

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 Thursday, April 26, 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:

John Luttjohann, Director, Dept. of Taxation, Dept. of Revenue
Senator Steineger
Senator Ben Vidricksen
Senator Edward Reilly

Chairman Thiessen called the meeting to order at 11:05 a.m. and turned attention to SB797. He told the members this bill changes the dates for the deadlines for various different steps in the budget procedure in the counties, and if the constitutional amendment passes, then they will need this, because they need to know what is in there, before they can start their process. Under current law they would be starting that process before the vote would take place.

SB797:AN ACT relating to budgets of local taxing subdivisions;
concerning deadline dates for 1990 budgets.

Chris Courtwright said if the bill is not tied to enactment of SCR1648, the bill would take effect upon publication in the Kansas Register, and all the dates would be pushed back for tax year 1990, whether or not any constitutional amendment is passed.

Chairman Thiessen said, that is the deadlines, so if the constitutional amendments didn't pass, and they wanted to do it sooner, then they could, is that correct? Chris Courtwright said yes.

Senator Fred Kerr said he felt, we did not want something like this in the constitution, and he felt, there was no way to put this in SCR1648, this has to be a trailer bill.

Chairman Thiessen said this is not permanent, this is only for one year.

Senator Audrey Langworthy moved to favorably pass SB797, 2nd by Senator Fred Kerr.
The motion carried. A division was called on the vote, and the motion carried.

Chairman Thiessen turned attention to SB795.

SB795:AN ACT concerning property taxation; concerning the valuation of property for purpose of taxation for the year 1990; concerning 1990 change of value notices of real property; amending K.S.A. 79-1460, as amended by section 5 of 1990 SB332 and repealing the existing section.

Chris Courtwright said SB795 would amend SB332, which has already been signed into law by the Governor, regarding the change of value notices, to the extent to which values can be increased for tax year 1990.

John Luttjohann said he had not written comments but he would update the committee on what actions have taken place on SB332 and the subsequent actions in several counties, or he could do it later after the committee has heard from other conferees.

The Chairman said maybe we should let the sponsor's of the bill speak first, and he recognized Senator Steineger.

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room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on Thursday, April 26, 1990

Senator Steineger said he thought it was this committee that passed the original SB332 which was a moratorium bill and he thought, a fairly good bill. It went through the House and it was not as strong a bill, as this committee produced.

He said he believed what just about every member of the Legislature thought, they were voting for on the final bill, was in fact a true moratorium to allow time for things to settle down, to pause for poise, and it turned out, that was not the case.

Several examples that have occurred in several counties. Examples where a taxpayer has been advised of his valuation last year, went in and appealed that valuation, based on appraisal done by bonafide realtors, had his valuations reduced and then 3 or 4 months later, got another notice from his county appraiser, saying your values are right back where they were before you appealed. Example #2, property taxpayers that have appeals pending with the State Board of Tax Appeals, based on their previous years valuation and those appeals have not even been heard, and they get another notice raising their valuation from the one that they have previously appealed and is pending in the State Board of Tax Appeals. Those are not isolated cases, there are many such cases, and a number of counties have been very adversely impacted, he cited, Riley, Saline, Crawford, Wyandotte, and Sedgwick counties, and these notices have just begun to go out, already they are producing great public outrage.

He said, if we were in the power of the people, at this point in time, everybody would be ousted from office.

He said, this bill attempts to get back to what he thinks this committee started with, the original moratorium bill. Page 2, new section says "an appraiser may not increase the valuation over 1989 unless such increase is do to improvements, new construction made on the property or change in use of the property". The appraiser can appeal to the State Board of Tax Appeals and seek authority for other circumstances as the bill says.

Chairman Thiessen asked Senator Steineger if they intended to stop the changing of valuation on agriculture land under use value that is kind of a mechanical formula that they use to arrive at that, and he understood, under this bill that would also be stopped, is this the intent?

Senator Steineger said yes, he thinks so, but we are talking about a period of 6 to 9 months, time to get things straightened out.

Senator Montgomery said he has problems with the proposal, he thought, if a moratorium were put on, they will just come back and want another one. He said, people were really fussing about the value of property, it's the taxes. He said, he did not feel we should burden the whole State, in the area's that are not having the problems. He felt the local problems are with the people that are running the local show.

Senator Petty said, she has trouble with the appraisal process, and asked if we, the legislature, can regulate the way appraisers do their jobs, maybe by a mandate?

Senator Steineger said fair market value is the test. What constitutes fair market value, the cases in our court system that tell you how you determine fair market value would fill the whole end of the room. The courts have spoken many times on how you determine F.M.V. The current law says physical inspection. Does a drive-by constitute a physical inspection? He said, speaking as an Attorney, that does not come close to meeting the requirement. He asked the committee to give serious consideration to this bill.

Senator Ben Vidricksen said he comes before the committee in real deep frustration, and he knows the committee is well versed on what is happening around the State, and he said, there were a lot of mistakes in Salina, and they are still there, because the taxpayers there are really irate. These are not the rousers that many times are complaining about everything, these are the substantial citizens in our City, and there is a lot of confusion out there, and he said, he had 500 signatures to oust their county commission chairman, and the requestor said, "you shall file this complaint, seeking, ouster of the Saline County Commission, Chairman, with the Attorney General's Office, and he said he had two phone calls this morning wondering why I had not filed this, as of yesterday, because they are checking real close. So there is a lot of confusion out there with all these ouster proceedings, and everyday in the newspapers, there are more and more stories.

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He said, Salina was one of the worst, where values were concerned in the 1st go around, there were a lot of appeals. He said, there is no faith in what has happened, with what the county commissioners have done, and he said, we need to do something to calm our citizens, because it is not only Salina, it is all over the State.

He said, SB795 would be a calming factor and would help to actually get this situation back on track.

Senator Edward Reilly said the Committee on Federal and State Affairs, yesterday at the request of Senator Steineger and in view of what has happened already in a number of counties across the state introduced without a dissenting vote the concept embodied in SB795.

He said, having been home for the past 10 days and having an opportunity to visit with many of his constituents, he is convinced that their protest, their frustration, their anxiety, their anger, their hopelessness of government being able to resolve the matter will be taken out in August and November at the polls.

He said, this is not to point the finger at any member of this committee or this legislature for we have all had our ideas, we have all expressed them, we have all in one way directly or indirectly tried to seek what we thought were ways to at least get a handle on the problem.

He said, the hard, tough choices that are going to have to be made here in the next day or so are going to be what sets the stage for whether KS and those of us who serve her are worthy of the challenges that have been given us.

He asked, the committee to carefully consider what in the opinion of many of us must be a true moratorium on this process as we gain the knowledge and have the time to reflect on what effect our action had. (ATTACHMENT 1)

Chairman Thiessen adjourned the meeting at 11:55 a.m.

REMARKS BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE

APRIL 26, 1990

SENATOR EDWARD F. REILLY, JR.

THANK YOU, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THIS OPPORTUNITY TO APPEAR AGAIN BEFORE THE MEMBERS OF THE ASSESSMENT AND TAXATION COMMITTEE. THE COMMITTEE ON FEDERAL AND STATE YESTERDAY AT THE REQUEST OF THE SENATOR FROM WYANDOTTE COUNTY AND IN VIEW OF WHAT HAS HAPPENED ALREADY IN A NUMBER OF COUNTIES ACROSS THE STATE INTRODUCED WITHOUT A DISSENTING VOTE THE CONCEPT EMBODIED HERE IN SENATE BILL 795 OF A MORATORIUM ON INCREASES IN VALUATION ON PROPERTIES IN OUR STATE, EXCEPT IN CERTAIN CIRCUMSTANCES AND WHEN CERTAIN CONDITIONS ARE MET.

I HAD SPOKEN JUST A HALF HOUR PRIOR TO INTRODUCTION OF THIS BILL WITH THE SECRETARY OF ADMINISTRATION SHELBY SMITH WHO HAD EXPRESSED TO ME AND ONE OF THE MEMBERS OF THE HOUSE WHAT A DISASTER WAS OCCURRING IN VIEW OF THE FACT THAT WE ALREADY HAVE IN EXISTENCE AND WE HAVE KNOWN IT FOR OVER THREE MONTHS, AS WE WOULD WORK TO TRY TO FIND THE RESOLUTION, A RAGING BONFIRE, THE ELEMENTS, IF YOU WILL, OF A TAX REVOLT NEVER BEFORE SEEN IN MY TIME HERE AND AN UNDERCURRENT OF ANGER AMONG MANY KANSANS WHO GROW MORE AND MORE RESTLESS WITH WHAT APPEARS TO BE AN INABILITY TO GET A HANDLE ON MANAGING THIS PROBLEM.

AFTER HAVING BEEN HOME FOR TEN DAYS AND HAVING AN OPPORTUNITY TO VISIT WITH MANY OF MY CONSTITUTENTS, I AM CONVINCED THAT THEIR PROTEST, THEIR FRUSTRATION, THEIR ANXIETY, THEIR ANGER, THEIR HOPELESSNESS OF GOVERNMENT BEING ABLE TO RESOLVE THE MATTER WILL

BE TAKEN OUT IN AUGUST AND NOVEMBER AT THE POLLS. THERE IS NO OTHER AVENUE, THERE IS NO OTHER WAY, THERE IS NO OTHER OPPORTUNITY GIVEN THEM IN THE KANSAS GOVERNMENTAL PROCESS TO EXPRESS THEMSELVES THAN THROUGH THE BALLOT BOX.

I HAVE SAID REPEATEDLY THAT THAT IS GOING TO BE A TERRIBLE TRAGEDY IN VIEW OF THE FACT THAT MANY FINE MEMBERS OF THIS LEGISLATURE MAY EITHER IN VIEW OF THE SITUATION DECIDE NOT TO SEEK REELECTION OR WILL ULTIMATELY BE THE VICTIM OF AN ELECTORATE THAT APPEARS TO BE ACROSS THE WIDTH AND BREADTH OF THE STATE REACHING THE POINT WHERE THEY HAVE LITTLE CONFIDENCE THAT WE HAVE THE CAPABILITY OF RESOLVING THE MATTER.

NOW THIS IS NOT TO POINT THE FINGER AT ANY MEMBER OF THIS COMMITTEE OR THIS LEGISLATURE FOR WE HAVE ALL HAD OUR IDEAS, WE HAVE ALL EXPRESSED THEM, WE HAVE ALL IN ONE WAY DIRECTLY OR INDIRECTLY TRIED TO SEEK WHAT WE THOUGHT WERE WAYS TO AT LEAST GET A HANDLE ON THE PROBLEM.

IN THE WEEKS BEFORE THE SESSION BEGAN, IN THE SPECIAL SESSION, IN THE THREE MONTHS AND NOW TWO DAYS OF THIS SESSION, WE HAVE NOT BEEN TOO SUCCESSFUL, AND I THINK WE WOULD ALL ADMIT THAT. IT WOULD APPEAR AS THOUGH WE ARE STILL FAR FROM A CONSENSUS AND THE VOTES TO PASS ANYTHING.

MANY OF US THOUGHT WHEN WE PASSED A BILL EARLIER IN THE SESSION THAT WE WERE TALKING ABOUT A TRUE MORATORIUM BILL ON THE REAPPRAISAL PROCESS, AND I DARE SAY, THAT IS WHAT MANY FOLKS THOUGHT WHO WERE NOT EVEN AWARE OF THE FACT THAT THERE WOULD BE ONGOING MAINTENANCE UNDER REAPPRAISAL. THE GOVERNOR HIMSELF RECOMMENDED AND SECRETARY OF ADMINISTRATION YESTERDAY SAID THAT

AGAIN HE COULD NOT UNDERSTAND WHY WE HAD NOT PUT INTO PLACE A TRUE MORATORIUM UNTIL WE HAD AN OPPORTUNITY AND A BLUE RIBBON COMMITTEE HAD AN OPPORTUNITY TO GET A HANDLE ON THIS WHOLE TAX POLICY ISSUE AND THE IMPACT THAT REAPPRAISAL AND CLASSIFICATION HAS HAD.

I CAN ONLY SAY, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, IF WE CONTINUE TO PLAY THIS SHELL GAME WITH OUR FELLOW KANSANS IN LEADING THEM TO BELIEVE THAT WE ARE INDEED DOING SOMETHING TO BRING ABOUT A COOLING DOWN EFFECT ON THE IMPACT OF REAPPRAISAL AND CLASSIFICATION WHEN INDEED WE ARE NOT BUT MERELY PROVIDING MORE LOOPHOLES, MORE SIEVES IF YOU WILL, FOR A COMPOUNDING OF AN ALREADY DANGEROUS SITUATION, THEN WE HAVE NOT BEEN TRUE TO OURSELVES OR TO THE CHARGE WE TOOK WHEN WE ENTERED THIS BODY.

WE ALL KNOW VERY WELL THAT THE IMPACT OF THIS CHANGE IN OUR KANSAS TAX STRUCTURE HAS IN ONE WAY OR ANOTHER IN ALL PARTS OF THE STATE HAD AN IMPACT AND WHETHER THAT IMPACT WAS MORE SEVERE IN SOME AREAS THAN OTHERS IS REALLY TOTALLY IRRELEVANT FOR IN ONE WAY OR ANOTHER OUR KANSANS HAVE BEEN IMPACTED ON, SOME MORE SEVERELY THAN OTHERS, BUT EVERYONE IN SOME WAY. THE IMPACT WILL CONTINUE TO GROW AND FOR THOSE WHO MAY NOT HAVE BEEN TOUCHED SO SEVERELY THIS TIME, THEY WILL LEARN DUE TO THE INCREASING DEMANDS ON STATE AND LOCAL GOVERNMENT THAT THAT BURDEN WILL ONLY INCREASE AND WE WILL LEARN THAT ALSO IN 1991. THE BANDAID APPROACH IN MY OPINION WILL NOT WORK BUT THE IMPOSITION OF A MORATORIUM ON THIS PROCESS EXCEPT IN CERTAIN CONDITIONS AND A COOLING DOWN PERIOD AND A CHANCE TO CONTINUE TO TRY TO FIND SOME CONSENSUS ON HOW TO GIVE RELIEF MUST BE THE ONLY PRIORITY OF THIS BODY IN THESE REMAINING HOURS. I URGE YOU, I BEG, I PLEAD WITH YOU IN

THIS COMMITTEE TO LOOK SINCERELY AND CAREFULLY AT THIS PROPOSAL, AND IF IT NEEDS CLEANING UP OR AMENDING, THEN LET'S GET ON WITH THE PROCESS AND PASS A TRULY MEANINGFUL MORATORIUM THAT WAS REQUESTED AND WAS ENVISIONED EVEN BY THE GOVERNOR. WHETHER WE BE REPUBLICAN OR DEMOCRAT, RURAL OR URBAN, BLACK OR WHITE, PROTESTANT OR CATHOLIC, WE ALL HAVE ONE INGREDIENT PASSED ON BY OUR FOREFATHERS AND ANCESTORS, TOUGHER ONES THAN WE COULD EVER IMAGINE, THAT INGREDIENT OF RUGGED INDIVIDUALISM, THAT HAS BUILT THIS STATE FOR KANSANS LIKE YOU AND I WHO HAVE AN INTEREST IN ITS FUTURE, ITS GROWTH AND ITS PROSPERITY, IN TRYING TO RETAIN ITS YOUNG PEOPLE, IN TRYING TO RETAIN ITS BUSINESSES, IN TRYING TO BE COMPASSIONATE AND SENSITIVE TO THE NEEDS OF BIG BUSINESS AND MAIN STREET BUSINESS AND THE INDIVIDUAL HOMEOWNER LIVING ON AN INCOME CHECK THAT WILL NOT STRETCH. THAT'S WHAT GOVERNMENT IS ALL ABOUT, THAT'S WHAT OUR RESPONSIBILITIES ARE ALL ABOUT, AND THE HARD, TOUGH CHOICES THAT ARE GOING TO HAVE TO BE MADE HERE IN THE NEXT DAY OR SO ARE GOING TO BE WHAT SETS THE STAGE FOR WHETHER KANSAS AND THOSE OF US WHO SERVE HER ARE WORTHY OF THE CHALLENGES THAT HAVE BEEN GIVEN US.

I PLEAD WITH YOU TO CAREFULLY CONSIDER WHAT IN THE OPINION OF MANY OF US MUST BE A TRUE MORATORIUM ON THIS PROCESS AS WE GAIN THE KNOWLEDGE AND HAVE THE TIME TO REFLECT ON WHAT EFFECT OUR ACTIONS HAD.