

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at  
Chairperson

11:00 a.m./~~xxx~~ on Monday, March 27, 1989 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Revisor's Office  
Chris Courtwright, Research Department  
Tom Severn, Research Department  
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Terry D. Hamblin, Dir. -Div. of Property Valuation, Dept. of Revenue  
Beverly Bradley, Legislative Coordinator, KS Association of Counties  
John Luttjohann, Director of Taxation, Department of Revenue  
Herb Whitlow, Legislative Chair, KS Plumbing, Heating Cooling Contractors Ass'n.

Chairman Dan Thiessen called the meeting to order and said the agenda for today is on HB2530 and called upon Terry D. Hamblin, Director, Div. of Property Valuation, KS Department of Revenue.

HB2530:AN ACT relating to certificates of value; concerning the availability thereof; amending K.S.A. 58-2223b and repealing the existing section.

Terry D. Hamblin said he turned in written testimony, and he would only add that PVD favors HB2530, and they feel it will make several things easier for the counties in dealing with reappraisal matters, and it will provide more open information to taxpayers, as they work their way through the appeals process. He said, the bill has been somewhat controversial, in the past, and some minor amendments have been made to it in the House, at the request of the Roofer's Association, which has been the primary opponent in the past, and they are now supportive of the bill. (ATTACHMENT 1)

After committee discussion on the amendments of HB2530, The Chairman called upon Beverly Bradley, Legislative Coordinator, KS Association of Counties.

Beverly Bradley said The KS Association of Counties is in support of this legislation. She said, the platform position adopted by their delegates at their annual conference last fall states as follows: "In the public interest, for the benefit of taxpayers who have questions about the value of their property, the KS Association of Counties supports making the certificate of value, filed with the Register of Deeds, available to the public."

She urged the committee to report HB2530 favorable. (ATTACHMENT 2)

Chairman Thiessen concluded hearings on HB2530 and turned attention to HB2518.

HB2518:would define "contractor, subcontractor, or repairman" to include a person who furnishes and installs tangible personal property at a specified price, but excludes a person who maintains an inventory for that purpose. A person who maintains an inventory would be deemed a retailer.

The Chairman called upon John Luttjohann, Director of Taxation, Department of Revenue.

John Luttjohann said the bill would allow a contractor who maintains an inventory of materials to be treated in the same manner as other retailers under our sales tax law. We believe this provision would simplify sales tax reporting significantly.

He said, he would also mention that they have a sales tax information guide nearly completed which explains the application of their sales tax law to the construction industry. He said, should this proposal be passed, they will make the necessary changes to that guide, and anticipate its distribution later in the spring. (ATTACHMENT 3)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,  
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Monday, March 27, 1989

The Chairman recognized Herb Whitlow, Legislative Chair, KS Plumbing, Heating, Cooling Contractors Association.

Herb Whitlow said under the existing law, a retailer is defined as one who has a place of business which is open to the public for over-the-counter sales, and he said, the majority of the business income is still derived from contracting. The existing law does not account for this type of retailer, resulting in a very difficult set of circumstances for the Wholesale supplier and the contractor.

He said, the KS PHCC Association, has worked diligently with the KS Business Tax Bureau toward compliance and possible solutions to the problems, and he thought, all are in agreement that the enactment of HB2518, will resolve the majority of problems, and he urged the committee to support HB2518. (ATTACHMENT 4)

Chairman Thiessen concluded hearings on HB2518, and asked the committee's pleasure on the bill.

Senator Lana Oleen made a motion to move HB2518 favorably for passage, seconded by Senator Marge Petty. The motion carried.

Chairman Thiessen asked for the committee's pleasure on HB2530.

Senator Fred Kerr made a motion to move HB2530 favorably for passage, seconded by Senator Phil Martin. The motion carried.

The meeting adjourned at 11:40 a.m.





ATT 1  
3-2 89

**KANSAS DEPARTMENT OF REVENUE**  
*Division of Property Valuation*  
**Robert B. Docking State Office Building**  
**Topeka, Kansas 66612-1585**

MEMORANDUM

TO: Senate Assessment and Taxation Committee  
FROM: Terry D. Hamblin, Director  
DATE: March 27, 1989  
SUBJECT: House Bill 2530

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I am here to speak in favor of House Bill 2530 which in effect allows the appraiser and the property owner who is appealing their value to utilize the Certificate of Value.

The county appraiser is charged with developing a fair market value for all properties taking into account all three approaches to value: cost, income and comparative sales.

The comparative sales approach often provides the best estimate of value assuming that the appraiser has made accurate adjustments for the differences between the subject property and the comparable property. To ensure the accuracy of the appraiser's adjustments, as much information as possible must be collected about the sale.

Because of current disclosure restrictions on Certificate of Value (COV) information, appraisers are required to independently verify data relating to all real property transactions before they can be used as part of their comparable sales analysis. Sales verification has also been a required element of the State's annual Real Estate Assessment/Sales Ratio Study which is used to monitor the assessment levels in the various counties.

The cost of the verification process, to both the county and state, is ultimately borne by the taxpayer. Estimates are that approximately \$5.67 per parcel would be saved if the COV were made public. Statewide, the savings would exceed \$476,000 annually.

The most commonly espoused argument against the COV being an open record is: "Whose business is it but mine what I paid for my property?" The answer is simple: it is the taxpayer's business, all taxpayers. Aside from being the provider of sales data, the taxpayer is also a user and beneficiary of the information.

For example, if a taxpayer feels the value estimate of his property is incorrect, there are presently three options by which the sales data necessary to argue his case may be obtained:

- 1) Canvass the neighborhood asking for sales data.

This is impractical, time consuming, and typically results in less than satisfactory or defensible documentation.

- 2) Contact a local realtor and request a comparable sales report.

Realtors have access to multiple listing services but generally can't make this information available to the public.

- 3) Pay for an appraisal of the property.

The cost of this option is often out of reach of the average taxpayer, and the cost is incurred regardless of the outcome of the hearing.

Each of these options results in a significant cost in time or money to the taxpayer. Of the approximately 1.35 million properties reappraised statewide, about 10%, or 135,000, can be expected to appeal informally to the appraiser. One half, or 65,000, will likely go on to a formal appeal. If each taxpayer spent \$100, which is a conservative estimate, to obtain comparable sales verification for each formal appeal, approximately \$7 million in costs to the taxpaying public could be saved statewide by passage of this legislation.

With the Certificate of Value being an open record, taxpayers who have appealed their valuation would have direct access to comparable sales information and be more readily able to confirm or effectively challenge the validity of values placed on their property. Under existing law, taxpayers are often discouraged from exercising their rights of appeal due to the obstacles and costs involved in challenging property values. Without free and direct access to information necessary to properly document an appeal, the legally guaranteed right to appeal property valuations is denied to the public, resulting in a substantial perception of systematic unfairness by the public.

The proposal to make COV's open records to the appraiser and persons appealing their values is neither new nor revolutionary. Approximately 38 states now have some form of public sales price disclosure. Most of these states took the opportunity to require public reporting of real estate transfer information when the federal stamp tax was repealed in the mid-1960's.

It is important to note that all of the information to be included in the COV is now available to everyone who needs it except the taxpaying public. Real estate brokers have ready access to the information. The state and county can obtain the information at considerable expense after extensive verification. The taxpayer is the only person who does not have access to sales data and must pay someone else to obtain it.

The passage of legislation to make the Certificate of Value an open record to a limited number of users is not a submission to "Big Brother" intrusion. It is simply a practical step toward improved tax administration and more equitable assessments.



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**TESTIMONY**

March 27, 1989

**TO:** Senator Dan Theisen, Chairman  
Members Senate Assessment and Taxation Committee

**FROM:** Bev Bradley, Legislative Coordinator  
Kansas Association of Counties

**RE:** HB-2530 Certificates of Value

The Kansas Association of Counties is in support of this legislation. The platform position adopted by our delegates at our annual conference last fall states as follows:  
"In the Public interest, for the benefit of taxpayers who have questions about the value of their property, the Kansas Association of Counties supports making the certificate of value, filed with the Register of Deeds, available to the public."

As a matter of fact, if anything, we feel that this legislation does not go far enough because it only makes this information available to any property owner who has appealed the valuation of property, only to the extent of the contents of those certificates concerning the same class of property as that of the property being appealed, and to the people who must deal with the appeal process.

Since we are now in the midst of the reappraisal process and all the questions and concerns that it brings, we feel that the legislature has the responsibility to make sure that the taxpayers have access to any information that would be useful to them in appealing the valuation of their property. It is not reasonable that appraised values are public information but that the values contained in the certificate of value are not.

This platform position was a request of the County Appraisers Association and on their behalf, and on behalf of the entire Association of Counties, we urge the committee to report the bill favorable.

Thank you very much for allowing me this time.

TSBSA&TC

Attachment 2  
Senate Assessment and Taxation  
Monday, March 27, 1989

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# KANSAS COUNTY APPRAISERS ASSOCIATION

March 13, 1989

Representative Keith Roe  
District 109  
Chairman House Taxation Committee  
State Capitol Building  
Topeka, Kansas 66612

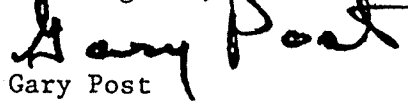
Dear Chairman Roe:

I would like to take this opportunity to visit with you, and through you, to the members of your committee regarding our support of House Bill 2530, which I understand would make the Certificate of Values public information. My support of this bill comes both personally and as President of the Kansas County Appraisers Association.

I do apologize to you and your committee for not being able to provide testimony in person, but County Appraisers are deeply involved in the informal hearings at this point. The Certificate of Values would have really helped a number of taxpayers in deciding whether the published values from re-appraisal were valid numbers for their property, and it seems that with so much other information available to the property owner, this final piece of information would allow them to either feel most comfortable with their new value, or give them an indication that they need to be involved in the appeals process.

I Thank You for your time and consideration.

Best Regards,

  
Gary Post

cc House Taxation Committee  
KAC Legislative Committee  
John Torbert

Professional  
Designation



Certified  
Kansas Appraiser

Affiliation



International Association  
of Assessing Officers



Kansas  
Association  
of Counties

Affiliation



North Central  
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of Assessing Officers



**KANSAS DEPARTMENT OF REVENUE**

*Division of Taxation*

Robert B. Docking State Office Building  
Topeka, Kansas 66625-0001

**MEMORANDUM**

**TO: THE HONORABLE DAN THIESSEN, CHAIRMAN  
SENATE COMMITTEE ON ASSESSMENT AND TAXATION**

**FROM: JOHN R. LUTTJOHANN  
DIRECTOR OF TAXATION**

**RE: HOUSE BILL 2518**

**DATE: MARCH 27, 1989**

-----  
Thank you for the opportunity to appear today in support of House Bill 2518.

This bill would allow a contractor who maintains an inventory of materials to be treated in the same manner as other retailers under our sales tax law.

Currently there's a good deal of confusion among contractors about how the sales tax law applies to their businesses. We believe this provision would simplify sales tax reporting significantly.

Under current law, a contractor is not permitted to purchase materials without tax, even if the materials are for resale. This is due to the fact that a contractor is deemed to be the consumer of the materials he purchases. If a contractor is going to "mark-up" the materials when he resells them to his customer, he must either deduct from the invoice the amount of sales tax he's already paid to his supplier, or he must take a credit on his sales tax return for the amount of tax he paid when he originally bought the goods.

Under this proposal, a contractor will be able to simply bill his customer for the sales tax due, and remit that amount to the state.

A contractor who only performs new construction work, where labor services are not subject to sales tax, will be allowed to continue to pay tax on his materials when he purchases them, and will not have to register for sales tax purposes.

I would also mention that we have a sales tax information guide nearly completed which explains the application of our sales tax law to the construction industry. Should this proposal be passed, we will make the necessary changes to that guide, and anticipate its distribution later in the spring.

We believe this bill will simplify sales tax reporting for contractors, without a loss of revenue to the state. I would be happy to respond to any questions you may have.



KANSAS

ATT 4  
3-27-



NATIONAL ASSOCIATION OF  
PLUMBING · HEATING · COOLING CONTRACTORS

PLUMBING, HEATING, COOLING CONTRACTORS ASSOCIATION, INC.

320 LAURA, WICHITA, KANSAS 67211

PHONE 316 / 262-8860

March 23, 1989

TO: The Honorable Committee on Assessments and Taxation:

RE: H.B. No. 2518, relating to Sales Tax and Contractors.

Mr. Chairman, Committee Members:

I am Herb Whitlow, representing the Kansas Plumbing, Heating, Cooling Contractors Association. In addition, I am a principal in the Topeka firm of Latta-Whitlow Plumbing and Heating, Inc. It is from that perspective that I appear today in support of House bill No. 2518.

The existing sales tax rules do not account for the type of retail sales business done by the vast majority of contractors in the State of Kansas. Under the existing law, a retailer is defined as one who has a place of business which is open to the public for over-the-counter sales. Some plumbing, heating, cooling firms, including mine, have showrooms and sales counters for retail sales, but the majority of the business income is still derived from contracting. Other firms do not maintain a specific retail sales area, however actively solicit retail sales of equipment, fixtures and materials at the location where work is being performed. This literally renders the contractor a point of purchase retailer at the end user or consumers location. However, the existing law does not account for this type of retailer, resulting in a very difficult set of circumstances for the Wholesale supplier and the contractor. This is further complicated by the fact that often large bulky items and/or large volumes of equipment or material are sold by the Contractor, then shipped directly from the Wholesale supplier to the Consumers site for installation by the Contractor. Only the paperwork reaches the Contractors inventory, but it is very much a retail sale.

All of this activity results in a very complicated and highly detailed monthly sales tax report for both the Wholesaler and the Contractor. Compliance for everyone involved, including the State Business Tax Bureau, is at best, very costly in both time and money.

The Kansas PHCC Association, and many others, have hosted meetings and worked diligently with the Kansas Business Tax Bureau toward compliance and possible solutions to the problems. We believe all are in agreement that the enactment of H.B. 2518, will resolve the majority of problems. For this reason we recommend the Bill and urge your support.

Thank you for your time and kind attention. If I may provide further information or answer any question, I will be happy to do so.

Herb Whitlow, Legislative Chair  
Kansas Plumbing, Heating, Cooling Contractors Association

Attachment 4  
Senate Assessment and Taxation  
Monday, March 27, 1989