

Approved Thursday, February 1, 1990
Date

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./~~pm~~ on Monday, January 29, 1990 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:

Senator Ross Doyen, Chief sponsor of SB520
John Luttjohann, Director of Property Valuation, KS Dept. of Revenue
Keith Farrar, Board of Tax Appeals
David Cunningham, Legal Counsel for Board of Tax Appeals
Tim Hagemann, Appraiser in 3 Southwest Counties
Beverly Bradley, KS Association of Counties

Chairman Thiessen called the meeting to order at 11:07 a.m., and told the members they had minutes in front of them for January 23, 24, and 25 and he said because they were lengthy, he suggested the members take a couple days to look at them, because on constitutional amendments, he felt the minutes should be more comprehensive and he will call for approval later in the week. The Chairman said we would be hearing SB520, SB467, SB480 and he turned attention to SB480 and recognized Senator Ross Doyen.

SB480:AN ACT concerning taxation; relating to exemptions for property; amending K.S.A. 79-210 and repealing the existing section.

Senator Ross Doyen said several years ago this legislative body passed easements for the water shed structures, and as a result these people have grabbed this property tax exemption for 20 years. He said, it has been brought to his attention that in order to receive this exemption they have to go in and file the paper work like we used to do with our farm machinery when it was exempt, and he said, what this does, is it precludes them from having to file for the exemption every year. Once they get the exemption it stays in place for 20 years.

Senator Martin moved to favorably pass SB480, 2nd by Sentor Lee.

Senator Kerr said he thought the Property Valuation Department had an amendment they would like to make on SB480 and asked if the department had someone here that could speak on this. He said, he thought it was something very routine.

John Luttjohann, said the Department has no opposition to the bill, but maybe the Board of Tax Appeals should address the committee.

Keith Farrar said he thought the committee might want to consider the IRB's and he doesn't know if there is anything else, but the grain bins might be considered.

David Cunningham, Legal Counsel for BOTA said if you start taking out and amending, then you might just repeal the bill because really all it does is require on a term, a year exemption for the entity thas has the exemption to file with the county each year.

Senator Martin withdrew his above motion, 2nd by Senator Lee.

Tim Hagemann said from the appraisers viewpoint in rural counties, it is an annual hazzle to get these done, agricultural owners just can't understand why you have a 7 year exemption, and why you don't leave them alone. We can drag them in and do it for them, even though the law states they have to do it. In the rural areas we see no reason for it.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on Monday, January 29, 1990.

Chairman Thiessen asked Mr. Hagemann if he has a problem with the 7 year period, that it would come on the tax rolls automatically? Mr. Hagemann said everybody should have their records, so it prints out every year the ones that go back on the tax rolls.

Tom Severn said he thinks the language in the grain bin says the exemption is for 7 of 10 years, and that was put in there because the last time we had a drought, people were not using their bin for exempt purposes and it was not the legislatures intent to deny them a year of exemption as a consequence of that, and he asked if they see that as an ongoing problem? Mr. Hagemann said if the grain bins are going to be exempt then exempt them all. We know it was passed during hard times. We have people now buying them and get in, to have the exemption. Chairman Thiessen asked Don Hayward if he could get an amendment ready to include the above, and we will continue this at a later date.

Chairman Thiessen turned attention to SB520 and recognized Keith Farrar.

Keith Farrar said the department had changes they would like, for the appraisers from "5 to 15 days" on line 37 and in some situations this still won't be long enough for them to go out and make a full review of the property that is necessary before they can make a change. The 2nd change would be on line 40, following 45 days to insert "in receipt of such change". He said, they do not anticipate a large number of problems but he said, the trigger mechanism for the Boards review is based on the decision or mailing by them and if they should get lost in the mail, then the Board of Tax Appeals 45 days, if adopted, would have run out before we ever had an opportunity to review the proposed change, to determine if it is justified. He said, if we triggered the Boards 45 day time frame on receipt of the proposed change by the county appraiser, then that would allow the Board to have continuing jurisdiction, and allow us to review it to make sure that it is a proper change.

Senator Martin moved to amend SB520, 2nd by Senator Petty. The motion carried.

Senator Martin moved to favorably pass SB520 as amended, 2nd by Senator Lee. The motion carried.

Chairman Thiessen turned attention to SB467 recognizing Senator Martin.

Senator Martin said SB467 is a derivative of work which the special session did. It was a bill which this committee passed out favorably but never did make it to the floor, he said, it has been changed somewhat from the special session. He said, what the bill does on lines 23 through 26 is basically what we need in the bill "if such change in appraised valuation increases or decreases the value of any such property by 10% or less, no such notice need be mailed unless requested by the taxpayer".

Senator Martin said the problem we are trying to avoid is under the C.A.M.A. system if you change sales from your base, you more than likely have values that will be different, when they run the 1990 valuations.

He said, the bill does not do anything for or against the question of whether or not to continue the \$7.M reimbursement which the counties are hoping they might receive, but at this point, he said, he does not feel that is the case. The bill does allow the maintenance work to continue, it only dis-allows a notice be mailed if 10% or less.

Tim Hagemann said he is appraiser for 3 SW Counties, and is appearing today, in behalf of seven SW Counties.

Mr. Hagemann, said during the past several weeks there has been much discussion concerning sending the change of value notices by 3-1-90. He said, he thought first one must look at the definition of moratorium due to confusion that seems to be inherent. He said, Webster's Ninth New Collegiate Dictionary defines moratorium as: A legally authorized period of delay in the performance of a legal obligation; a waiting period set by authority; suspension of activity. He said the recommendations they have are listed on the last page of his testimony. (ATTACHMENT 1)

Beverly Bradley, KS Association of Counties appeared in oppositon of SB467. She said, they would like to see, counties that are ready to go with their rate of value notices, let them go at their discretion, and another concern is with the 10%, because of the ones that have 9 3/4% and did not received a notice, and the ones that have 11% and did receive a notice. They feel the valuation change of any percent should be allowed to know.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Monday, January 29, 1990.

The Chairman concluded hearings on SB467 and said we have some requests for bill introductions and he recognized Senator Langworthy.

Senator Langworthy requested that the committee introduce a phase-in to decrease the revenue by local governments for the special vehicle tax, the motor vehicle tax. She said, this is an issue that was discussed in the interim and did not receive favorable recommendation, however, we are trying to look at all aspects of the impact of classification and reappraisal in either the House or Senate that would be appropriate, that we would address this issue and allow the counties and local units of government to testify on this particular bill.

Senator Langworthy, made a motion to propose a 10% phase in for 4 years, to 1994, 2nd by Senator Francisco. The motion carried.

John Luttjohann, Director of Property Valuation, said he was appearing on a general topic of a moratorium on the reappraisal process. He said they have endorsed the concept of the body of SB467. The administration supports a one year moratorium on the maintenance portion of reappraisal. He said, they believe it would be a burden on counties and confusing to taxpayers to receive new change of value notices for 1990 while the re-opened appeal process is ongoing for 1989. (ATTACHMENT 2)

Senator Martin moved to introduce the bill, 2nd by Senator Langworthy. The motion carried.

Senator Martin made a motion to put the amendments of The Department of Revenue into a new bill, and not in SB2, 2nd by Senator Fred Kerr. The motion carried.

Chairman Thiessen adjourned the meeting at 12:05 p.m.

TESTIMONY
PRESENTED TO THE
SENATE ASSESSMENT AND TAXATION COMMITTEE
ON JANUARY 29, 1990
SENATE BILL 467

Mr. Chairman and Members of the Committee:

My name is Tim Hagemann, Appraiser in three Southwest Counties and I appear before you in behalf of seven Southwest Counties.

During the past several weeks there has been much discussion concerning sending the Change of Value Notices (COVN) by March 1, 1990. I think first one must look at the definition of moratorium due to confusion that seems to be inherent. Webster's Ninth New Collegiate Dictionary defines moratorium as: A legally authorized period of delay in the performance of a legal obligation; a waiting period set by authority; suspension of activity.

Based upon the word moratorium and its meaning, it has proved to be a very poor choice as the word conotates complete stoppage of the appraisal process which is not the intention.

It is impossible for Legislators to understand the daily working of the Kansas appraisal process nor the user unfriendliness and user demanding Kansas Computer Assisted Appraisal (Ks. C.A.M. A.) system.

At this time, we have an uprising in areas of this State whether justified or not. One must recognize the political ramifications of the current situation. This is why some are recommending we slow down a little - not stop the appraisal process (not a moratorium). All we are asking is to leave those values in place which were agreed upon during the Informal Hearings. Don't send a new notice generated by the Ks. C.A M.A. system because the numbers will be as skewed up as they were during 1989.

True, many changes have been made either from conversations with the taxpayer or from areas the country appraiser knew were wrong. These Change of Value Notices need to be mailed to the taxpayer, but if the taxpayer is happy with or has a case pending by the State Board of Tax Appeals (SBOTAS), let that value stand for 1990. Do not, I repeat, do not require the appraiser to send all new values to those people not protesting, nor where the value of the property has not changed.

We realize the above is confusing and in limited scope, but one must realize that we are in a mess and there is enough blame to go around. Therefore, we must recognize that we need time to rework from top to bottom and try to do the best we can with a poor system.

Repeal the requirement that residential and commercial land and improvement values be shown as separate items. The Ks C.A.M.A. system values the whole property and then arbitrarily shows the land value. In approximately 30% of our appeals the property owner may agree with the total appraised value but disagree with the land value.

Recommendations:

1. Send out those Change of Value Notices where changes have been made to correct those instances and are warranted.
2. Let those values stand where the property owners were happy with their 1989 appraisal.
3. Let those values for 1990 stand when the hearing and appeals process has resulted in a negotiated value.
4. Let those values stand for 1990 where the property owner has either applied to the S.B.O.T.A. for an equalization determination or protested the value until the S.B.O.T.A. issues an order.

Thank you for allowing me to appear before your committee.



KANSAS DEPARTMENT OF REVENUE

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MEMORANDUM

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

**FROM: JOHN LUTTJOHANN
PROPERTY VALUATION DIRECTOR**

DATE: 1 / 2 9 / 9 0

RE: REAPPRAISAL MORATORIUM

Thank you for the opportunity to appear today to discuss the topic of a one year moratorium on the maintenance portion of reappraisal. The administration supports a one year moratorium in order to bring stability to the appeals process. We believe it would be a burden on counties and confusing to taxpayers to receive new change of value notices for 1990 while the re-opened appeal process is ongoing for 1989.

The administration would not oppose some middle ground which would allow obvious inequities to be corrected, or, certainly, for the results of the 1989 appeals to be considered in setting values for 1990. Our position is simply that mass mailing of notices to all property owners would generate significant confusion and instability before we have given the 1989 appeals process time to work.

We do not endorse the concept of actually making changes in valuation, but only notifying taxpayers if the change is greater than 10%. We believe if a notice is not sent, no change in value should be made.

Thank you for the opportunity to appear today. I would be happy to respond to any questions which you may have.