Approved February 17, 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 February 16, 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 Hayden
Chip Wheelan, Kansas Legislative Policy Group
Bob Bell, Sedgwick County
Gary Smith, Shawnee County
George Donatello, Kansas Reappraisal Coordinator
Alan Alderson, Kansas Bar Association
David Cunningham, Board of Tax Appeals
Carol Bonebrake, Department of Revenue

Chairman Kerr called the meeting to order and presented a bill for introduction, which, if enacted, would remove the necessity of owners of warehouses which house a company's own goods from having to be licensed. He said that the bill would help carry out the Board of Tax Appeals "Penny's" decision. (See Attachment 1)

Senator Frey made a motion to introduce the bill. Senator Allen seconded. Motion carried.

SENATE BILL 135

Senator Hayden, the sponsor of the bill, testified in support of S.B. 135. He stated that he felt that a quarter section should be allowed to be a "parcel", but that the Department of Revenue was interpreting current law to require that total sections be parcels in some instances.

Chip Wheelan testified in support of S.B. 135. (Attachment 2) He presented a letter, (See Attachment 2) explaining why some counties desire the flexibility to map, appraise, and tax real estate based on quarter section parcel boundaries rather than sections.

He stated that there could be significant public relations problems under the new "..contiguous area of land within a section.." Also, some taxpayers may not be able to pay the total taxes on a section of land but may be able to pay on a quarter section. In many areas of the state a quarter section is a standard unit of exchange. Appraisals based on quarter section parcels would help taxpayers in making comparisons with previous assessments, with current assessments on neighboring land and with market prices.

Mr. Wheelan stated that the Reappraisal Coordinator and Secretary of Revenue have expressed renewed interest in resolving the parcel definition problem administratively. In view of this, he asked that the committee not take action on S.B. 135 at this time.

Bob Bell testified in support of S.B. 135. He stated that the present definition of parcel is impractical in some instances for Sedgwick County, and this bill would definitely offer relief. He suggested that an amendment defining "platted or unplatted" be added to the bill.

Gary Smith briefly stated that the affected counties could respond with their recommendations concerning this bill.

George Donatello testified in opposition to S.B. 135. (Attachment 3) He stated that our present parcel boundary definition is standard as compared to those of other states. Changing the parcel boundaries method of definition would not only undermine the authority and creditibility of the Property Valuation Director and Reappraisal Committee, but would greatly disturb the uniformity of the appraisal process throughout the state. The total impact to statewide reappraisal costs is about $15 million, which is approximately 7.5 million in additional reappraisal reimbursement costs. Since ninety-five counties have signed mapping contracts and more than half have signed appraisal contracts wihch specify an estimated number of parcels within each county, the situation could become very difficult.

He stated that the costs associated with legislatively changing the authority to define the parcel boundary are enormous, and the expenditure would serve no productive purpose at this time.

A discussion at the end of the hearing indicated that progress was being made toward working out the difficulties administratively.

SENATE BILL 166

Alan Alderson, (Attachment 4) testified in favor of S.B. 166. He stated that S.B. 166 was his proposal which is being endorsed by the Kansas Bar Association. He explained that the passage of this bill would provide that a taxpayer should only be required to bear the burden of an additional six months of interest following a hearing. If the taxpayer pursues and appeal into Court, interest would continue to accrue after issuance of a Director's Order and until six months after the issuance of an order by the Board of Tax Appeals.

He stated that this bill would create no loss of revenue to the State Treasury. He urged passage of S.B. 166.

David Cunningham gave testimony regarding S.B. 166. He stated that he was not opposed to the concept, but that he thinks there would be uncertainities as to when the 180 day time period would begin.

He stated that the Board would suggest that consideration be given to terminating interest in every case after a date certain such as the date an appeal is docketed with the Board. He felt 180 days might be too early since it is often impossible to conclude a case within 180 days. He simply urged for clarification of the bill. (Attachment 5)

Carol Bonebrake testified that she also felt some clarification on time was needed. She asked that we delete line 35 and add "after date in which briefs were finally submitted."

David Cunningham indicated that he would be supportive of the amendment suggested by Carol Bonebrake.

Senator Hayden made the motion that the minutes of February 12, 1987 be accepted. Senator Allen seconded. Motion carried.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
2-16	Michelle LeClair	Box 88 Sharon, Ks	
2-16	Sheila R. Dohm	RR#1 Sharon, KS 67138	
2-16	Chip Wheelen	Topeka	Leg. Policy Group
2/16	Bev BRADLEY	Topeka	KS Assoc of Counties
2/16	GEORGE DeMATTEO	PVD	Dept of Revenue STATE OF KANSAS
2/16	Heidi DeVore	PVD	Dept. of Revenue
2/16	Ed Tomkalin	TOPEKA	PVD/DEPT. OF REV.
2/16	Bill Waters	Topeka	PVD/DEPT OF REV
2/16	Mr. Ty G. Anderson	Lakin	Close-up
2/16	Tania D. Lutz	Lakin	" "
2/16	Tiffany Kuhlman	Lakin	" "
2/16	Jack Rutherford	"	" "
2/16	Sean Wiebe	Ulysses	" "
2/16	Edward Cramer	Lakin	" "
2/16	Dean Riggs	Ulysses	" "
2/16	Dana Brummett	Salina	" "
2/16	Lisa Strubbe	"	" "
2/16	Steve Schutter	" "	" "
2/16	Martin Sjöberg	Sweden	Sweden
2-16	Alan Steppat	Topeka	McGill + Assoc.
2-16	Millie Martin	Wichita	Sedgwick Co.
2-16	Cy Anderson	Lakin	Close-Up
2-16	JERRY S. COLE JR	LAKIN	CLOSE-UP
2/16	C. Robert [illegible]	Wichita	Sedg. Co.
2/16	TREVA POTTER	TOPEKA	PEOPLES NAT. GAS
2/16	Judy Kelly	Wichita	
"	Patsy A. McDonald	Topeka	Shawnee County Clerk
2/16	David C. Cunningham	Topeka	Board of Tax Appeals
2-16	Gary M. Smith	Topeka	Sharon Co.
"	[illegible]	"	DOR

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
2/16/87	ALAN ALDERSON	TOPEKA	KS. BAR ASS'N.
	Kell Liken	Topeka	KLA
	John Blythe	Manhattan	KFB

SENATE BILL NO. _____

By Committee on Assessment and Taxation

AN ACT relating to property taxation; concerning exemptions therefrom for property moving in interstate commerce; amending K.S.A. 79-201f and repealing the existing section.

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

Section 1. K.S.A. 79-201f is hereby amended to read as follows: 79-201f. The following described property, to the extent herein specified, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

(a) Personal property which is moving in interstate commerce through or over the territory of the state of Kansas;

(b) personal property which has been shipped into the state of Kansas from outside the state which is stored in a warehouse or storage area operated by a warehouseman ~~licensed and bonded under the provisions of K.S.A. 82-161 to 82-171, inclusive, and amendments thereto,~~ if such warehouseman keeps records of such property showing point of origin, date of receipt, type and quantity, date of withdrawal and ultimate destination notwithstanding (1) that the final destination of such personal property is unknown at the time of storage in Kansas or (2) that the interstate movement of such personal property has been interrupted for not more than five years by such storage in Kansas for reasons relating to the convenience, pleasure or business of the shipper or owner of the property unless the ultimate destination of the property is within the state of Kansas; and

(c) goods, wares and merchandise which are manufactured, assembled, joined, processed, packaged or labeled within this state, during the period of time in which they are stored in a

warehouse or storage area operated by a warehouseman ~~licensed and bonded under the provisions of K.S.A. 82-161 to 82-171, inclusive, and amendments thereto,~~ if such warehouseman keeps records of such property showing point of origin, date of receipt, type and quantity, date of withdrawal and ultimate destination. In order to qualify goods, wares and merchandise in any such warehouse or storage area for the exemption from taxation under this subsection, the owner of such goods, wares and merchandise must show by verified statement that the final destination of at least 30% of the sale or shipments from such warehouse or storage area during the previous calendar year were shipped in interstate commerce to a point outside the state of Kansas, and the amount of exempt property shall be computed as follows: The owner shall furnish the county assessor with a report of the monthly average inventory for the preceding calendar year and a report of the value of shipments for final destination outside the state for each month of the previous calendar year. The owner shall be entitled to exemption of a percent of the average monthly inventory equivalent to the percent of value of total shipments to the value of shipments that were made in interstate commerce to points outside the state.

(d) For the purposes of this section, "warehouseman" means any person, except a public utility as defined in K.S.A. 79-5a01 and amendments thereto, who is engaged in the business of storing goods for hire or who stores such person's own goods.

The provisions of this section shall apply to all taxable years commencing after December 31, ~~1983~~ 1986.

Sec. 2. K.S.A. 79-201f is hereby repealed.

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

KLPG
Kansas Legislative Policy Group
301 Capitol Tower, 400 West Eighth, Topeka, Kansas 66603, 913-233-2227
TIMOTHY N. HAGEMANN, Executive Director

February 16, 1987

TESTIMONY
to
SENATE ASSESSMENT and TAXATION COMMITTEE

Senate Bill 135

Mr. Chairman and members of the Committee, I am Chip Wheelen of Pete McGill and Associates. We represent the Kansas Legislative Policy Group which is an organization of County Commissioners from rural areas of the State. We appear today in support of the provisions of Senate Bill 135.

Attached to this testimony is a copy of a letter to the Director of Property Valuation dated August 21, 1986. The letter explains why some counties desire the flexibility to map, appraise, and tax real estate based on quarter section parcel boundaries rather than sections. The letter was accompanied by signatures of thirty three County Commissioners and fourteen other county officials. (One copy of signatures provided for Committee record.)

Also attached to this testimony is a copy of page four of the minutes of the fourth annual meeting of the general

membership of the KLPG on September 20, 1986. The two pertinent paragraphs are marked for your convenience. The minutes document a statement by the former Director of Property Valuation to the effect that counties could issue property tax statements based on quarter sections of land.

The third attachment to this testimony is a letter from the Director of Property Valuation dated December 12, 1986. That letter appears to deny counties the option of assessing quarter sections separately when the entire section is commonly owned.

The reason this issue arose is attributable to the nature of farming in the drier regions of the State. For those of you who are not acquainted with the characteristics of irrigation, let me summarize by stating that the relative values of quarter sections (160 acres) can vary within one section (640 acres). The reasons such variations occur are related to cropping practices, soil conditions, methods of irrigation, and other factors such as the cost of natural gas to pump wells. That is why some counties desire the flexibility to appraise each quarter section individually. Furthermore, those same counties are willing to afford any added expense that may be incurred as a result.

We understand the need for statewide uniformity in terms of appraisal methodology applied to respective classes of real estate and personalty. We respectfully submit that the

definition of a parcel for appraisal purposes will have no bearing on whether property is valued uniformly among taxing jurisdictions.

In addition, perhaps SB 135 symbolically represents more than just a solution to the parcel definition problem. It asks the Legislature to resolve a more fundamental question. Which level of government is vested with the authority to administer property taxation in Kansas; the counties or the executive branch of state government?

We are pleased to report that the Reappraisal Coordinator and the Secretary of Revenue have expressed a renewed interest in resolving the parcel definition problem administratively. In view of that development, we respectfully request that the Committee not take action on SB 135 at this time. We sincerely appreciate Senator Hayden's sponsorship of the bill as well as your consideration of this matter.

August 21, 1986

Mr. Victor W. Miller, Director
Division of Property Valuation
Kansas Department of Revenue
State Office Building
Topeka, Kansas 66612

Dear Vic:

With reference to the final draft of the state's uniform contract reappraisal specifications and specifically Sections 2.7.10 and 2.7.14; we submit for your written approval, the following:

That the counties have the option to split parcels for appraisal, assessment, and tax billing purposes based on quarter section lines.

There are a number of good reasons for this request.

1.) We anticipate significant pulic relations problems under the new "..contiguous area of land within a section.." parcel definition. Taxpayers are accustomed to, and prefer tax bills based on quarter section ownership.

2.) Some taxpayers may not be able to pay the total taxes on a section of land but may be able to pay on a quarter section. Requiring all land within a section to be on one tax bill could contribute to the failure of some marginal operators. Remember, taxes are an unsecured debt. We believe that the taxpayer has the legal right to allow all or a portion of their holdings to become delinquent.

3.) In many areas of the state a quarter section is a standard unit of exchange - and comparison. Appraisals based on quarter section parcels would help taxpayers in making comparisons with previous assessments, with current assessments on neighboring land and with market prices. Also, quarter section parcels would tend to limit the combining of irrigated land, dryland and rangeland classes into one parcel. Again, this would help the taxpayer and the appraiser in making value comparisons. We also see problems with the contiguous parcel definition conflicting with KSA 79-503a(b) Smaller tracts tend to sell at higher per acre amounts, but if parcels are, e.g., 640 acres versus 160 acres, the appraised value may

4.) Quarter section parcels would make the maintenance of values and property ownership maps more efficient and less costly in the future. For example, under the new section sized parcel definition, if the owner of a section sold a quarter of the section; two new appraisals would be required along with the delineation of one new parcel and the re-delineation of the original parcel on the property ownership map. Also a new parcel identification number would have to be assigned, new property record cards, map index cards, and tax account files would need to be created. On the other hand, if the same tract sold under the quarter section parcel system all of the above elements would already exist, only the name and address would need to be changed.

5.) We believe that the present definition of a parcel could complicate the workings of the ratio study in that landowners are selling a portion of their holdings to restructure indebtedness. When this occurs, a complete appraisal would be required in order to comply with 2.7.10 and 2.7.14 of the reappraisal specifications, and to separate the value from the selling portion. In other words, if a section or one-half section of land is appraised as a contiguous unit, a separate appraisal is needed for the selling portion before a comparison of selling price to the assessed value can be made. This will tend to make the state ratio study cumbersome and delay both the county and the state's time frames of meeting ratio study requirements.

We feel the above conditions should be applied to the "after consideration of all legal and practical elements" provision of the state's current parcel definition. If this request is approved we realize that parcels would need to be counted separately based on the section size parcel definition for reimbursement purposes.

Respectfully submitted,

(See Attached Signatures)

The next guest speaker on the agenda was Vic Miller, State Director of Property Valuation. Mr. Miller commenced his discussion by stating that initially, he was opposed to the concept of combining VIPS and CAMA data processing efforts. He went on to say that now he has no doubt that the Secretary made the right decision. He stated that he is optimistic that the Legislature will fund VIPS as well as fifty percent of reappraisal costs.

Mr. Miller then read an article from a Crawford County newspaper which described a dialogue among Crawford County Commissioners and Phil Martin, their reappraisal consultant. The subject of that dialogue was statewide compatibility of CAMA software and hardware.

Mr. Miller mentioned a slide presentation on the subject of classification of property that had been developed by his agency. He said it was intended to be factual and objective and that copies are available for use by county officials.

The Director then focused his comments on the CAMA system. He stated that use of state contracts by county governments is optional and then cautioned the Commissioners not to be misled by sales people. He said that term financing of hardware products is available through IBM Corporation but that other means of financing could be pursued as long as it is in accordance with the cash basis law. He suggested that county officials should "shop around" for the best interest rates. In concluding, he emphasized that the state agency is scheduling hardware installations, not the vendors.

Senator Hayden asked Mr. Miller if the term parcel could be re-defined to equal not more than a quarter section of land rather than a whole section. The Director responded that the definition must remain uniform for purposes of contracting with mapping and appraisal firms. He went on to say that tax billings can be based on quarter sections if a county desires. He said there are no prohibitions in that regard.

Senator Hayden followed up by asking if the definition would result in less state funding for rural areas. Mr. Miller explained the relationship between property ownership and costs of appraising. He then said that yes, small rural counties with fewer parcels will receive less state funding under the provisions of SB 164 and that this results in a disadvantage because of certain fixed costs that will be incurred by each county. He suggested that the KLPG should urge the Legislature to address this inequity.

Commissioner Burrows asked what authority allows the state agency to require data processing capacity for VIPS by way of the reappraisal program. Secretary Duncan responded that there is no specific authority to do so but that the Department has made the package financially attractive. He emphasized that counties that pursue other options would not be considered eligible for subsequent reimbursement from the State. He concluded by stating that there is no way we can delay the progress of reappraisal and still meet the legislative deadline.

KANSAS DEPARTMENT OF REVENUE
Division of Property Valuation
State Office Building · Topeka, Kansas 66612-1585

December 12, 1986

Dear County Officials:

I am receipt of your letter of August 21, 1986 wherein you requested that counties have the option to split parcels for appraisals, assessment, and tax billing purposes based on quarter section lines.

I have carefully considered your request; however, I have concluded that I cannot approve it for the following reasons:

1. It is not cost effective either on a state or local level to increase the parcel count as would be required by your request;

2. The present parcel definition has already been promulgated and widely accepted by county officials and contractors; and

3. There are legal difficulties with splitting parcels so that a property owner can make a partial payment of his or her taxes.

It is important to remember that all real estate is assessed in rem, that is, the property itself is assessed and the assessment is not against the owner or any other person. If taxes on real estate are not paid, county officials will look to the real estate itself for payment and not to the property owner. Furthermore, a county official cannot be compelled to receive taxes by piecemeal, nor obligated to give a receipt unless full payment is made. Julien, Sheriff, v. Ainsworth, 27 Kan. 446, 448 (1882).

Splitting parcels so that a taxpayer can pay less than one's entire tax bill is legally unacceptable. The statutes presently provide only one authorization for a county official to accept less than the entire amount of real estate taxes due and payable. That statute is K.S.A. 79-2004, which provides that any person charged with real estate taxes may pay, at such person's option, one-half (½) of the taxes due and payable on or before December 20, and the remaining one-half (½) on or before June 20 next ensuing. It is a fundamental rule of statutory construction that the entire matter of taxation is legislative and does not exist

apart from statute. Alex R. Masson, Inc. v. County Assessor of Wyandotte County, 222 Kan. 581, 567 P.2d 839 (1977); Joseph v. McNeive, 215 Kan. 270, 524 P.2d 765 (1974). Thus, since the statutes specifically provide only one provision for county officials to accept less than the entire amount of real estate taxes due and payable, other authority to accept less than the entire amount of real estate taxes due and payable does not exist.

Finally, if a county official wants to split tax billings for the convenience of the taxpayer, this office will not object. I recognize that county officials exercise considerable discretion in this area, but the exercise of such discretion should not impact on the parcel definition promulgated by this office.

I am sorry that I could not render a more favorable response in this matter. If you have additional questions, please do not hesitate to contact me.

Sincerely yours,

Victor W. Miller

Victor W. Miller
Director

VWM:cb

cc: George A. Donatello
Reappraisal Coordinator

KANSAS DEPARTMENT OF REVENUE

SENATE BILL 135 TESTIMONY

SENATE COMMITTEE ON ASSESSMENT AND TAXATION
Monday, February 16, 11:00 am

George A. Donatello, Reappraisal Coordinator

Mr. Chairman and Honorable Members of the Committee:

Thank you very much for offering me the opportunity to appear before you today to express the views of the Department of Revenue regarding Senate Bill 135. I would especially like to thank Senator Hayden for introducing this bill. By doing so, he called our attention to the fact that we have not been completely successful in our attempt to impart understanding of reappraisal specifications, procedures and guidelines to all counties. As always, we appreciate and take full advantage of every opportunity to further the understanding of reappraisal throughout the state.

Essentially, Senate Bill 135 would allow someone other than the Director of Property Valuation to construe the parcel boundary definition that has been developed after considerable research, discussion and final approval by the Reappraisal Advisory Committee. As you can see from one of the sheets in your handout, our present parcel boundary definition is quite standard as compared to those of other states. Changing the parcel boundaries' method of definition at this time would not only undermine the authority and credibility of the Property Valuation Director and the Reappraisal Advisory Committee, but more importantly, the proposed wording would establish the subjective determination of parcel boundaries within and between each county. One of the original intents of the reappraisal legislation was to provide uniformity of the reappraisal process throughout the state. This would be in serious jeopardy if Senate Bill 135 was enacted.

This, however, is a small problem when placed against the additional cost to reappraisal which is inherent in the arbitrary establishment of parcel boundaries and the resultant increase in the number of parcels throughout Kansas. Ninety five counties have signed mapping contracts and more than half have signed appraisal contracts which all specify an estimated number of parcels within each county. Any parcels above this original estimate will be mapped or appraised at an additional overage fee. For mapping, we estimate this figure could be as high as $8.8 million statewide. For appraisal, a very conservative additional cost estimate would be almost $2.3 to as much as $7.6 million. When additional computer and administrative costs are also figured in, the total impact to statewide reappraisal costs is at a minimum about $15 million. **That's approximately $7.5 million in additional reappraisal reimbursement costs.** And all of these figures are based on only 760,

Sen. A & T
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we feel that these figures are very conservative estimates; and we do not include the $3.8 million cost per year of maintaining these additional parcels after reappraisal is complete.

After several meetings with county officials, it is our understanding that the primary purpose of Senate Bill 135 is to enable the counties to provide separate valuations and tax statements for different pieces of the same property. All counties already have these capabilities.

The Kansas CAMA System is capable of producing an individual value for up to 99 separate tracts or improvements located on one real estate parcel. Exercising this capability may require a slight modification to the county's automated tax billing system software and even the purchase of additional computer disk storage space. In extreme cases, counties could even need a central processing unit upgrade. However, the costs associated with implementing these changes in no way reach the magnitude of those costs we believe would be found in legislatively altering the authority to define parcel boundaries.

This proposed legislation has also brought to light a misunderstanding of the Contract Agreement and Technical Specifications for Property Ownership Mapping Services and Ownership Maps. Counties have requested that they be allowed to indicate quarter section sub-division marks on their property ownership maps. You will note that Section 6.6.2 of that document, included in your handout, has given the counties that ability from the beginning of the program.

Explanations of both the CAMA valuation and tax statement procedure along with the ability to tick mark quarter section sub-divisions have been included in a memo which was signed Friday by Secretary Duncan to county commissioners, appraisers, treasurers and clerks. The memo is included in the materials you have.

If, in fact, our understanding of the counties' justification for S.B. 135 is correct, then it is obvious that the change in authority to determine parcel boundaries called for by the bill is unnecessary. Counties already have the ability within existing law to value, send tax notices, and map as they have requested. We believe the potential costs associated with legislatively changing the authority to define the parcel boundary are enormous, and the expenditure would serve no productive purpose at this time.

PARCEL BOUNDARY DEFINITIONS FROM OTHER STATES

Alabama:	Contiguously owned parcels in two or more sections shall be mapped as separate parcels. Only contiguously owned parcels in the same section will be listed as one parcel.
Indiana:	Parcel - means a contiguous area of land identified in a deed or other instrument of conveyance which is not split by the boundaries of a congressional township, section, political subdivision, or taxing district.
Int'l Assoc. of Assessing Officers:	Parcel - In land ownership mapping for assessment purposes, a parcel is usually held to be a tract of land under one identical ownership. It may be a combination of two or more tracts acquired by separate deeds.
Mississippi:	All contiguous parcels, within each section, that are identical in fee title ownership, shall be combined. Contiguous parcels in different sections shall not be combined.
Missouri:	. . . a "parcel" is defined as "the smallest unit of land (within a section, town block) that is under one ownership. Consideration may be given to use and occupation, but under no circumstances will parcels be unnecessarily divided." And, a "tax block" is defined as "a grouping of parcels into a descriptive larger area generally known as a section or a city block (where the block is delineated by streets, railroads, or other manmade or natural linear features). Tax blocks will not necessarily correspond to legally designated blocks, nor should they be confused with such."
Utah:	Parcel - A contiguous area of land described in a single description in a deed or as one of a number of lots on a plot; preferably in one general use; separately owned; and capable of being separately conveyed.

SENATE BILL #135
FISCAL IMPACT
REAPPRAISAL COSTS BREAKDOWN

	CURRENT PARCEL DEFINITION	S.B. #135 DEFINITION	PROJECTED ADDITIONAL COSTS UNDER S.B. #135
PROJECTED NUMBER OF PARCELS	1,490,000	2,250,000	760,000
INITIAL COSTS			
PHASE			
MAPPING	$20,600,000	$29,400,000	$ 8,800,000
APPRAISAL	$32,700,000	$34,980,000	$ 2,280,000
ADMINISTRATIVE	$ 7,400,000	$11,177,000	$ 3,777,000
COMPUTER (HARDWARE/SOFTWARE)	$ 4,300,000	$ 4,550,000	$ 250,000
TOTAL COSTS THRU 1/1/89	**$65,000,000**	**$80,107,000**	**$15,107,000**
COSTS TO STATE FOR 50% REIMBURSEMENT	**$32,500,000**	**$40,053,500**	**$ 7,553,500**
ANNUAL COSTS AFTER 1/1/89			
ADMINISTRATION AND MAINTENANCE OF THE ASSESSMENT SYSTEM	$ 8,890,000	$14,625,000	$ 5,735,000

CONTRACT AGREEMENT

AND

TECHNICAL SPECIFICATIONS

FOR

PROPERTY OWNERSHIP MAPPING

SERVICES

AND

OWNERSHIP MAPS

FOR

_____ COUNTY

STATE OF KANSAS

"Property Descriptions" will be written in brief, specific terms, but will be adequate enough to locate and describe each parcel exactly as it is depicted on the map sheets.

Sample disclaimer for the work index card:

It is specifically understood that the "Property Description" is used to locate, identify and inventory each parcel of land within a taxing jurisdiction for appraisal and taxing purposes only and are not to be construed as "Legal Descriptions".

6.4 All ownership mapping shall be limited to the absolute "fee simple" estate. All public utility "high line", pipeline easements and other cross-country type easements determined to affect value shall be mapped showing the dimensions and limits of the easements.

6.5 Field Interviews

In the event property ownership or parcel boundaries cannot be determined from the procedures as described in 6.2 above of these technical specifications, a field interview will be required.

The contractor shall make an effort to contact the owner or someone knowledgeable of the ownership and boundaries of the parcel or parcels in question. Field interview notes will be added to the work index card for the parcel or parcels in question. The notes shall describe and explain the efforts made by the company in order to resolve the problem or discrepancy. This information shall be delivered to the county on a periodic basis so that they may try to resolve the problems. In the event the county cannot resolve the discrepancy, the contractor's notes will be kept for future reference.

6.6 All information to appear on the property ownership maps will be in a standard format and will include, but not be limited to the following:

6.6.1 The property lines (limits of ownership) shall be delineated by solid lines. Where a water line is the property boundary, the symbology for water line will be shown in at least (1) one place along the water boundary.

6.6.2 The original U.S. Survey lot divisions and sub-division lot lines shall be shown by tick marks, together with block numbers, the original lot numbers and the government survey, section, township and range, and U.S. Survey lot identification, when appropriate.

6.6.3 The dimensions of all platted parcels shall be indicated to 1/10th of a foot where known regardless of area. These figures shall not be rounded either up or down from the 1/100th of a foot when used. Scaled dimensions shall be shown to the nearest foot with a (s) symbol shown beside the figure.

KANSAS DEPARTMENT OF REVENUE

MEMORANDUM

TO: County Commissioners, Appraisers, Clerks & Treasurers
FROM: Harley T. Duncan, Secretary of Revenue
DATE: February 13, 1987
SUBJECT: Parcel Boundary Definition

Recently, the Property Valuation Division has been holding conversations with county representatives regarding the proposed change in the parcel boundary definition called for by Senate Bill 135. Essentially we believe that the suggested change in wording would severely impact the administrative uniformity, consistency, and cost of reappraisal in Kansas. However, after the many discussions that have been held concerning your requests, we believe that we fully understand the intent of the proposed legislation. We do not believe that the legislation is necessary to accomplish your objectives. At this time I would like to suggest several administrative procedures which we believe will lead to the same end as changing the parcel boundary definition without the problems we feel are inherent in legislatively altering it.

The main objections we have heard about current procedures are that mapping specifications do not allow real estate parcels to be tick marked at the quarter section sub-division line and that the counties are not able to value and send tax statements on real estate as the property owner would like. We are told that these restrictions will lead to public relations and tax statement problems in some instances. As we have stated repeatedly, we encourage good public relations; taxpayer acceptance of the reappraisal program depends on this. We also have absolutely no objection to tax statements being issued in any lawful manner deemed appropriate.

The Kansas CAMA System is capable of calculating an individual value for up to 99 separate tracts or improvements located on one real estate parcel; therefore, it would be relatively simple to have separate values for any number of pieces of a single real estate parcel. A slight modification to your tax billing software may be required since tax statements are generally created from the Assessment Administration module of CAMA, which is designed to figure the total of all cards for each parcel to arrive at one value. We suggest you contact the provider of your automated tax billing system for information regarding the modification. By doing this, you can supply as many separate tax statements as you choose while still complying with the original real estate parcel boundary definition as well as state funding and reporting formats. Let me reiterate that we maintain that the tax statement process is a locally administered procedure to be handled in a lawful manner by the appropriate county officials.

It is also perfectly acceptable to show quarter section tick marks on your maps as long as the quarter section referenced is a part of the original U.S. Government survey. This has always been allowable according to Section 6.6.2 of the Contract Agreement and Technical Specifications for Property Ownership Mapping Services and Ownership Maps. This section states:

> The original U.S. Survey lot divisions and sub-division lot lines shall be shown by tick marks, together with block numbers, and the original lot numbers and the government survey, section, township and range, and U.S. Survey lot identification, when appropriate.

I am sure you will agree that with the procedures and systems already in place, there is no need to amend K.S.A. 1986 Supp. 79-1476 et. seq. since you already have the authority to accomplish everything you have requested. It would be remiss, however, to not point out the fact that there are some significant local considerations that should be taken into account before you fully exercise your authority.

The first consideration should be cost. Separate tax statements mean separate appraised values. As explained, the Kansas CAMA System is capable of producing separate appraised values very easily. However, these separate value listings will require the creation of more records to maintain, account for, store and process. For instance, this translates directly into larger computer storage capacity. For every 3,000 separate appraised values you want to produce, you would need 10 additional megabytes of disk storage. If this additional space exceeded your current storage capacity, you would need a new disk drive that could cost as much as $12,500. You might even require a central processing unit upgrade if large numbers of separate valuations were required. Of course, these additional computer costs are not a part of reappraisal and would have to be borne by the county. There are many other cost considerations that do not have to be elaborated.

The last consideration I pose is one of public relations/public administration. If you are placed in the position of having to provide tax statements upon demand for properties other than those recognized under the current real estate parcel boundary definition, we believe you subject yourself to the serious risk of having any taxpayer request that his property be appraised and taxed as he sees fit, not you. Ridiculous requests could be avoided by being able to "point the finger" at Topeka for establishing the guidelines.

Again, you are urged to consider this information very carefully. You already have the ability within the law to map, value and send tax notices as you have requested. The real question is whether you want to exercise all of that authority or not.

Should you have any further questions or comments concerning this matter, please do not hesitate to contact Reappraisal Coordinator George Donatello.

cc: George A. Donatello, Reappraisal Coordinator
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TO: MEMBERS OF SENATE ASSESSMENT AND TAXATION COMMITTEE
FROM: ALAN F. ALDERSON, ATTORNEY REPRESENTING THE KANSAS BAR ASSOCIATION
RE: SENATE BILL NO. 166
DATE: FEBRUARY 16, 1987

I am Alan Alderson, a Topeka attorney and member of the Kansas Bar Association. I have been asked to appear on behalf of SB 166 because it was my proposal which has been endorsed by the Kansas Bar Association. I also feel qualified to speak to the merits of SB 166 as a former General Counsel for the Department of Revenue and a member of the Kansas Judicial Council Advisory Committee on Administrative Procedure.

Currently, there is no statutory or other requirement imposed upon the Director of Taxation with regard to the issuance of orders following the hearing on an assessment appeal. When I first started with the Department of Revenue, statutory interest on deficiency assessments was at 6%. Few taxpayers were concerned with an expeditious hearing process, for obvious reasons. When the Legislature adopted an 18% interest rate, the speed with which orders could be issued began to be a critical factor to taxpayers.

Although there are several current proposals to reduce the interest rate, most propose to keep the rate above that at which a taxpayer could invest, and the accrual of interest will continue to be a significant factor during the appeal process. Some incentive should exist, as a matter of legislative policy, to expedite the processing of appeals.

The provisions of the new Kansas Administrative Procedures Act address this timeliness issue, but KAPA does not yet apply to appeals before the Director of Taxation. There will be implementing legislation introduced this session to bring the Department of Revenue and all other major State agencies under KAPA, but, if passed, it would not become effective prior to July 1, 1988.

KAPA will not solve the interest accrual problem in any event. Although K.S.A. 1986 Supp. 77-511 provides that orders shall be processed by State agencies within thirty (30) days, it is generally conceded by the members of the Judicial Council Advisory Committee that this requirement would be interpreted as directory only, and not as mandatory. In other words, failure to comply would not invalidate the order.

I believe the provisions of SB 166 would provide an equitable solution. After a hearing before either the Director of Taxation or the State Board of Tax Appeals, interest would accrue at the statutorily-prescribed rate for six months and, if no order has been issued by that time, interest would quit running until an order was issued.

It is important to remember that the period prescribed in this bill is five months longer than what this Legislature has already determined is reasonable for any State Agency to issue an order following a hearing. It is also important to remember that, once a case has been submitted at hearing, the taxpayer has no control of its direction.

I have termed this proposal equitable and I think that characterization applies both with respect to the taxpayer and the State. There is nothing in this proposal which would invalidate an assessment

because the time limit is not met. In that regard, it recognizes that the issues involved in complex income and sales tax cases may not be resolvable in 30 or 60 days. I am also well aware of the tremendous volume of appeals which go to hearing, and this same situation existed when I was with the Department.

Put simply, the passage of this bill would merely provide that a taxpayer should only be required to bear the burden of an additional six months of interest following a hearing. If the taxpayer pursues an appeal into the Courts, interest would continue to accrue after issuance of a Director's Order and until six months after the issuance of an order by the Board of Tax Appeals. Interest accruing on five and six figure assessments can be substantial and principles of equity dictate that a taxpayer with a legitimate basis for appeal should not be afraid to litigate because of substantial interest penalties for doing so.

Finally, it should be made clear that this bill creates no loss of revenue to the State Treasury. Revenue loss should not be an issue.

For all of the reasons cited herein, I urge you, on behalf of the Kansas Bar Association, to report Senate Bill 166 favorably for passage. I would be glad to answer any questions you may have.

Mike Hayden • *Governor*

THE STATE OF KANSAS

Fred L. Weaver, *Chairman*
Dallas E. Crable, *Member*
John P. Bennett, *Member*
Robert C. Henry, *Member*
Keith Farrar, *Member*

BOARD OF TAX APPEALS
Tenth Floor, Room 1030-S
Docking State Office Building
Topeka, Kansas 66612-1582
Telephone 296-2388 AC-913

MEMORANDUM

Date: February 16, 1987

To: Senate Committee on
Assessment & Taxation

From: Fred L. Weaver, Chairman

Re: Senate Bill No. 166
Interest on Tax Assessment on Appeal

The Board of Tax Appeals has reviewed Senate Bill No. 166 which amends K.S.A. 74-2438 by stopping the accrual of interest 180 days after the date a hearing is concluded on appeals that originate from a decision of the Director of Taxation or Property Valuation. The Board has no objection to a termination date for the accrual of interest, but would question the running of the 180 day time period from the date a hearing is concluded. The Board is unsure when the time period would begin. Would it begin after the first evidentiary hearing or would it begin after any subsequent evidentiary hearing? Does the conclusion of the hearing occur after any memorandums, proposed findings or briefings have been submitted?

By tying the termination of interest accrual to the hearing there is still a great deal of uncertainty as to the length of time interest may continue to run since hearing dates are scheduled anywhere from a couple of weeks after an appeal is filed to a couple of years depending upon the discovery and other delays which may occur. The Board would suggest that consideration be given to terminating interest in every case after a date certain such as the date an appeal is docketed with the Board. Perhaps 180 days is too early since under the best of circumstances it is often impossible to conclude a case within 180 days, but the use of the docketing date or some other consistent date would be easier for the Board, the State and the appellant to monitor.