.B. 48 (Attachment 1). He noted that many members of KIOGA have been inadvertent contributors to the downward economic climate in Kansas and his organization is interested in solutions to help solve industry problems and state problems. He said that strict enforcement of the state income tax laws as envisioned in S.B. 48 might mean that state income tax collections could increase by as much as \$3 million. He recommended that an amendment be inserted on line 30, following the word "year" by stating "consistent with federal government reporting."

Secretary Harley Duncan submitted testimony on the bill, (Attachment 2). He said that currently large recipients of Kansas mineral revenues are manually checked and procedures are used to ascertain whether or not these non-residents have paid income taxes. Secretary Duncan said that the procedures outlined in S.B. 48 would be helpful in that they would not have to establish a liability. Garnishment procedures could be used under this bill. He said that further study is needed on at least three areas of the bill, including the date of the penalty becoming effective, conforming to 1099 requirements, and notice of hearing requirements. Senator Hayden asked if this bill would greatly deter our out of state investors. Mr. Schnacke answered that anyone doing business in the state of Kansas would surely expect to pay income tax in this state.

S.B. 54

Senator Jack Steineger testified and said that he had heard concerns from the Wyandotte County Treasurer's office about this bill. He had received a letter from Mary P. Ladesic, County Treasurer of Wyandotte County and he distributed it to the committee (See Attachment 3). He indicated that the bill would require the county treasurer to provide information which they do not have. (Also see Attachment 4).

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,  
room 519-S Statehouse, at 11:00 a.m./~~pm~~ on January 28, 1987

Jim Maag testified in support of S.B. 54 (Attachment 5). He stated that since there is no uniform procedure among the 105 counties by which creditors can check as to whether such statements have been filed, it would be in the best interest of governmental units, debtors and creditors if the law was amended to spell out clearly how tax penalties on repossessed property would be handled.

Fred Weaver gave testimony concerning S.B. 54. He stressed that the Board of Tax Appeals is not opposed to the bill but that they do have several areas of question. He said that the board has been reluctant to offer an interpretation of "excusable neglect." There are many exchanges of property going on and with some additional authority they could be handled more efficiently. Two observations he made are: 50% penalty might be too punitive, and they constantly face the complaint that the taxpayer was not informed of and did not receive their penalty notice.

Gary Smith testified (Attachment 6 & 7). He offered an amendment that starts on line 69 and reads (e) The County Appraiser or the County Clerk shall, on their own motion, request the Board of County Commissioners, by correction order, to abate any penalty imposed under provision of this section when the property for which a statement of assessment was not filed as required by law is repossessed, judicially or otherwise, by a secured creditor and such secured creditor pays the taxes and interest due. (ending on line 73)

Chairman Kerr explained that different committees have been handling the "excused absence" reference differently. He said that the committee would no longer list absences as "excused". This is consistent with the procedures most committees are going to use. He noted that it would still be helpful if members would contact the committee secretary prior to being absent from a meeting.

Senator Mulich moved that the minutes of the January 28, 1987 meeting be accepted and Senator Hayden seconded. Motion carried.

Meeting adjourned.





## KANSAS INDEPENDENT OIL & GAS ASSOCIATION

500 BROADWAY PLAZA • WICHITA, KANSAS 67202 • (316) 263-7297

January 28, 1987

TO: Senate Committee on Assessment & Taxation

RE: SB 48

It's been pretty well documented that the industry I represent has been greatly contributing to the downward economic climate of Kansas. Since a year ago, our industry has caused roughly 10,000 Kansans to be put directly or indirectly on the unemployment rolls. The ad valorem tax base has dropped \$430 million. The ad valorem taxes to the counties have dropped \$30 million. The severance tax is now running at a rate of one-half (\$56 million) of the \$109 million that was projected when it was passed. Our industry has greatly reduced your sales and income tax base to which we used to contribute in excess of \$200 million annually. We are, for the first time, creating SRS clients in areas not before affected by chronic unemployment. We are causing no-aid school districts to require state aid for the first time. The ripple effect on the state economy caused by the decline of the second largest industry in Kansas has been significant. Dr. Tony Redwood's report to the legislature identified our industry as one of the main contributors to the economic problems we face today.

We think one of the solutions to helping solve this Kansas problem is to get the oil and gas industry back to work. We have our own economic development goals. Some of it spins around what the Kansas legislature can do to help. Some of it is beyond reach of the Kansas legislature. Part of our plan depends on what our national administration does; actions by Congress; and some depend upon what goes on internationally.

We are not going to be so bold to urge you to repeal the severance tax. But we will be before your committee this session and next year proposing modifications and adjustments to the tax code that can stimulate and encourage our industry to invest in Kansas, re-employ those that have been laid off, and again contribute to government at all levels. These proposals will touch the income tax, sales tax, and ad valorem taxes paid by our industry.

We call this our "Help Us to Help You Program"!

The first of the bills we are supporting is SB 48 being heard today. Next Tuesday you will hear SB 1. Supported by Governor Hayden, SB 1 addresses exemptions to the severance tax. SB 75 was introduced recently and is before your Committee addressing the sales tax. There are other bills being drafted that address the ad valorem tax as it applies to the Kansas oil and gas industry.

Sen. A & T.

1/28/87

Att. 1

Senate Committee on Assessment & Taxation  
Senate Bill 48  
January 28, 1987  
Page -2-

The history of SB 48 is that Senator Ehrlich called about notification from Oklahoma to one of his constituents. I made inquiry and found this was a result of action by the 1986 Oklahoma legislature. I later heard of several others receiving notice of the new method to collect Oklahoma state income tax. The State of Oklahoma believed it would increase collections by \$6 million. In Kansas, we could expect it to be \$3 million, as Oklahoma production is twice that of Kansas for both oil and gas.

SB 48 is exactly what passed last year in Oklahoma. Oklahoma has rules and regulations that would require that the filing as required by the Director of Taxation, beginning on line 27, be consistent with federal government reporting. This would relate to the Form 1099 requirement of reporting \$600 or more income to any taxpayer,

We suggest you add that requirement on line 30, following the word "year," by stating, "consistent with federal government reporting".

We offered the Oklahoma measure to Senator Ehrlich and suggested he introduce the bill. We support passage of SB 48.

Donald P. Schnacke

DPS:pp

MEMORANDUM

TO: Mr. Gary L. Stotts, Acting Dir.      DATE: January 27, 1987  
Division of the Budget

FROM: Kansas Department of Revenue      RE: Senate Bill 48  
as Introduced

Brief of Bill:

Senate Bill 48, as introduced, would require mineral producers to file with the Department a "report" on any person or entity receiving mineral production payments. The person or entity must be subject to taxation under the Kansas income tax act.

Enactment of this bill authorizes the Director of Taxation to order the producer to hold all production payments to delinquent taxpayers and to order that such payments be made to pay the tax, penalty and interest owed by such delinquent taxpayers. Relieves the person or entity holding production payments from any liability and subjects them to penalties for failure to report payments made and for failure to observe an order to hold all such payments.

The effective date of this bill would be from and after its publication in the statute book.

Fiscal Impact:

Passage of this bill would result in a minimal increase in Fiscal Year 1988 State General Fund revenue.

Administrative Cost:

Data Processing Services Bureau would require systems and programming time to automate the matching of non-filers based on social security number and to generate reports/listings for the Fair Share Unit and notices to taxpayers.

It is estimated that the Income and Inheritance Tax Bureau, Fair Share Unit would need one (1) additional Tax Examiner II to identify non-filers and underreporters identified by the computer matches. The tax examiner would also perform research on oil royalty accounts, verify taxpayer accounts with computer matches, telephone and written correspondence with the taxpayer and/or their representative, make adjustments to accounts, consolidate reports from various producers and maintain a record of activities concerning this project.

A detailed list of additional administrative costs that the Department would expect to incur with the enactment of Senate Bill 48 is reflected in the attached tables.

Administrative Comment:

The Department would like to respectfully submit the following for your consideration:

1. K.S.A. 79-3222 provides for the filing of information returns with the Department of Revenue. The filing requirements are in direct conformity with the Internal Revenue Code. Therefore, if an information return is required by the Internal Revenue Service, a copy of such return must be filed with the Director of Taxation. The 1099 document was required for royalty payments over \$600; however, the Tax Reform Act of 1986 amended the provision to require that "persons who make payments of royalties aggregating \$10 or more to any other person in a calendar year must provide an information report on the royalty payment to the IRS". Therefore, it appears the requirements of Section 1(a) are already being met by the existing filing requirements.
2. The same statute also imposes a \$50 penalty for each return not filed. Senate Bill 48 imposes a \$100 penalty for each day, such report is delinquent.
3. As it is written, Section 1(a) does not provide a filing deadline for the report. therefore, it appears the reports may be filed at the discretion of the producer and the \$100 penalty referred to in Section 1(e) for delinquent filing will not be assessed.
4. The intent of this bill is to improve compliance with the income tax laws of this state. Since 1983, the Fair Share Unit, Income and Inheritance Tax Bureau, Division of Taxation has periodically run a compliance program on royalty income. In that time, approximately 2,200 letters have been sent to non-filers. This has resulted in a collection of almost \$380,000. It has also placed these additional taxpayers on Department files so they will continue to file returns.
5. There is concern that ordering production payments to be withheld and remitted to the state would violate the confidentiality requirements imposed on the Department of Revenue pursuant to K.S.A. 79-3234. That statute makes it unlawful to divulge or make known in any way the amount of income or any particulars set forth or disclosed in any report or return required to be filed for income tax purposes. Specifically, there is concern that an order to withhold production payments would disclose the fact that a taxpayer had not filed a tax return or has an outstanding tax liability which is information that could be construed to fall within

the scope of K.S.A. 79-3234. It might be advisable to include a specific provision in this bill or K.S.A. 79-3234 stating that an order to withhold and remit production payments shall not constitute a violation of the confidentiality requirements.


Legal Impact:

The primary legal concern presented by Senate Bill 48 is whether it contains sufficient procedural safeguards to ensure that property is not taken without due process of law in violation of the Fourteenth Amendment of the Constitution. The fundamental requirements of due process entitles a person to receive notice and an opportunity to be heard before his/her property may be taken. This bill provides that the Director of Taxation shall notify delinquent taxpayers at least twenty days prior to issuing an order to hold production payments. There are no provisions in this bill allowing a taxpayer to request a hearing before a withholding order is issued. K.S.A. 79-3226 provides that a taxpayer has the right to request a hearing before the Director of Taxation within thirty days of the mailing of notice of income tax due. Presumably, the provisions of this statute would be applicable in the case of a notice mailed pursuant to Section 1(d) of Senate Bill No. 48. If a hearing was requested it would be improper to issue a withholding order until the hearing was held and a decision rendered by the director of Taxation.

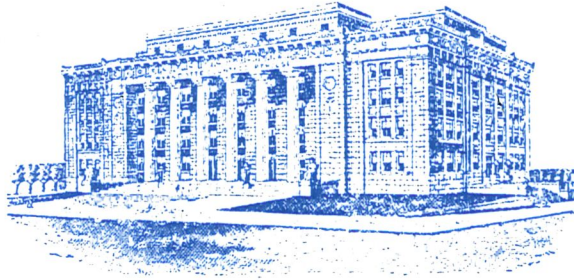
Requiring the holding of production payments would interfere with contractual agreements between the payors and recipients of these payments. This might be construed to violate the prohibition against state legislation which impairs the obligation of contracts.

Senate Bill 48 would authorize the Director to order production payments withheld from persons who have failed to file an income tax return. A person receiving income from Kansas sources will not necessarily have sufficient gross income to be required to file a Kansas income tax return. Also, such a person may not have any tax liability, particularly if their income is derived from mineral production where there are usually substantial deductions for depreciation, expenses and depletion that can reduce taxable income to a low figure or often result in a net operating loss. The Department would be certain to encounter legal action if payments were ordered to be withheld where there was no underlying debt owed.

Approved By:

  
Harley T. Duncan  
Secretary of Revenue





573-2823

OFFICE OF  
**MARY P. LADESIC**  
COUNTY TREASURER  
WYANDOTTE COUNTY COURT HOUSE  
KANSAS CITY, KANSAS 66101



To: Senate Assessment & Taxation  
From: Mary Ladesic - Chairman for the County Treasurer's Association  
Re: Senate Bill 54

Honorable Senator Kerr and Committee Members:

Please accept our apologies for not having someone there in person. We received a copy of the bill Friday, January 23 and notice of the hearing Tuesday, January 27. Therefore, we are providing our opposing views in this letter.

The Treasurer's Association is strongly opposed to the portion of Senate Bill 54 which directs the Treasurers to abate the penalty imposed by the Appraiser for failure to list property for taxation. Our reasons are as follow.

In most counties, the Treasurer is unaware when the amount assessed includes any penalty for failure to comply with this statute.

Existing procedure dictates that removal of penalty commences with paperwork originating in the Appraiser's office. This adjustment process insures correction to records in all related offices pertaining to the taxroll.

On October 1 the county Treasurer is required by statute to file an abstract to District Court which includes the amount of unpaid taxes and interest due plus penalties and cost. Removing that portion which represents the assessed penalty imposed would result in numerous problems.

Removal of the assessed penalty by a secured party could prove to be inequitable. The secured party would have the opportunity to act as a middleman and the original owner could regain the same property without paying the justified penalty.

Sen. A & T

1/28/87

Att. 3

Further, there are current statutory provisions providing for the removal of such penalties within the scope of the State Board of Tax Appeals.

Finally, since the Appraiser's office is designated to receive and record taxable listings and determine the valuation of the same, they would be most qualified in regard to the status of any assessment due. We feel that the removal of such an assessment should be made in the office in which it originates.

We wish to thank you for this opportunity to express our feelings about Senate Bill 54 to you and would be most happy to respond to any questions that you may have if a time can be arranged at a later date.

Respectfully,



Mary P. Ladesic  
Chairman, Legislative Committee

# Board of Tax appeals

## Analysis of Senate Bill 54

The amendment provides that the county treasurer shall abate any penalty imposed under the provisions of this section when the property for which a statement of assessment was not filed as required by law is repossessed, judicially or otherwise, by a secured creditor and such secured creditor pays the taxes and interest due.

Under present law only the Board of Tax Appeals could afford penalty relief. The Board of Tax Appeals is restricted in its ability to grant relief by the requirement that the relief must be based on a finding of excusable neglect. In circumstances such as those outlined in the amendment the Board was routinely unable to find excusable neglect and relief was denied. Issues to be considered:

(1) The amendment in question affords a secured creditor complete relief. Relief is afforded even in circumstances where the secured creditor is responsible for filing and simply neglects to do so. A secured creditor is certainly well aware of property tax law and filing requirements. This amendment would afford him automatic penalty relief, regardless of fault, based solely on his secured creditor status.

(2) Penalty provisions serve a two-fold purpose. They encourage compliance by the taxpayer and they offset the obvious expenses incurred by the county when property is not reported. The county appraiser is required to assess property. Unreported property creates an additional and costly burden to the county appraiser's office. For example, the county appraiser may be required to make a personal inspection or personally counsel the taxpayer on how to file. Kansas statutes impose an orderly, time sensitive budget process, budget accuracy is jeopardized to the extent that taxpayers do not timely file. The county may be forced to choose between raising the mill levy or risking underfunding.

(3) What about property sold during the course of the year where the prior owner failed to render the property and thus incurred the penalty which the subsequent owner seeks to have abated?

(4) There are 105 county treasurers, therefore, there is a possibility of 105 ways of implementing this provision. We recommend greater uniformity by granting the Board of Tax Appeals the power to grant this relief.



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

January 28, 1987

TO: Senate Committee on Assessment and Taxation

FROM: James S. Maag *JSM*  
Director of Research

RE: SB 54 - Abatement of Tax Penalties on Repossessed Property

Mr. Chairman and members of the Committee:

Thank you for the opportunity to appear before the Committee in support of SB 54. This bill amends several sections in Chapter 79 and would allow county treasurers to abate any tax penalty imposed when the property for which a statement of assessment was not filed as required by law is repossessed, judicially or otherwise, by a secured creditor and such secured creditor pays the taxes and interest due.

Current Kansas law creates a very unfair situation for secured creditors since the creditor may unknowingly be stuck a 100% tax penalty because the debtor from whom the property was repossessed had not filed a statement of assessment as required by law. There is no uniform procedure among the 105 counties by which creditors can check as to whether such statements have been filed. We believe it would be in the best interest of governmental units, debtors and creditors if the law was amended to spell out clearly how tax penalties on repossessed property will be handled.

We appreciate the committee's consideration of this matter relating to fairness in the tax process and we urge you to recommend SB 54 favorably for passage.

JSM/ljs

Sen. A & T

1/28/87

Att. 5

## SENATE BILL No. 54

By Committee on Financial Institutions and Insurance

1-21

0017 AN ACT relating to penalties for failure to list property for  
0018 taxation; providing for abatements thereof upon repossession  
0019 by secured creditors; amending K.S.A. 79-332a and K.S.A.  
0020 1986 Supp. 79-1422 and 79-1427a and repealing the existing  
0021 sections.

0022 *Be it enacted by the Legislature of the State of Kansas:*

0023 Section 1. K.S.A. 79-332a is hereby amended to read as fol-  
0024 lows: 79-332a. (a) Any person, corporation or association owning  
0025 oil and gas leases or engaged in operating for oil or gas who fails  
0026 to make and file a statement of assessment on or before April 1  
0027 shall be subject to a penalty as follows:

0028 (1) If the statement of assessment is filed within 15 days  
0029 following April 1, the appraiser shall, after having ascertained  
0030 the assessed value of the property of such taxpayer, add 10%  
0031 thereto as a penalty for late filing.

0032 (2) If the statement of assessment is filed more than 15 days  
0033 but not more than 30 days following April 1, the appraiser shall,  
0034 after having ascertained the assessed value of the property of  
0035 such taxpayer, add 20% thereto as a penalty for late filing.

0036 (3) If the statement of assessment is filed more than 30 days  
0037 but not more than 45 days following April 1, the appraiser shall,  
0038 after having ascertained the assessed value of the property of  
0039 such taxpayer, add 30% thereto as a penalty for late filing.

0040 (4) If the statement of assessment is filed more than 45 days  
0041 but not more than 60 days following April 1, the appraiser shall,  
0042 after having ascertained the assessed value of the property of  
0043 such taxpayer, add 40% thereto as a penalty for late filing.

0044 (5) If the statement of assessment is filed more than 60 days  
0045 following April 1, the appraiser shall, after having ascertained

0046 the assessed value of the property of such taxpayer, add 50%  
0047 thereto as a penalty for late filing.

0048 (b) For good cause shown the county appraiser may extend  
0049 the time in which to make and file such statement. Such request  
0050 for extension of time shall be in writing and shall be received by  
0051 the county appraiser prior to the due date of the statement of  
0052 assessment.

0053 (c) Whenever any person, corporation or association owning  
0054 oil and gas leases or engaged in operating for oil or gas shall fail  
0055 to make and deliver to the county appraiser of every county  
0056 wherein the property to be assessed is located, a full and com-  
0057 plete statement of assessment relative to such property as re-  
0058 quired by blank forms prepared or approved for the purpose by  
0059 the director of property valuation to elicit the information nec-  
0060 essary to fix the valuation of the property, the appraiser shall  
0061 ascertain the assessed value of the property of such taxpayer, and  
0062 shall add 50% thereto as a penalty for failing to file such state-  
0063 ment.

0064 (d) The board of tax appeals shall have the authority to abate  
0065 any penalty imposed under the provisions of this section and  
0066 order the refund of the abated penalty, whenever excusable  
0067 neglect on the part of the person, corporation or association  
0068 required to make and file the statement of assessment is shown.

0069 ~~(e) The county treasurer shall abate any penalty imposed~~  
0070 ~~under the provisions of this section when the property for which~~  
0071 ~~a statement of assessment was not filed as required by law is~~  
0072 ~~repossessed, judicially or otherwise, by a secured creditor and~~  
0073 ~~such secured creditor pays the taxes and interest due.~~

0074 Sec. 2. K.S.A. 1986 Supp. 79-1422 is hereby amended to read  
0075 as follows: 79-1422. (a) Any person required to file a statement  
0076 listing property for assessment and taxation purposes under the  
0077 provisions of this act who fails to make and file such statement on  
0078 or before the date prescribed by K.S.A. 79-306, and amendments  
0079 thereto, shall be subject to a penalty as follows:

0080 (1) If the statement is filed within 15 days following the date  
0081 prescribed by K.S.A. 79-306, and amendments thereto, the ap-  
0082 praiser shall, after having ascertained the assessed value of the

(e) The County Appraiser or the County Clerk shall, on their own motion, request the Board of County Commissioners, by correction order, to abate any penalty imposed under provision of this section when the property for which a statement of assessment was not filed as required by law is repossessed, judicially or otherwise, by a secured creditor and such secured creditor pays the taxes and interest due.

0083 property of such taxpayer, add 10% thereto as a penalty for late  
0084 filing.

0085 (2) If the statement is filed more than 15 but not more than 30  
0086 days following the date prescribed by K.S.A. 79-306, and  
0087 amendments thereto, the appraiser shall, after having ascer-  
0088 tained the assessed value of the property of such taxpayer, add  
0089 20% thereto as a penalty for late filing.

0090 (3) If the statement is filed more than 30 but not more than 45  
0091 days following the date prescribed by K.S.A. 79-306, and  
0092 amendments thereto, the appraiser shall, after having ascer-  
0093 tained the assessed value of the property of such taxpayer, add  
0094 30% thereto as a penalty for late filing.

0095 (4) If the statement is filed more than 45 days but not more  
0096 than 60 days following the date prescribed by K.S.A. 79-306, and  
0097 amendments thereto, the appraiser shall, after having ascer-  
0098 tained the assessed value of the property of such taxpayer, add  
0099 40% thereto as a penalty for late filing.

0100 (5) If the statement is filed more than 60 days but less than  
0101 one year following the date prescribed by K.S.A. 79-306, and  
0102 amendments thereto, the appraiser shall, after having ascer-  
0103 tained the assessed value of the property of such taxpayer, add  
0104 50% thereto as a penalty for late filing.

0105 For good cause shown the appraiser may extend the time in  
0106 which to make and file such statement. Such request for exten-  
0107 sion of time must be in writing and shall state just and adequate  
0108 reasons on which the request may be granted. The request must  
0109 be received by the appraiser prior to the due date of the state-  
0110 ment.

0111 (b) If, within one year following the date prescribed by  
0112 K.S.A. 79-306, and amendments thereto, any person shall fail to  
0113 make and file the statement listing property for assessment and  
0114 taxation purposes or shall fail to make and file a full and com-  
0115 plete statement listing property for such purposes, the appraiser  
0116 shall proceed to ascertain the assessed value of the property of  
0117 such taxpayer, and for this purpose the appraiser may examine  
0118 under oath any person or persons whom the appraiser deems to  
0119 have knowledge thereof. The appraiser shall, after having ascer-

0120 tained the assessed value of such property, add 50% thereto as a  
0121 penalty for failure to file such statement or for failure to file a full  
0122 and complete statement.

0123 (c) The board of tax appeals shall have the authority to abate  
0124 any penalty imposed under the provisions of this section and  
0125 order the refund of the abated penalty, whenever excusable  
0126 neglect on the part of the person required to make and file the  
0127 statement listing property for assessment and taxation purposes  
0128 is shown.

0129 (d) *The county treasurer shall abate any penalty imposed*  
0130 *under the provisions of this section when the property for which*  
0131 *a statement of assessment was not filed as required by law is*  
0132 *repossessed, judicially or otherwise, by a secured creditor and*  
0133 *such secured creditor pays the taxes and interest due.*

0134 Sec. 3. K.S.A. 1986 Supp. 79-1427a is hereby amended to  
0135 read as follows: 79-1427a. (a) If, after one year from the date  
0136 prescribed by K.S.A. 79-306, and amendments thereto, for the  
0137 listing of tangible personal property, the county appraiser dis-  
0138 covers that any tangible personal property which was subject to  
0139 taxation in any year or years within four years next preceding has  
0140 not been listed or has been underreported for whatever reason,  
0141 such property shall be deemed to have escaped taxation. In the  
0142 case of property which has not been listed, it shall be the duty of  
0143 the county appraiser to list and appraise such property and add  
0144 100% thereto as a penalty for escaping taxation for each such year  
0145 during which such property was not listed, and it shall be  
0146 designated on the appraisal roll as "escaped appraisal" for each  
0147 such preceding year or years. In the case of property which has  
0148 been listed but underreported, it shall be the duty of the county  
0149 appraiser to list and appraise the underreported portion of such  
0150 property and add 100% thereto as a penalty for escaping taxation  
0151 for each such year during which such property was underre-  
0152 ported, and it shall be designated on the appraisal roll as  
0153 "escaped appraisal" for each such preceding year or years. If the  
0154 owner of such property is deceased, taxes charged as herein  
0155 provided shall be levied against the estate of such deceased  
0156 person for only three years preceding death and shall be paid by

(d) The County Appraiser or the County Clerk shall, on their own motion, request the Board of County Commissioners, by correction order, to abate any penalty imposed under provision of this section when the property for which a statement of assessment was not filed as required by law is repossessed, judicially or otherwise, by a secured creditor and such secured creditor pays the taxes and interest due.



0157 the legal representative or representatives of such estate. In the  
0158 event that such escaped appraisal is due to any willful or clerical  
0159 error of the county appraiser, such property shall be appraised at  
0160 its fair market value and no penalty shall be added.

0161 (b) A taxpayer with a grievance as to any penalty applied  
0162 pursuant to the provisions of this section, may appeal to the state  
0163 board of tax appeals on forms prepared by the state board of tax  
0164 appeals and provided by the county appraiser. The state board of  
0165 tax appeals shall have the authority to abate and/or refund the  
0166 penalty, whenever excusable neglect on the part of the person  
0167 required to make and file the statement listing property for  
0168 assessment and taxation purposes is shown. No interest shall be  
0169 assessed during the pendency of this appeal.

0170 (c) The provisions of this section shall apply to any tangible  
0171 personal property discovered during the calendar years 1982,  
0172 1983, 1984 and any year thereafter to have escaped appraisal and  
0173 taxation during any such year or any year within four years next  
0174 preceding any such year.

0175 (d) *The county treasurer shall abate any penalty imposed*  
0176 *under the provisions of this section when the property which*  
0177 *has been deemed to have escaped taxation is repossessed, judi-*  
0178 *cially or otherwise, by a secured creditor and such secured*  
0179 *creditor pays the taxes and interest due.*

0180 Sec. 4. K.S.A. 79-332a and K.S.A. 1986 Supp. 79-1422 and  
0181 79-1427a are hereby repealed.

0182 Sec. 5. This act shall take effect and be in force from and  
0183 after its publication in the statute book.

(d) The County Appraiser or the County Clerk shall, on their own motion, request the Board of County Commissioners, by correction order, to abate any penalty imposed under provision of this section when the property for which a statement of assessment was not filed as required by law is repossessed judicially or otherwise, by a secured creditor and such secured creditor pays the taxes and interest due.

Cost  
Low 7.7 million  
High 9.5 million

27, 1987

## Local/State News

# Appraiser Sees Property Tax Hike

By Al Polczinski  
Staff Writer

Owners of residential and business property in Sedgwick County can expect their property taxes to rise by about 8 to 15 percent in 1990, Sedgwick County Appraiser Chris Ballmer told the Wichita Rotary Club members on Monday.

"But that's based on little data," Ballmer said. "The numbers aren't good enough to tell you exactly, but that's what the indications are now."

Reappraisal of all property in the state is under way and is scheduled to be completed in 1989.

Ballmer said the tax increase is caused by erosion of the tax base resulting from the passage of two constitutional amendments passed by voters last year.

The property classification amendment which voters approved at the August primary election exempted inventories of merchants and manufacturers from the property tax.



**Ballmer ... Says some Sedgwick County property taxes are likely to rise 8 to 15 percent in 1990.**

"That represents about 7 to 8 percent of our tax base (in Sedgwick County) that is gone," Ballmer said. The amendment also dropped the tax assessment against business equipment from 30 percent to 20 percent, further eroding the tax base.

Another amendment, approved by voters in the August primary, allows cities and counties to exempt property from the property tax if

the property qualifies as an economic development boost to the local area.

"We don't know now how extensively this will be used," Ballmer said. However much it is used, he said, it diminishes the city or county's tax base.

The appraiser said these erosions will combine to shift a greater tax burden onto homeowners and owners of business real property.

Reappraisal of the more than 164,000 parcels of property in Sedgwick County is under way in the county's northern tier of townships and will move south in the coming weeks.

The county has allocated \$2.4 million to cover the cost of the reappraisal program, "but we're going to need more," Ballmer said. Cost of reappraising each parcel of property is running from \$35 to \$40 with an additional \$12 to \$18 for mapping the property. Gov. Mike Hayden is recommending that the state pay \$10.8 million to help Kansas counties offset the cost of reappraisal.

—Sen. A & T  
1/28/87

Att. 7