

Approved Monday, February 19, 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./~~p.m.~~ on Tuesday, February 6, 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 Jack Steineger  
Senator Edward Reilly  
Senator Phil Martin  
Senator Fred Kerr  
Bill Curtis, KS Association of School Boards  
Paul Fleener, Director Public Affairs Div.-KS Farm Bureau  
Karen France, Director of Governmental Affairs-Assoc. of Realtors  
Dee Likes, KS Livestock Association

Chairman Thiessen called the meeting to order at 11:10 a.m. and told the members they had minutes of January 31, 1990 in front of them and he would call for a motion on the minutes at the end of the meeting. He said we would be hearing SCR1634 and recognized Senator Steineger.

SCR1634 A PROPOSITION to amend section 1 of article 11 of the constitution of the state of Kansas, relating to the taxation of property.

THE FOLLOWING CONFEREES ARE PROPONENTS OF SCR1634.

Senator Steineger said SCR1634 is the product of Senators Martin, Doyen, Reilly, Strick and himself.

He said we all are now confronted with the greatest public outrage, he had seen in 27 years. The public was told classification and reappraisal would not significantly affect their taxes, that it would be fair. Taxes have been shifted from inventories and other personal property onto small business and homeowners.

He said, the time has come to go to the heart of the problem and only thereafter talk about temporary circuit breakers, etc.

SCR1634 will correct our errors. It will put inventories back on the tax rolls. KS has taxed inventories since Statehood, certainly since 1876. It also repeals the fast "write off" tax break on machinery and equipment and returns to the traditional depreciation schedule. This will restore the "tax base" to our local units of government. It will also allow the Legislature to set the rates that various classes of property will pay. In this way we will be able to redeem our pledge, insure "tax fairness" and return to the 1988 percentage contribution of taxpayers classes. (ATTACHMENT 1).

After committee discussion the Chairman recognized Senator Reilly.

Senator Edward Reilly said he passed out 2 handouts to the members and said SCR 1634 is one of many in the legislature this year. Addressing SCR1634 he said, some say there is not reason for alarm regarding the tax situation because they say some areas of the State are not adversely affected. He said, if that is true then why is it on record that there are 8 to 10 proposals addressing tax relief and then why has the Governor seen the need to propose for the 1st time in his 28 years with the legislature Proposition 13. He said, he thought the reason is very simple, it obviously is a problem and it affects every Kansan in one way or another. The governor's own poll recently confirmed that taxes are the issue of the 1990 session.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Tuesday, February 6, 1990

Senator Reilly said the handout he passed out was passed to the Legislature a few years ago and he said referring to ATTACHMENT 2a "Questions and Answers about property reappraisal in Kansas" page 2 "What is the purpose of reappraisal" it states "This ensures that owners of similar property within the same jurisdiction will pay the same amount of taxes. Reappraisal is not intended to increase local government revenue by increasing property values". He said ATTACHMENT 2b is a revised form put out by the KS Dept. of Revenue in May of 1988 and it states the same thing.

He said, what we are really doing is the issue of credibility, "promises being made and promises being kept" and he believes every Kansan believes that the Governor is here to serve them not to master them and when government becomes confiscatory, as to tax one property beyond what is fair, or what even exceeds the income of that particular piece of property, then that is the beginning of the overthrow of governments or destruction of the wall that separates people.

The real issue of this 1990 session, is taxes coupled with spending. Spending at all levels, cities, counties, state, and school districts, and unless we get a handle on spending at all levels, then we will be living like the man in Kansas and the woman on social security who say "why don't you live at a level of your means" then we can get a handle on the spending in this State.

Senator Karr asked Senator Reilly if he would share with the committee the problems they had in Leavenworth County.

Senator Reilly said they were related to a brochure put out by the KS league of Municipalities dealing with restructuring budgets in such a way it increased revenue on the backs of reappraisal and classification. The figures in Leavenworth County was a 21% increase in taxes. He said 47% of the land mass in Leavenworth County is not on the tax rolls at all, being Federal Institutions, State Institutions, Fort Leavenworth, V.A. Medical Hospital, State Prisons, Schools, Churches, Colleges etc. He said they raised \$4.4M of new revenues in one year despite the fact, and real estate helped a lot with the problem. He said, they increased the assessed valuation by \$50M in 1988 and 1989, and he put the blame in the State at local officials.

Senator Martin said there are 2 things that got us into the mess we are in now.

- (1) The Legislature put the number in the Constitution.
- (2) The Legislature exempted big chunks of property from taxation in the constitution.

He said SCR1634 does the following two things.

- (1) Does not put the numbers in the constitution where they can only be changed when we reach a tax crisis.
- (2) Does not exempt big chunks of property from taxation in the constitution.

Senator Martin said in listening to some of the questions raised by the committee, he would address (1) valuation, he believes there are a number of properties that have fair market value on them and their taxes tripled or doubled and he thinks the taxes on these particular properties, the problem is with the rates or the level of assessment on industrial and commercial properties, and probably contributes more than the valuation. (2) exemption of inventories, he said 33 States have exempted inventory and Missouri exempted inventories and turned around and passed in lieu-of and a number of States have the in-lieu of measures. On one hand they say you are exempt from property taxes, but we are going to turn around and collect in lieu of tax that normally generates from 30% to 50% of what the old tax did. (3) the 2/3 vote in 1985, he said his belief is most people did not know what they were voting on when this particular constitutional amendment was passed in 1986. Many have said they did not know and if given the opportunity to vote on it again they would not vote for it. They say they were influenced by proganda put out saying "if you do not vote for this your property taxes are going to double". What they failed to say was "whether you vote for this or not your property taxes are going to double anyway.

The Senator said SCR1634 will give the legislature the greatest amount of flexibility in the area of change and he thinks this is the path we should take because he does not believe this problem is going to go away by using some type of roll-back at this point and he does not believe it will go away by a circuit breaker. (ATTACHMENT 3)

Senator Kerr asked Senator Martin what he thought the inventory tax should be, if we should put it back on and how it would affect small merchants as opposed to large merchants.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on Tuesday, February 6, 1990.

Senator Martin said he thought we should not put the inventories on at a full 30% of market value as the previous formula had, he thought that was too high and he thought a range of 20% for merchants and manufacturers inventory and livestock and maybe other things that have not been addressed, like aircraft, farm machinery and many other things that were exempt during the 80's.

Senator Fred Kerr passed a handout to the members from Fleming Companies, Inc. (ATTACHMENT 4) The Senator shared the letter signed by Glenn E. Mealman, Executive Vice President of Fleming Company, stating "When we were told the inventory tax would be removed from KS, we moved a major distribution center from Mo. to KS. We are reweiving our business plans and will make decisions in the near future to build larger facilities. This will allow us to be totally in KS or totally in MO. The inventory tax will be a major part of our decisions. We urge you to not reinstate the inventory tax. It can be devastating to business in KS and I must emphasize this tax will be a part of our future decisions."

Mr. Mealman stated in his letter "The Fleming Companies, Inc. would like to continue to operate in KS and currently have 285 associates with an annual payroll of \$24,600.000.

Chairman Thiessen recognized Bill Curtis, Assistant Exec. Dir. KS Assoc. of School Boards.

THE FOLLOWING CONFEREES ARE OPPONENTS OF SCRL634.

Bill Curtis said KASB opposes SCRL634 for 2 reasons. 1. reopening the constitution before all the information governing the last round of reappraisal and classification is known and analyzed. 2. giving authority to the Legislature to establish the assessment rates. They believe these assessments should be in the constitution. (ATTACHMENT 5)

Paul Fleener, Dir. Public Affairs, KS Farm Bureau said they are opposed to the Legislature having the authority to have annual examinations of what the appropriate rate may be or should be for any class. He said, they find SCRL634 to be the most onerous of the several constitutional amendment proposals before the Legislature. (ATTACHMENT 6)

Karen France Dir. of Governmental Affairs-Association of Realtors said they believe SCRL634 is not the answer to the existing tax problem. She said, what has been proposed in the amendment is what was created in 1985 and 1986 when the people or the legislature knew what the value of real estate was because the reappraisal had not been done. She said, they believe in 1990 the problems in classification are not merely the workings of classification or assessment rates. The answer lies in putting caps on the amount of property tax which can be assessed against real estate and looking at alternatives for funding local government budgets. (ATTACHMENT 7)

Dee Likes, representing KS Livestock Association said they are opposed to re-visiting the classification amendment to the constitution. They believe the new amendments will create a set of problems similar to the set we have now. They think there is a lot of appraisal problems and unless they are fixed, turning the knobs on the constitution will have little affect. He said, there are a lot of residential and commercial properties that were under appraised and they will still complain. We are opposed to putting livestock back on the tax rolls and we believe leaving the assessment rates up to the legislature will become a political football and we will be back every year doing the same thing.

Chairman Thiessen concluded harings on SCRL634 and asked for a motion of the minutes of January 31, 1990.

Senator Francisco moved to adopt the minutes of January 31, 1990, 2nd by Senator Karr. The motion carried.

Chairman Thiessen adjourned the meeting at 12:15 p.m.

GUEST LIST

COMMITTEE: SENATE ASSESSMENT & TAXATION

DATE: Tuesday, 2-6-90

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Kevin Robertson	Topeka	Ks Lodging Assn
Tom Burgess	Topeka	KsBA
Matt Tavel	Topeka	AP
Jacky Leonard	Law	KGE&E
Maureen Burke	Topeka	K-TRK TV
LeAnn Harrison	Topeka	KFFT
Dan Smith	Topeka	KFFT 1
Don Anderson	Topeka	KFFT
Woody Woodman	KE Mo	KCPL
Justin McBride	Topeka	OK & others
Karen France	Topeka	KAR
Mary E. Tuckington	Topeka	Kansas Motor Carriers Assn
John Stewart	Topeka	Ks Motor Carriers Assn
Pauline	Topeka	Ks Motor Carriers Assn
Midy Bogart	Manhattan	Ks Clean Up
Bruce Gavril	Topeka	Washington St.
Loretta Hodges	Topeka	Washington St.
Chris Butler	Lawrence K	Kansas University
David A. Hawley	Wichita	Ks. Ass for <sup>Small</sup> Business
Cherie Clark	Hollis City MO	Hallmark Cards
Kandy Barleson	Columbus	Empire Electric
Mignon McKinney	Joplin MO	Empire Electric
Larry Ray	Clathra	Jo Co Commission
Bill Curtis	Topeka	Ks. Assoc. of School Bds.
Mary Ellen Ambler	Wichita	Ks. Assoc. for Small Bus.





JACK STEINEGER  
 SENATOR, SIXTH DISTRICT  
 STATE CAPITOL BLDG., ROOM 136-NORTH  
 TOPEKA, KANSAS 66612  
 (913) 296-7375



COMMITTEE ASSIGNMENTS  
 MEMBER: ECONOMIC DEVELOPMENT  
 EDUCATION  
 INTERSTATE COOPERATION  
 LEGISLATIVE AND CONGRESSIONAL  
 APPORTIONMENT  
 LOCAL GOVERNMENT

CHAIRMAN, WYANDOTTE COUNTY LEGISLATIVE  
 DELEGATION

TOPEKA

SENATE CHAMBER

TESTIMONY OF SEN. JACK STEINEGER SCR 1634  
 SENATE ASSESSMENT AND TAXATION COMMITTEE  
 FEBRUARY 6, 1990

SCR 1634 is the product of Senators Martin, Doyen, Reilly, Strick and myself. Some of us have been around here quite a while and Senator Martin was the State Property Valuation Director for 6 years. It does no good to say, "We told you so." Neither does it do any good to say we should have enacted a moratorium last year. We all are now confronted with the greatest public outrage I've seen in 27 years.

The public was told classification and reappraisal would not significantly affect their taxes - that it would be "fair". It is not fair. Taxes have been shifted from inventories and other personal property onto small business and homeowners.

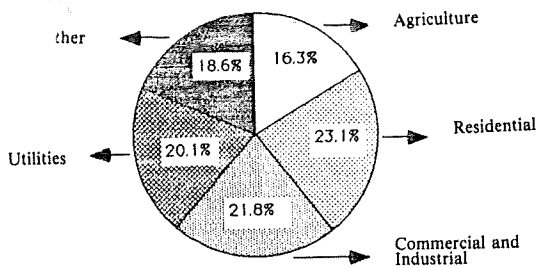
It is this Legislature that stripped away the tax base of local governments with massive inventory and depreciation tax exemptions (as much as 33% and more, in some jurisdictions): And because classification rates are frozen in the Constitution, we have shifted the burden onto the homeowner and small business to pay for those exemptions: In some instances, at rates that are confiscatory.

It really is quite simple. When some pay less, others pay more. Trying to shift attention, point the finger elsewhere and beguile the public with talk of lids on schools and local governments, is obfuscation at its best. The public understands this would force new taxes at the local level to pay for the massive exemptions we recommended. The time has come to go to the heart of the problem and only thereafter talk about temporary circuit breakers, etc.

SCR 1634 will correct our errors. It will put inventories back on the tax rolls. Kansas has taxed inventories since Statehood, certainly since 1876. It also repeals the fast "write off" tax break on machinery and equipment and returns to the traditional depreciation schedule. This will restore the "tax base" to our local units of government.

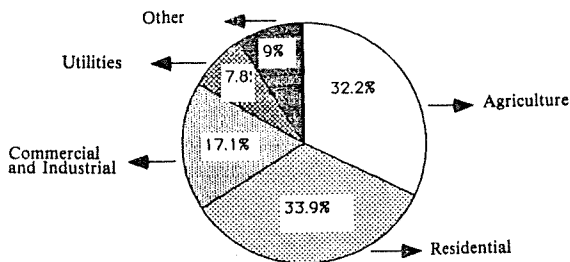
SCR 1634 will allow the Legislature to set the rates that various classes of property will pay. In this way we will be able to redeem our pledge, insure "tax fairness", and return to the 1988 percentage contribution of taxpayers classes. This would be fair.

Proportion of Statewide Assessed Valuation by Category: Current



As shown, agricultural taxpayers would constitute about one-third of the tax base under uniform and equal, but with the classification amendment they remain at about their current level of 16% of total assessed valuation. Similarly, residential properties would increase from just under one-quarter of the tax base presently to over one-third under uniform and equal. With the classification amendment, residential property owners would comprise 26.5 of the tax base on a statewide basis. Commercial and industrial property now constitutes about 22% of the tax base. This will increase to about 27% under the classification proposal and would decline to 17% under uniform or equal. Public utilities would comprise about 15% of the tax base under the proposed classification system compared to 20% currently. Under uniform and equal assessments, they would constitute less than 10% of the assessed valuation. All other property (including oil and gas production) now comprises about 19% of the tax base; this would decline to 15% under the classification system and to 9% under uniform and equal.

Uniform and Equal

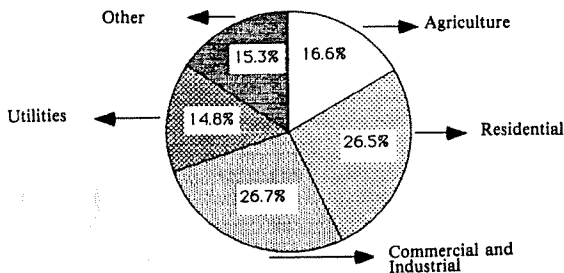


In short, the classification amendment limits the property tax shifts that would occur for agricultural and residential property owners under a uniform and equal tax system after reappraisal. The above figures are statewide averages; the effect in an individual county will depend on current levels of assessment and the mix of property in the county.

**WHAT HAPPENS IF THE CLASSIFICATION AMENDMENT FAILS?**

If the proposed classification amendment is not approved by the voters in November 1986, the reappraisal process will continue regardless. Also, if the Kansas legislature takes no other action, the new values will be used for property taxes in 1989, and all property will be assessed at a uniform and equal 30 percent of market value.

Classification



Prepared by the  
**KANSAS DEPARTMENT OF REVENUE**  
Division of Property Valuation

FOR MORE INFORMATION,  
PHONE (913) 296-2365

# QUESTIONS and ANSWERS about PROPERTY REAPPRAISAL in KANSAS



## WHAT IS REAPPRAISAL?

Reappraisal is a process for reviewing all real estate that is now on the tax rolls, or that should be on the tax rolls, in order to redetermine or update the fair market value of the property for tax purposes.

## WHAT IS THE PURPOSE OF REAPPRAISAL?

The purpose is to arrive at the fair market value of all property in a manner that is consistent from one property to another. This ensures that owners of similar property within the same jurisdiction will pay the same amount of taxes. Reappraisal is not intended to increase local government revenues by increasing property values.

## WHY DO WE NEED REAPPRAISAL NOW?

The last statewide reappraisal in Kansas was completed nearly 15 years ago. Since then, property tax values have not been kept up-to-date. As a result, the property tax system does not meet the requirements of the Kansas Constitution. Different types of property are assessed at widely differing percentages of fair market value. Identical pieces of property are also assessed at very different values. Consequently, taxpayers have no assurance they are being treated the same as their neighbors who have similar amounts of property. The only solution is to reappraise all real estate so that all property records are brought up-to-date and appraised values are brought in line with current market conditions. If reappraisal is not begun now, it is possible that the courts would order the State to do so.

## WHEN WILL REAPPRAISAL BE CONDUCTED IN KANSAS?

The 1985 Kansas Legislature passed Senate Bill 164 which provides for a statewide reappraisal of all real estate. The reappraisal process has already begun and must be completed by January 1, 1989.

## WHO IS CONDUCTING THE REAPPRAISAL?

The reappraisal will be accomplished through the cooperative and coordinated efforts of the local property appraisers responsible for each of the 105 counties and the Property Valuation Division of

the Kansas Department of Revenue. The primary responsibility for the reappraisal rests with local appraisers; the Division of Property Valuation will provide assistance to local appraisers and ensure the reappraisal is completed in a quality and timely fashion.

The cooperation and assistance of Kansas property owners is also crucial to the success of reappraisal. It is hoped that everyone will accept the program as assurance that the State of Kansas is making every effort to treat all citizens fairly and equitably.

## HOW WILL THE VALUE OF RESIDENTIAL REAL ESTATE BE DETERMINED?

The basic standard of value for residential property is fair market value which is defined by Kansas law as the amount a willing buyer would pay a willing seller for the property. In arriving at fair market value, appraisers will consider a wide variety of items such as exterior dimensions and square footage of the home, type and quality of construction, age, lot size, and location. Based on these factors, the appraiser will determine the fair market value of your home. A key determinant will be the price for which comparable homes have sold in the recent past.

## HOW WILL THE VALUE OF AGRICULTURAL REAL ESTATE BE DETERMINED?

The value of land devoted to agricultural use is to be based on its "use value" or the income producing capacity of the land. The use value of the land will be determined by the productivity of the land, the types of crops grown on the land, and the income and expenses associated with the growing of such crops over the last eight years. From these figures, the value of the land to produce income in its current use can be determined. "Use valuation" of agricultural land is considered necessary to eliminate the influence of speculation on the market value of agricultural land.

## WHAT IF THE REAPPRAISED VALUE APPEARS TO BE TOO HIGH?

If any property owner feels the reappraisal of his/her property is too high or is not uniform with that of like property, he/she may appeal their valuation to the local Board of Equalization which

meets each year. If not satisfied at that level, the taxpayer may continue his/her appeal to the State Board of Tax Appeals. It is also likely that many counties will establish informal appeals processes in 1989 when reappraised values are first used. This will allow taxpayers to meet with representatives of the appraiser's office to ensure that all information used in establishing the value is correct and to inquire as to how the precise value was determined.

## HOW WILL REAPPRAISAL AFFECT MY PROPERTY TAXES?

It is not possible to say definitely how reappraisal will affect the property tax liability of any individual property owner. That will depend on many factors including the level at which the property is now assessed, how that assessment compares to similar properties in the jurisdiction, and the county in which the property is located. The effect of reappraisal on property taxes will also depend heavily on whether a proposed constitutional amendment allowing for the classification of property for tax purposes is approved by the voters at the November 1986 general election. It is important to know, however, that the reappraisal legislation requires local governments to adjust their property tax mill levies in the year following reappraisal so that they do not receive a windfall of revenues just from the reappraised values.

## WHAT IS CLASSIFICATION?

Classification is a system wherein different types or classes of property may be assessed at different percentages of value for property tax purposes. The proposed constitutional amendment to be voted on in November 1986 establishes such a classified property tax system and replaces the current constitutional requirement for a "uniform and equal" system of assessment and taxation.

## WHAT IS THE PURPOSE OF CHANGING FROM "UNIFORM AND EQUAL" TO A CLASSIFICATION SYSTEM NOW?

Even though the Kansas Constitution and laws currently require the uniform and equal assessment of all property at 30 percent of its fair market value, the actual situation is far different. Most types of real estate are assessed at well below the 30 percent level, and only public utility property and personal property are assessed at the required level.

As a result of the differences, the reappraisal of all real estate and a return to uniform and equal taxation would cause a significant shift in the property tax burden in Kansas. The tax burden would shift away from those properties which are now at or close to the required 30 percent of value and on to those which are furthest from the 30 percent level. Specifically, the property tax burden would shift away from state assessed public utilities, oil and natural gas producing lands, and other personal property onto residential property and agricultural land. The proposed classification amendment to be voted on in November 1986 is designed to significantly reduce these tax shifts.

## WHAT ARE THE PROVISIONS OF THE PROPOSED CLASSIFICATION AMENDMENT?

The proposed constitutional amendment provides for the assessment of property at the following percentages of value:

Single and multi-family residential	12%
Vacant lots	12%
Agricultural land	30% of use value
Commercial and industrial real property	30%
Public utility property	30%
Oil and natural gas property	30%
Commercial and industrial machinery and equipment	20%*
Merchants' and manufacturers' inventories and livestock	Exempt

\*20% of the value determined by taking original cost less straight line depreciation over a period not to exceed 7 years, but not less than 20% of original cost.

## HOW WILL CLASSIFICATION AFFECT MY PROPERTY TAXES?

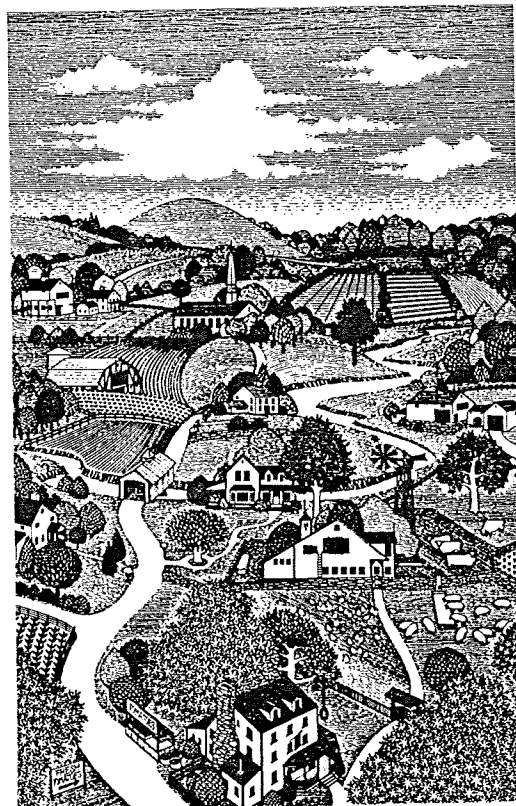
It is not possible to determine how classification will affect the property taxes of any individual property owner. That will depend on a number of factors such as the current level of assessment, how that assessment compares to similar properties and the county in which one lives. We can, however, estimate the effects of reappraisal and classification on the distribution of the property tax base statewide among types of taxpayers and compare that to the current situation and to what would happen under reappraisal and a return to "uniform and equal" taxation. This is shown in the charts below.





Kansas Department of Revenue  
 Division of Property Valuation  
 Robert B. Docking State Office Building  
 Topeka, Kansas 66612-1585

# UNDERSTANDING REAPPRAISAL AND CLASSIFICATION



PV-RA-16  
 (Rev. 5/88)

## WHAT IS REAPPRAISAL?

Reappraisal is a process for reviewing all real estate in order to update the fair market value of the property for tax purposes.

## WHAT IS THE PURPOSE OF REAPPRAISAL?

The purpose is to arrive at the fair market value of all property in a manner that is consistent from one property to another. This ensures that owners of similar property within the same taxing unit will pay the same amount of taxes. Reappraisal is not intended to increase local government revenues by increasing property values.

## WHY DO WE NEED REAPPRAISAL NOW?

The last statewide reappraisal in Kansas was completed nearly 15 years ago. Since then, property tax values have not been kept up-to-date. As a result, the property tax system did not meet the requirements of the Kansas Constitution. Different types of property have been assessed at widely differing percentages of fair market value. Identical pieces of property have also been assessed at very different levels. Consequently, taxpayers have no assurance they are being treated the same as their neighbors who have similar kinds of property. The only solution is to reappraise all real estate so that all property records are brought up-to-date and appraised values are brought into line with current market conditions. If the Kansas Legislature had not mandated reappraisal, it is likely the courts would have ordered the state to do so.

## WHEN WILL REAPPRAISAL BE COMPLETED IN KANSAS?

The 1985 Kansas Legislature enacted K.S.A. 79-1476 et seq., which provides for a statewide reappraisal of all real estate. The reappraisal process has already begun and must be completed by January 1, 1989. To ensure that property values remain up-to-date, the legislature has mandated that county appraisers must update real property values on an annual basis. Commencing in 1990, every parcel of real property will be actually viewed and inspected by the county appraiser once every four years.

## WHO IS CONDUCTING THE REAPPRAISAL?

The reappraisal is being carried out through the cooperative and coordinated efforts of the local county appraisers responsible for each of the 105 counties and the Property Valuation Division of the Kansas Department of Revenue. The primary responsibility for the reappraisal rests with county appraisers; the Division of Property Valuation provides assistance to local appraisers to ensure that the reappraisal is completed in a quality and timely fashion.

The cooperation and assistance of Kansas property owners is also crucial to the success of reappraisal. It is hoped that everyone will accept the program as assurance that the State of Kansas is making every effort to treat all citizens fairly and equitably.

## HOW WILL THE VALUE OF RESIDENTIAL REAL ESTATE BE DETERMINED?

The basic standard of value for residential property is fair market value, which is defined by Kansas law as the amount a willing buyer

would pay a willing seller for the property. In arriving at fair market value, appraisers will consider a wide variety of information such as type and quality of construction, age, lot size and location. Based on these and other factors, the appraiser will determine the fair market value of your home. A key determinant will be the price for which comparable homes have sold in the past few years.

### **HOW WILL THE VALUE OF AGRICULTURAL LAND BE DETERMINED?**

The value of land devoted to agricultural use is to be based on its "use value" or the income producing capacity of the land. Use value will be determined by the productivity of the land, the types of crops typically grown on similar land, and the income and expenses associated with the growing of such crops averaged over the preceding eight years. From these figures, the value of the land based on its capacity to produce income in its current agricultural use can be determined. "Use valuation" of agricultural land is considered necessary to eliminate the influence of speculation on the market value of agricultural land.

### **WHAT IF THE REAPPRAISED VALUE APPEARS TO BE INCORRECT?**

Property owners will be notified by mail of their new property valuations shortly after January 1, 1989. If any property owner feels the valuation of their property is incorrect or is not uniform with that of like property, they are required to meet informally with the county appraiser to discuss the matter. If the problem is not resolved, the taxpayer may file a formal appeal to a hearing officer if one or more has been appointed in that county. If the county does not have a hearing officer(s) or if the taxpayer is not satisfied with their

decision, they may continue their appeal to the County Board of Equalization. If the taxpayer is still not satisfied, they may appeal to the State Board of Tax Appeals and ultimately to the District Court of the judicial district in which the property is located. However, each step in the appeal process must be followed before proceeding to the next level of appeal.

### **HOW WILL REAPPRAISAL AFFECT MY PROPERTY TAXES?**

It is not possible to say definitely how reappraisal will affect the property tax liability of any individual property owner. That will depend on many factors including the level at which the property is now assessed and how that assessment compares to similar properties. It is important to know, however, that the reappraisal legislation requires local governments to adjust their property tax rates in the year following reappraisal so that they do not receive any more tax dollars because of reappraisal than they would have normally.

### **WHAT IS CLASSIFICATION?**

Classification is a system wherein different types or classes of property will be assessed at different percentages of value for property tax purposes. In November 1986, Kansas voters passed a constitutional amendment which established a classified property tax system. This system replaced the constitutional requirement of a "uniform and equal" system of assessment and taxation.

### **WHAT WAS THE PURPOSE OF CHANGING FROM "UNIFORM AND EQUAL" TO A CLASSIFICATION SYSTEM?**

Even though the Kansas Constitution and laws required the uniform and equal assessment of

all property at 30 percent of its fair market value, the actual situation was far different. Most types of real estate were assessed at well below the 30 percent level, while only public utilities were assessed at the required level.

As a result of the differences, the reappraisal of all real estate and a return to uniform and equal taxation would have caused a significant shift in the property tax burden in Kansas. The tax burden would have shifted away from those properties which are now at or closest to the required 30 percent of value and to those which are furthest from the 30 percent level. Specifically, the property tax burden would have shifted away from state assessed public utilities, oil and natural gas producing lands, and other personal property to residential property and agricultural land.

### **WHAT ARE THE PROVISIONS OF THE CLASSIFICATION AMENDMENT?**

The constitutional amendment provides for the assessment of property at the following percentages of market value:

Residential property and vacant lots	12%
Agricultural land	30% of use value
Commercial, industrial, public utility, and oil and natural gas property	30%
Commercial and industrial machinery and equipment	20%
Merchants' and manufacturers' inventories and livestock	Exempt

### **HOW WILL CLASSIFICATION AFFECT MY PROPERTY TAXES?**

It is not possible to determine how classification will affect the property taxes of any individual property owner. That will depend on a number of factors such as the current level of assessment, how that assessment compares to similar properties and the mix of taxable property values within the taxing unit where the property is located.

### **HOW IS THE CURRENT LEVEL OF ASSESSMENT DETERMINED?**

Property tax is an ad valorem tax. This means that it is a tax based on the value of your property. Your county appraiser is charged with the responsibility of determining the fair market value of your property.

After determining the fair market, or appraised value, that figure is multiplied by the assessment rate (12% for residential property), and the result is called the assessed value.

The actual amount of property tax that you pay is determined by your tax levy. Tax levies are set by local governing bodies such as school boards, your city and county commission, and special districts. Each of these entities first plans their budget by determining how much money they need for the next year. They subtract the money they receive from sources such as fees and interest. The remaining amount is the money that must be paid by the taxpayers. This is called a levy. After all of the taxing authorities have figured their levies, the county clerk calculates the tax rate by dividing the tax levies by the assessed valuation of all property located within each taxing jurisdiction. The ending figure is the tax rate for that particular taxing unit. This rate is multiplied by the assessed value of your property to determine the tax on your property. This amount is added to the tax levies calculated for the city and county commission, school district and special districts. The end result is the total amount of tax that must be paid on your property.

### **WHO TO CONTACT?**

Should you have any questions or comments about reappraisal, please contact us.

Kansas Department of Revenue  
Division of Property Valuation  
(913) 296-2365

PHIL MARTIN  
SENATOR, THIRTEENTH DISTRICT  
CRAWFORD AND CHEROKEE COUNTIES  
TOPEKA OFFICE  
ROOM 504-N  
STATE CAPITOL BUILDING  
TOPEKA, KANSAS 66612-1565  
(913) 296-7370



OFFICE OF SENATE MINORITY WHIP

SENATE CHAMBER

February 6, 1990

COMMITTEE ASSIGNMENTS  
MEMBER: JOINT COMMITTEE ON ADMINISTRATIVE  
RULES AND REGULATIONS  
ASSESSMENT AND TAXATION  
ELECTIONS  
ENERGY AND NATURAL RESOURCES  
JUDICIARY  
LABOR, INDUSTRY AND SMALL BUSINESS  
TRANSPORTATION AND UTILITIES

TWO THINGS WE DID THAT GOT US INTO THE MESS WE  
ARE IN NOW:

- 1) The Legislature put the numbers in the  
Constitution;
- 2) The Legislature exempted big chunks of  
property from taxation in the Constitution.

SCR 1634 DOES THE FOLLOWING TWO THINGS:

- 1) Does not put the numbers in the Constitution  
where they can only be changed when we reach  
a tax crisis;
- 2) Does not exempt big chunks of property from  
taxation in the Constitution.

**Fleming  
Companies, Inc.**

6700 Antioch  
P.O. Box 29165  
Shawnee Mission, KS 66201  
913/722-8800

Glenn E. Mealman  
Executive Vice President -  
Mid-America Region

January 30, 1990

Senator Fred Kerr  
Rt 2  
Pratt, KS 67124

Dear Senator Kerr:

The inventory tax issue in Kansas is one that has recently created havoc.

Our company has deep roots in Kansas and would like to continue to operate in the state. We currently have 825 associates with an annual payroll of \$24,600,000.

When we were told the inventory tax would be removed from Kansas, we moved a major distribution center from Missouri to Kansas. We are reviewing our business plans and will make decisions in the near future to build larger facilities. This will allow us to be totally in Kansas or totally in Missouri. The inventory tax will be a major part of our decisions. We urge you to not reinstate the inventory tax. It can be devastating to business in Kansas and I must emphasize this tax will be a part of our future decisions. Help us to grow in Kansas.

Sincerely,



Glenn E. Mealman

GEM/dfg

SENATE ASSESSMENT AND TAXATION COMMITTEE  
TUESDAY, FEBRUARY 6, 1990 ATTACHMENT 4





Testimony on SCR 1634  
before the  
Senate Committee on Assessment and Taxation  
by

Bill Curtis, Assistant Executive Director  
Kansas Association of School Boards

February 6, 1990

Mr. Chairman and members of the Committee, we appreciate the opportunity to testify today on behalf of the Kansas Association of School Boards. SCR 1634 is a constitutional amendment which would give authority to the Legislature to establish assessment rates and place merchants' and manufacturers' inventories back on the tax rolls.

KASB opposes SCR 1634 for two reasons. The first is that the association is opposed to reopening the constitution before all the information concerning the last round of reappraisal and classification is known and analyzed. The second, and the most important, is that the association is opposed to giving authority to the Legislature to establish the assessment rates. We believe those rates should be in the constitution. We believe it is not good public policy to debate, probably on an annual basis, the tax burden to be placed upon each classification.

We thank the Committee for its time and attention. Again, we appreciate the opportunity to express the concerns of school board members.



# PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

**RE: S.C.R. 1634 - Proposal to Amend the Constitution relating  
to Property Taxation**

Topeka, Kansas  
February 6, 1990

Presented by:  
Paul E. Fleener, Director  
Public Affairs Division  
Kansas Farm Bureau

**Mr. Chairman and Members of the Committee:**

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We appreciate the opportunity to make brief comments to you on S.C.R. 1634. I have been looking for something good to say about this measure and since it continues to exempt property for benevolent and charitable purposes I want to commend the authors for that. However, Mr. Chairman, we oppose S.C.R. 1634.

The measure before you today proposes to the people of Kansas to leave to the will of the Legislature the establishment of assessment rates on various classes of property. That would undo all of the good work that was done, all of the study that went into the proposition which this Legislature approved in 1985 and which the voters of Kansas overwhelming approved in 1986 to establish in the Constitution assessment rates on various classes of property. Then-Governor John Carlin ... and ultimately the required constitutional two-thirds majority of this Legislature

agreed in 1985 to protect homeowners and agricultural land, farms and residential property, from the tremendous shifts that would come to those properties if we reappraised without benefit of the modest and limited classification that was developed by this Legislature in 1985. S.C.R. 1634 would throw all that out the window and have us be subjected to annual examinations by the Legislature of what the appropriate rate may be or should be for any class.

Mr. Chairman and Members of the Committee, you all know that the worse case example was always brought to you in the debates five years ago that above all we do not want to develop a Minnesota-type classification system which would leave to the Legislature the determination of assessment rates and determination of values. And if my memory serves me correctly Minnesota now approaches something like 68 different classes of property.

We find S.C.R. 1634 to be the most onerous of the several constitutional amendment proposals before this Legislature. We are opposed to S.C.R. 1634. We ask you to vote in opposition to it.

Thank you for the opportunity to make these comments on the measure before you.

## **Property Classification and Reappraisal**

The Kansas Legislature in 1985 adopted, by the required two-thirds majority, and voters in Kansas approved by an overwhelming majority, a proposal to amend the Finance and Taxation Article (Art. II) of the Kansas Constitution to provide limited classification of real and personal property for assessment and taxation purposes. The proposed amendment was designed to ensure against an unfair shift of status quo taxes, and was intended to provide for equitable taxation within and among the various classes of property.

The anticipated equity did not occur, largely because appropriate appraisal procedures in existing law were not used. In many cases undocumented and unsubstantiated county index and depreciation schedules used in valuation were allowed by the Property Valuation Department (PVD), without regard for the inequities that this procedure would cause between counties. Quality control of each county's appraisal procedures should be required.

The appraisal process should be the focus of legislative directives. In order to achieve a valid state appraisal, the indexes used by counties in Computer Assisted Mass Appraisal (CAMA) should be uniform statewide, with allowance for any slight deviations. Further, the depreciation schedules should also be uniform county-to-county within acceptable deviations.

Appeals, tax payment under protest and new valuation notices under the annual maintenance reappraisal which do use all appropriate factors in K.S.A. 79-503a, will also help bring about equity.

The classification amendment should NOT be resubmitted. The constitutional provisions should remain intact and the appraisal process should be the focus of legislation and directives to the PVD, county appraisers and firms contracted to conduct appraisals.

County Boards of Equalization should be given the right to protest to the Board of Tax Appeals on behalf of their counties any valuation of state assessed property.

We urge Farm Bureau members in all counties to work with their county appraiser to determine the fairness and equity of their appraisal with the county and between counties.

Reappraisal legislation and the classification amendment to the Kansas Constitution have provided for appraisal of agricultural land on the basis of its income-producing capability. The legislation set forth an equitable procedure for determination of net income and an appropriate capitalization rate for agricultural land. These factors and procedures must be retained to assure equity and stability in valuation of agricultural land.

The reappraisal statutes require annual updating of the appraisal and valuation of taxable property. The cost associated with this annual updating should not be borne entirely by the counties. We suggest that 50 percent of this additional expense be paid by the state.





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3644 S. W. Burlingame Road  
Topeka, Kansas 66611  
Telephone 913/267-3610

TO: THE SENATE TAXATION COMMITTEE  
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS  
DATE: FEBRUARY 6, 1990  
SUBJECT: SCR 1634

Thank you for this opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today not to support or oppose the concepts which SCR 1634 proposes, but to say that we do not believe it is the answer to the existing tax problems.

What has been proposed in this amendment would have been great in 1985 and 1986 when neither the legislators or the people knew what the true values of real estate were, because the reappraisal had not been done.

However, we believe that in 1990, the answer to the property tax crisis which we face is not just a mere reworking of the classifications or the assessment rates. The answer lies in putting caps on the amount of property taxes which can be assessed against real estate and looking for alternative means for funding local government budgets.

Of the hundreds of people we have talked to across the state, one common theme which we have heard is, that property taxes are too high because they are used to pay for too many things.

Since 99% of all property tax dollars are spent at the local level, we feel the property tax burden should be reduced from 1989 levels and the local

SENATE ASSESSMENT AND TAXATION COMMITTEE  
TUESDAY, FEBRUARY 6, 1990 ATTACHMENT 7

units of government should be given all avenues to finance their budgets to replace the property tax revenue. The local units should have more options for funding their budgets than they are now given by the state--this means sales tax, income tax, earnings tax, or whatever form of taxation the local units deem is appropriate and which is approved by a vote of the people.

We believe that, in conjunction with these local options, the next amendment which the people of Kansas should have a chance to vote for or against, is a constitutional cap on taxes at an effective rate of 1% for homes and 1½% for commercial and agricultural properties, with a cap on annual increases of no more than 3% each year. Without a constitutional cap on property taxes, when budgets get lean in later years, the local units will be tempted to go back to property taxes and start the vicious cycle again.

We believe the next constitutional amendment which goes on the ballot will need to be as simple and straightforward as possible. Taxpayers are going to need to look at the amendment, understand it and reasonably know how much their property tax will be, or they will not vote for it. At the same time, it must be a workable solution for the state. We believe that, while there are specific details to be worked out on our solution, it is a simple, workable solution to the problem.

We stand ready to assist you in developing the appropriate amendment.