

Approved March 5, 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
~~10:00~~ a.m. ~~XX~~ on March 3, 1987 in room 519-S of the Capitol.

All members were present except:
Senator Bob Frey

Committee staff present:

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

Conferees appearing before the committee:

Harley Duncan, Department of Revenue
Harry K. Whittaker, Saline Co. Appraiser's Office
Chip Wheelan - Rep. Kansas Legislative Policy Group
Rep. Harold Guldner
Chris Wilson - Kansas Grain & Feed
Howard Tice - Kansas Wheat Growers (PRO)
Joe Lieber - Kansas Coop Counsel
John Blythe - Kansas Farm Bureau

Chairman Kerr called the meeting to order and said the agenda for the day would be to have hearings and possible action on S.B.'s 238, 239, 240, 241, 305, and 313.

SENATE BILL 238

Harley Duncan testified in support of S.B. 238. He stated that all locally assessed properties are, or in 1989 will be levied against by use of a taxing unit aggregate levy (sum of the district levies) basis. Current law requires that railroads and utilities, K.S.A. 79-5a01 properties, return to the director of property valuation by district. Senate Bill 238 merely completes the attitude of all property being levied against by levy unit rather than by district. He said that the change would be strictly administrative. (Att. 1)

Secretary Duncan requested an amendment that the language at line 0034 (b) "On or before January 15, 1989," be changed to read "Not later than 15 days from and after the effective date of this act," assuming the effective date to be July 1, 1987.

Senator Karr made a motion to adopt the amendment to S.B. 238 suggested by Secretary Duncan. (See previous paragraph) Senator Parrish seconded. Motion carried.

Senator Mulich made a motion that S.B. 238 be recommended favorably for passage as amended. Senator Hayden seconded. Motion carried.

SENATE BILL 239

Harley Duncan testified in support of S.B. 239. (Attachment 2) He stated on April 18, 1985, the Court of Appeals of Kansas stated that K.S.A. 79-316 at best applies only to persons who bring property into this state between January 1 and July 1 who intend to remove the property before the next January 1. He stated that if the legislature enacts such a statute, they may want to provide for excluding from taxation such property which has been listed for taxation for that year in some other county in this state or in some other state. Mr. Duncan said that he felt K.S.A. 79-316 and 79-315 should be repealed to prevent unnecessary litigation that may result from misapplication by county appraisers.

Harry Whittaker stated that if the statute is repealed as contemplated in S.B. 239 he felt a replacement statute should be adopted or it would be harmful to his county.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./p.m. on March 3, 1987

Gary Smith stated that if K.S.A. 79-316 is repealed, there is no way for the appraiser to put new businesses on the tax roles from January 1 to July 1 of every year. He confirmed that there would be a problem with shopping centers opening new businesses. He also said that it would be a problem if a business opens after July 1 and goes out of business before the end of the year.

Secretary Duncan stated that he would be willing for the Department to work with the Appraiser to draft suitable language to address the gap.

Chairman Kerr stated that the bill would be considered further on Friday, March 5, 1987.

SENATE BILL 240

Harley Duncan testified in support of S.B. 240. (Attachment 3) He said that as in S.B. 238 and 239, the bills had been requested for introduction by his department. He stated that this bill would assist appraisers in notifying taxpayers of their property's new appraised and assessed values in the year after the completion of the reappraisal. He stated that currently notices are required to separately list the value of each building situated on property. This bill would only require the values to be shown for all buildings in total.

Mr. Duncan stated that the bill would provide that for the year of the reappraisal valuations that the previous year's evaluations would not have to be shown. He said that recommendation is being made because of the confusion it would otherwise cause.

Senator Allen made a motion to recommend S.B. 240 favorably for passage. Senator Mulich seconded. Motion carried.

SENATE BILL 305

Chairman Kerr explained that he had requested introduction of S.B. 305 and that it pertains to agricultural land which is being placed in the Federal Conservation Reserve Program. He said that the current reappraisal law is being interpreted to say that this land would have to be valued as if it were "grass." He said he thought this would be inconsistent with use value appraisal theory because the landowners and operators would actually be receiving, in most cases, as much or more income from the land as they were when it was in crop production. He said the counties having a large amount of such land in that program would have a significant erosion of the tax base for that ten year period. Senate Bill 305 would provide that the land be valued as if it were still in cropland.

Rep. Guldner testified in support of S.B. 305 and said that a county he represents has more acreage currently being placed in the CRP than any other county in Kansas. He said that Hamilton County is asking for a waiver so that farmers can place additional land in the program but that the county very much needs for the concepts in S.B. 305 to be passed. He stated that he is getting questions from several counties as to how this land would be appraised. He stated that this type of property is unique and does not fall under the general reappraisal category. In answer to a question, Rep. Guldner said he felt this land should be appraised as if it were still farmland. He said that at the end of the ten year contract another decision would have to be made depending on what the landowner did with the land.

Chip Wheelan (Attachment 4) testified in support of S.B. 305.

Senator Allen made a motion to recommend S.B. 305 favorably for passage. Senator Karr seconded. Motion carried.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S Statehouse, at 11:00 a.m./p.m. on March 3, 1987

SENATE BILL 313

Chris Wilson, (Attachment 5) stated that her organization had requested introduction of the bill. It would end the inventory tax on grain held or handled by commercial grain purchasers. The act would take effect on January 1, 1989 which would make it coincide with the removal of other inventory taxes. She stated that warehousemen pay the assessment on every bushel they handle. She said that their organization would support amending the bill to repeal the tax on producers as well.

Howard Tice, (Attachment 6) said that the Kansas Association of Wheat Growers support the efforts to exempt grain dealers from the "in lieu of" tax and asked the committee to further amend S.B. 313 by repealing the entire statute which would mean that producers would also not have to pay the tax.

Joe Lieber urged passage of S.B. 313.

John Blythe testified in support of S.B. 313 and asked that it be amended to exempt the producers from "harvested grain tax." (Attachment 7)

SENATE BILL 241

Harley Duncan testified in support of S.B. 241, (Attachment 8) and noted that the bill was introduced at the request of the Department of Revenue. He stated that current law requires one copy of each prescribed guide to be furnished to each county. In fiscal year 1987 these costs amounted to \$28,000. This bill would give discretion to the DEpartment of Property Valuation concerning the distribution of the books.

Senator Allen made a motion to recommend S.B. 241 favorably for passage and since it is of a non controversial nature that it be placed on the Consent Calendar. Senator Mulich seconded. Motion carried.

Senator Allen made a motion to accept the minutes of March 2, 1987. Senator Mulich seconded. Motion carried.

Meeting adjourned.



KANSAS DEPARTMENT OF REVENUE
Office of the Secretary
State Office Building · Topeka, Kansas 66612-1588

To: Senate Assessment and Taxation Committee
The Honorable Fred Kerr, Chairperson

From: Secretary of Revenue
Harley T. Duncan

Date: March 3, 1987

Re: Senate Bill 238

All locally assessed properties are or in 1989 will be levied against by use of a taxing unit aggregate levy (sum of the district levies) basis. Current law requires that railroads and utilities, K.S.A. 79-5a01 properties, return to the director of property valuation by district. The changes set out in Senate Bill 238 merely complete the attitude of all property being levied against by levy unit rather than by district. If such change is not made with effective lead time, commensurate with the task at hand, it will require counties to operate under the unit process for locally assessed properties and by district for state assessed properties. Data management efficiency will be enhanced substantially by the requested changes being effected.

We recommend that the language at line 0034 (b) "On or before January 15, 1989," be changed to read "Not later than 15 days from and after the effective date of this act," assuming the effective date to be July 1, 1987, to allow the lead time necessary for the conversion from taxing district such that 1989 returns for state assessed properties shall be made by taxing unit.



KANSAS DEPARTMENT OF REVENUE
Office of the Secretary
State Office Building · Topeka, Kansas 66612-1588

To: Senate Assessment and Taxation Committee
The Honorable Fred Kerr, Chairperson

From: Secretary of Revenue
Harley T. Duncan

Date: March 3, 1987

Re: Senate Bill 239

On April 18, 1985, the Court of Appeals of Kansas in Litho Stepping, Inc. v. Wyandotte County, 10 Kan.App.2d 308, 698 P.2d 842, stated that K.S.A. 79-316 is "an anachronistic anomaly, with no real place in our present statutory scheme of taxation." The court pointed out that K.S.A. 79-314, 79-315, and 79-316 were sections 1, 2, and 3, respectively, of the Laws of 1899, ch. 248. Section 1 declared that property acquiring a situs in Kansas after Tax Day was to be taxed. The court further stated that when Section 1 of the act was repealed (L. 1965, ch. 511, section 12), the other two sections were left dangling with no taxing statute left to implement. The court concluded that "[d]espite its general terms K.S.A. 79-316 at best applies only to persons who bring property into this state between January 1 and July 1 who intend to remove the property before the next January 1." The use of the term "at best" implies that the court in a future case might find K.S.A. 79-316 inapplicable in all situations.



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To: Senate Assessment and Taxation Committee
The Honorable Fred Kerr, Chairperson

From: Secretary of Revenue
Harley T. Duncan

Date: March 3, 1987

Re: Senate Bill 240

This proposed legislation would assist appraisers in notifying taxpayers of their property's new appraised and assessed values after the completion of Reappraisal. ^① Currently the law provides that appraisers notify property owners of the appraised and assessed values for their land and each building for both the current and previous years. The proposed legislation changes the law to provide the appraised and assessed total for the land and the total for all buildings. *sm*

② Furthermore, the appraised and assessed values for both current and previous years would not be shown in the year reappraisal is implemented. *6*

The reason for the proposed change is primarily one of public relations for the appraiser. Because the current values (both appraised and assessed) are so outdated and tremendously low, they bear no comparison to the reappraised values. Showing such an increase in valuation on the tax notice without the corresponding reduction in mill levies will confuse and unnecessarily alarm many property owners. Confused and alarmed

property owners translate into many unnecessary formal and informal appeals for the county appraiser. It is anticipated that there will be an excessive number of appeals anyway, and there is no reason to add to the number with taxpayers trying to compare two uncomparable figures.

The second change would eliminate showing a value for each building located on a property. Much of this information is currently unavailable and impossible to determine. Following reappraisal, it would be possible to show the information, but again would be confusing as property owners attempt to identify each building listed. If property owners are interested in more detail than a total building value, they should most likely visit their county appraiser.

Again, both of these changes will help reduce taxpayer confusion and eliminate appeals for county appraisers and boards of equalization. Any measure that can accomplish this is well worth consideration.



Kansas Legislative Policy Group

301 Capitol Tower, 400 West Eighth, Topeka, Kansas 66603, 913-233-2227

TIMOTHY N. HAGEMANN, Executive Director

March 3, 1987

TESTIMONY
to
SENATE ASSESSMENT and TAXATION COMMITTEE
Senate Bill 305

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 rural county commissioners. We appear today in support of SB 305.

As you probably recall, the 1985 Legislature made a conscious policy decision to require that during the process of reappraising all real estate, that farmland should be appraised using the income approach to value. This is commonly referred to as use value appraisal and is a significant departure from the traditional sales comparison method of valuing agricultural real estate.

The 1985 Legislature also decided to categorize farmland based upon its usage at the time of appraisal rather than the land's potential best use. A good illustration of the difference is to consider a parcel of farmland with a soil type that is capable of generating a certain income per acre by producing crops. For whatever reason, the owner decides instead to plant grass and use that parcel for pasture. As a result, the measure

of ability to return income is substantially less than it would have been if crops had been planted.

Since the time that the 1985 Legislature made these decisions, a new federal program has complicated our illustration. Now, the same farmer is provided a third option. By participating in the federal conservation reserve program, the same parcel of good cropland can be planted with grass, not be used for grazing livestock, and the net income to the farmer is probably greater than under either of the other two options. Furthermore, the farmer is relieved of the risks normally involved in producing crops or livestock.

We respectfully submit that it would be unfair to the other taxpayers in the county to change the usage category of that parcel from cropland to grassland as a result of the introduction of a government program that purposely interferes with the economics of farming. For that reason, we request that you recommend SB 305 for passage.

We would also suggest that you consider another circumstance that may arise. What if, upon expiration of the landowner's conservation reserve contract with the federal government, the decision is made to use the parcel for pasture instead of returning to the former cropping practice? We assume that it

would then be appropriate to change the usage category and adjust the appraised value accordingly.

Perhaps it would be advisable to require that a copy of the conservation reserve contract be filed with the county or district appraiser. This might prevent misunderstandings and avoid unnecessary appeals to boards of equalization.

Thank you for your consideration.



KANSAS GRAIN & FEED DEALERS

Association

1722 NORTH PLUM, BOX 949

A/C 316 662-7911

HUTCHINSON, KANSAS 67504-0949

STATEMENT OF THE
KANSAS GRAIN AND FEED DEALERS ASSOCIATION
TO THE SENATE ASSESSMENT AND TAXATION COMMITTEE
FRED KERR, CHAIRMAN
REGARDING S.B. 313
MARCH 3, 1987

Mr. Chairman and members of the committee, I am Chris Wilson, Director of Governmental Relations of the Kansas Grain and Feed Dealers Association (KGFDA). Our approximately 1200 members constitute the state's grain warehouse, transportation, processing, and merchandising industry. We have requested S.B. 313, which would remove the grain "occupation tax in lieu of property tax".

This tax was enacted by the Legislature in 1941, as a means of assessing grain warehousemen and producers in lieu of inventory tax. With the removal of inventory taxes through the classification process, we believe it is consistent with state policy to remove this tax. We have asked that the repeal of this tax take effect January 1, 1989, to coincide with the removal of other inventory taxes.

This situation was brought to our Association's attention by a county assessor, Tim Hageman, who had hoped to be able to be here



Sen. A & T
3/3/87

Att. 5

when this hearing took place. Unfortunately, he could not be here today, but gave us permission to pass on to you his comments to us. He suggested that we seek repeal of K.S.A. 79, Article 39, not only because it is consistent with state policy to do so, but also because he believes this law is difficult to administer and the revenue collected does not merit the effort expended.

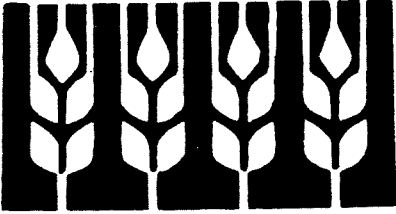
In 1985, \$785,698.18 (or an average of \$7,482.83 per county) was collected through the grain in lieu of inventory tax. This means that 1.5 billion bushels were taxed. While there are only about 800 million bushels produced annually in the state, the grain tax is applied every time a bushel changes hands. Warehousemen pay the assessment on every bushel they handle, whether they own the grain or not.

The grain industry in Kansas does expect to pay increased property taxes through classification and reappraisal. The expressed philosophy of the Legislature and the voters in this process is to increase the share of the pie paid by commercial and industrial property and to eliminate inventory taxes. Therefore, we ask your favorable recommendation for S.B. 313.

Thank you for the opportunity to bring this issue before you.

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**KANSAS ASSOCIATION
OF WHEAT GROWERS**



TESTIMONY

SENATE BILL 313

Senate Committee on Assessment & Taxation
Senator Fred Kerr, Chairman

Submitted by Howard W. Tice, Executive Director

On behalf of the members of the Kansas Association of Wheat Growers, I appreciate this opportunity to appear today in support of Senate Bill 313.

As we understand this bill, it is part of the "housecleaning" efforts that became necessary with passage of Classification and Reappraisal.

Under the classification system, merchants inventories become exempt from ad valorem taxation. The tax covered by K.S.A. 79-3901 through 79-3907 is described as an "in lieu of tax." Both the warehouse tax and the producer tax are also referred to as privilege taxes. Perhaps more importantly, neither tax brings in a great deal of money to the local governments, and both are, according to input we have received from industry and local government sources, very difficult to regulate and enforce.

When I asked our President, Del Wiedeman, how the producer tax affected him, he replied that the impact was just a few dollars, perhaps two or three. Another farmer I spoke with indicated that a 20,000 bushel grain crop would produce a tax of \$10.00. The bottom line is that administering the tax, and enforcing it, since there is no way to efficiently monitor the accuracy of the reports, costs more in time and money, than the tax brings in.

Consequently, we would support the Kansas Grain & Feed Dealers Association in their efforts to exempt grain dealers from the "in Lieu of" tax, and we would ask this committee to amend Senate Bill 313 still further, by repealing the entire statute, thus doing away with what has become a nuisance tax to local governments and tax payers alike.



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

RE: S.B. 313 - Exemption of Grains from Producer's Tax

March 3, 1987
Topeka, Kansas

Presented by:
John K. Blythe, Assistant Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

I am John K. Blythe, Assistant Director of Public Affairs Division of Kansas Farm Bureau. I am speaking as a proponent of S.B. 313. These brief comments are on behalf of the farmers and ranchers who are members of Farm Bureau in Kansas.

We ask that the Senate Committee amend S.B. 313 by exempting the producers of grain from the "harvested grain tax." We would ask that the Revisor of Statutes make the necessary amendments to assure that producers would be exempted from the "harvested" grain tax in the same manner that the dealers are proposed to be exempted.

This morning in the House Committee on Agriculture and Small Business, testimony was given on H.B. 2518, a grain security fund measure. This bill would impose an assessment on grain delivered to a grain warehouseman. The proposal would make an assessment of 2 mills per bushel for producer and one mill per bushel for grain warehousemen. The fund should be administered by the State Board of Agriculture. The proposal is commonly referred to as an "elevator indemnity fund."

If this proposal is enacted into law, farmers and ranchers will provide funds for the protection of their grain in grain warehouses.

Thank you Mr. Chairman and Members of the Committee. We hope that you will give favorable consideration to our suggested amendments to S.B. 313. I will attempt to answer any questions.



KANSAS DEPARTMENT OF REVENUE
Office of the Secretary
State Office Building · Topeka, Kansas 66612-1588

To: Senate Assessment and Taxation Committee
The Honorable Fred Kerr, Chairperson

From: Secretary of Revenue
Harley T. Duncan

Date: March 3, 1987

Re: Senate Bill 241

Current law requires that one copy of each prescribed guide be furnished each county. 1987 fiscal year costs were \$28,000 to furnish one copy of each prescribed guide. Counties typically desire multiple copies of these guides which entails the billing of one copy to the state and the remainder to the county. A great deal of confusion is experienced in getting billings and mailings straightened out with the publishers. In addition to the one copy per county being billed to the division, office use copies are necessary for in house staff.

The division would still negotiate with the publishers for quantity pricing of these guides, however, the chances of confusion and possible duplication of payment would be reduced substantially.