

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 Friday, April 27, 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
Charles Perdue, Director, K.C., KS Public Library
Ron Taylor, Owner of South Village Trailer Park
John Luttjohann, Director of Taxation, Dept. of Revenue
Keith Farrar, Chairman, Board of Tax Appeals, Dept. of Revenue

Chairman Thiessen called the meeting to order at 11:08 a.m. and called attention to HB3079 and recognized Senator Steineger.

HB3079: would amend K.S.A. 1989 Supp. 12-16,102 to authorize the Kansas City School Board to create and levy for any employer benefit fund on behalf of the Kansas City Public Library.

Senator Steineger said he believes every library in the State has authority under the library statute to levy for employees benefits. That is the levy that school districts do not have. The K.C., KS public library is the only library in the State, that is operated under the agents of The Board of Education, so consequentially the library is unable to levy for the special benefits, which every other library can do.

He said, the bill before you would permit the library to levy, like other libraries for the special employees benefits, only after a vote by the public and he introduced the librarian from K.C., KS., Mr. Charles Perdue.

Charles Perdue, Director, K.C.KS., Public Library said, Senator Steineger accurately explained our position. He said, they are requesting to amend HB3079 to have the authority to establish and create a fund to levy for employee benefits, social security, retirement, health insurance, workmen's compensation and unemployment compensation, as is granted to virtually every other public library in KS.

He said, currently the KCKPL pays for these employee benefits out of its general operating fund, while other public libraries can use their general operating fund solely for purposes more directly benefitting their patrons, such as purchasing books, magazines, and other library materials. Because of this, the library is at a disadvantage in providing library services. (ATTACHMENT 1)

Senator Martin made a motion to pass HB3079 favorably, 2nd by Senator Langworthy. The motion carried.

Chairman Thiessen turned attention to SB795 and recognized Ron Taylor.

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.

Ron Taylor, Owner of South Village Trailer Park said he would like to describe their situation on re-valuation for 1990. In 1989 we received a re-valuation that constituted 79% increase in our property taxes. We accepted that, and then last week we received a new valuation for 1990, and this valuation was an increase of 57% over last year's 79% with an increase of 282% in 8 months.

He said, the taxpayers of KS, needs the committee's help in supporting SB795.

85
A4

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Friday, April 27, 1990.

(ATTACHMENT 2) Attachment 2, is a copy of a letter sent to Representative Dale Sprague, from South Village, Inc.

Senator Fred Kerr asked if he had a drive-by?

Mr. Taylor said they had to Senator, because nobody called my home, my office or came by to see me.

John Luttjohann said SB795 deals with the general subject of a moratorium on reappraisal, and specifically directs counties to rescind increased valuation which have been sent out by the counties. He update the committee on SB332 which was passed earlier this session.

He said, this committee endorsed the concept of a moratorium. The bill started out much stronger than it ended up. SB332 provided basically that counties could only increase the value of property if they had physically inspected the property. Exactly what constitutes a physical inspection was not specified. We have opined that a "drive-by" qualifies. A drive-by means in the context of mass appraisal techniques, the appraiser examines the ICS (Inventory Control Sheet) and data card for the parcel while he views the parcel. He is looking at a card which describes the property and identifies it grade, condition, desirability and utility while he looks at the property. He may not get out of his car, but he is looking at a detailed document and compares it to what he sees. If there are discrepancies, he reviews the property in more detail.

He said the Department believes that a full moratorium was a good idea when it was proposed in January, and support the concept today. A moratorium in January would have certainly given the county appraisers more time to work on appeals and error corrections. We simply urge your consideration of the changes in circumstance and the actions which have occurred. (ATTACHMENT 3)

Keith Farrar, Chairman, Board of Tax Appeals, Department of Revenue said he would make note of some of the comments he heard yesterday, and he wants the committee to understand that there has been a tremendous amount of changes in value being made through the appeals process, if not, the money for the circuit breaker would have been exhausted.

He said, responses from comments that he heard yesterday, remember re-appraisal was based on mass appraisal techniques, not on the appraisal. If you want to pay for reappraisal it is going to cost you a lot more, than what you put in it. A drive-by at 70 miles an hour would have been better, than what has been done in many counties on agriculture land. He said, he is pretty sure most people can tell the difference between grass land and growing crops. We have too many instances where people stayed in the office and filled in what they thought was out there and didn't go out and look at it.

He said some appraisal companies did a very poor job of appraising property and walked away with the taxpayers money, both State and County.

He said, there is a conflict in this bill, with K.S.A. 1701, and K.S.A. 1701a. This allows the county clerks on their own, or the county commissioners, if they have been asked by the appraiser, the clerk or any taxpayer to make corrections, and they can do that on their own, what your saying here is that they can't. If this bill is passed, at least (2) things may happen, #1, the question will be raised, is it constitutional to raise valuations without a hearing or any justifiable reason, if you cannot raise the value without a hearing. #2, at this point in time there are more satisfied taxpayers, than dis-satisfied, however, if the county appraiser cannot raise the value of property that was discovered in the appeals process, that is too low. In theory, there should be as much property too low, as too high. The results will be the continuation of some taxpayers receiving a free ride since their property is still valued less than fair market value. The majority of the taxpayers, by necessity have a higher mill levy than should be reasonably expected. Once the majority of taxpayers realize they are going to pay higher taxes because the appraiser has not been able to raise the value on those property owners that are receiving a free ride, you will have a taxpayer rebellion.

He said, if the committee wants to provide property tax relief, sunset most of the property tax exemptions, expanding the base and repeal many of the sales tax exemptions, allowing the State to return more dollars to the local taxing authorities. (NO WRITTEN TESTIMONY)

After committee discussion Chairman Thiessen concluded hearings on HB3079 and told the members we will have a meeting tomorrow and he would announce the time on the Floor.

The Chairman adjourned the meeting at 11:52 a.m.

GUEST LIST

COMMITTEE: SENATE
ASSESSMENT & TAXATION

DATE: Friday, 4-27-90

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
KEITH FARRAR	Topeka	BOTA
John Lottsham	Topeka	Revenue
Paul E. Eleaner	Manhattan	Kansas Farm Bureau
NORMAN REYNOLDS	TOPEKA	ICASB
Tom Whitaker	Topeka	Ks Motor Carriers Assn
Walter R. Allen	"	KFFT Walt-Tanner
Charlie Terdie	KCT	KCTFL
TREVA POTTER	PEOPLES NAT. GAR	TOPEKA
MARSHALL CLARK	TOPEKA	KS. Elec. Coops
Jim Ludwig	Topeka	KPI
Bob Corkins	Topeka	KCCI
Jack McKee	Topeka	KLA
George Barber	Topeka	Barber & Associates
BEU BRADLEY	TOPEKA	KS Assoc of Counties
Jim Gartner	Topeka	SWBT
James Conkell	Law	KCO = E
Ed Schaub	Topeka	KPL
CAL HANSEN	MANHATTAN	Land Lords of Manhattan
JANET STURBS	Topeka	HBAK
Russ M. B. ...	Topeka	OB ...
GEORGE PUCKETT	WICHITA	KIRA
KAREN FRANKE	TOPEKA	KAR
Linton Barrett	Kansas City, KS	City of KCK
Tom Slattery	Topeka	AGCO of KS
D. S. Koch	"	SWBT
Jack Graves	Wichita	W.N. ...

Speaking in Favor of House Bill 3079

Charles Perdue, Director, KCKPL

H.B. 3079 amends K.S.A. 1989 Supp. 12-16,102 to give the Kansas City, Kansas Public Library the same opportunity to create and establish a fund to levy for employee benefits (social security, retirement, health insurance, workmen's compensation, and unemployment compensation) as is granted to virtually every other public library in Kansas. Currently, the KCKPL pays for these employee benefits out of its general operating fund, while other public libraries can use their general operating fund solely for purposes more directly benefitting their patrons, such as purchasing books, magazines, and other library materials. Because of this, the library is at a disadvantage in providing library services.

It is necessary to amend K.S.A. 12-16,102, due to the fact that KCKPL is governed by a school district pursuant to K.S.A. 72-1623, and school districts are excluded from creating and establishing an employee benefits funding under K.S.A. 12,16-102. Because of this, the library is also excluded.

I urge your support of H.B. 3079. It places KCKPL on the same basis as other public libraries in Kansas. It will allow our library to provide additional library service to our community.



MOBILE HOME PARK • SALES & SERVICE

4637 SOUTH VILLAGE PARKWAY
TOPEKA, KANSAS 66609

(913) 862-2131

April 20, 1990

SOUTH VILLAGE, INC.

Representative Dale Sprague
1320 N. Walnut
McPherson, Kansas
67460

Dear Dale:

We received in the mail on April 18, the 1990 property valuation for South Village. The valuation increased by \$974,000. - almost 1 million dollars over 1989! I am angry - but at the same time, close to despair.

Our 1989 appraisal increased our tax dollars by 79%, from \$17,834. to \$31,990. annually. The increase was difficult to accept both monetarily and rationally. We did accept it however, as a fact of the valuation process and an indication of the quality of our community.

We focused our attention instead on the classification of our property, striving to be taxed as residential property, rather than commercial as our county appraiser wanted. We testified before the House Tax Committee and were successful in this area. The committee realized that the taxes at South Village were paid by homeowners, just as surely as if the property was owned by them individually, and should be taxed at that rate.

Today I am wondering if we have received our punishment for that victory. Is this the county appraiser's method of recouping some of the tax dollars lost through the classification awarded mobile home parks? Or is it due to our quiet acceptance of the 1989 appraisal? Perhaps the rationale is - if they didn't protest the 1989 appraisal, it must have been too low, so let's raise it again.

This new valuation translates to a total increase of \$8.00 per month for each of our tenants due to reappraisal alone, before the "normal" inflationary factors and rising costs that we all experience, are even considered.

The 1989 reappraisal increased our tax liability by \$14,000.00 or \$3.64 per lot per month. This increase was absorbed because we feel that rent levels are at their maximum. After our last rent increase of 7.4%, we lost 22 homes - 6.8% of our tenants. Unlike residents of conventional housing, these homeowners have the option of moving their homes to more affordable property, outside of Topeka and Shawnee County.

Just to cover the cost of rappraisal, we are looking at a rent increase of 6%. In addition to that, the City of Topeka initiated a series of water and sewer rate increases in October of 1989. With the second in this series effective in January of 1990 our water and sewer rates have increased by 21%. Water and sewer charges for our tenants are paid with rent proceeds, just like property taxes, and represent another 2% increase in monthly lot rent to each of those tenants. The increases forced upon us by state government and local government are devastating to our business. We learned efficiency a **long** time ago. Now I worry about bankruptcy.

We also own Ridgewood Estates, in partnership with Lowell Miller. The property valuation received there today was equally devastating - a 70% increase over 1989, representing \$762,500. The effects will be the same as at South Village, increased rent levels. The people in both of these communities have chosen and purchased affordable housing. The problem is that the property on which they live is no longer affordable.

We have checked with several other manufactured home community owners in the city. The increases in their 1990 property valuations vary from 16% to 250% above the 1989 reappraisal. Who is right - the independent appraisers hired by the county, or the county appraiser's staff? Most likely, neither!

Rod and I are native Kansans. We are dedicated to Kansas and to our industry. We turn profits back into our property to enhance the image of the industry and give our tenants a community they may be proud of. Now we are being penalized by government for our business philosophy. Right now I would like to sell out, pack up and move, but who would buy with these exorbitant taxes and an extremely low NOI. We have been kicked in the stomach again by reappraisal.

Oh yes, we will appeal these valuations. And perhaps a year from now it will be reduced by two or three per cent. (We are still awaiting the results of our 1989 appeal on another business.) But in the mean time we are expected to come up with yet another \$17,000 in property taxes for South Village and \$13,500 for Ridgewood. We need **real** property tax relief, not just the one-half per cent offered by the Senate on the final day of the regular session. We need it desperately. We need it now... before we really do give up and get out.

Sincerely,

Janet Taylor



KANSAS DEPARTMENT OF REVENUE

Property Valuation Division
Robert B. Docking State Office Building
Topeka, Kansas 66625-0001
(913) 296-4218

MEMORANDUM

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

**FROM: JOHN LUTTJOHANN, DIRECTOR
PROPERTY VALUATION DIVISION**

DATE: APRIL 27, 1990

RE: SENATE BILL 795

Thank you for the opportunity to appear today.

Senate Bill 795 deals with the general subject of a moratorium on reappraisal, and specifically directs counties to rescind of most increased valuation notices which have been sent out by the counties.

I would like to update you on the current situation with regard to Senate Bill 332 which was passed earlier this session.

This committee endorsed the concept of a moratorium. The bill started out much stronger than it ended up. Senate Bill 332 provided basically that counties could only increase the value of property if they had physically inspected the property. Exactly what constitutes a physical inspection was not specified. We have opined that a "drive-by" qualifies. I would like to clarify what a "drive-by" means in the context of mass appraisal techniques. In a drive-by, the appraiser examines the ICS (Inventory Control Sheet) and data card for the parcel while he views the parcel. He is looking at a card which describes the property and identifies its grade, condition, desirability and utility while he looks at the property. He may not get out of his car, but he is looking at a detailed document and compares it to what he sees. If there are discrepancies, he reviews the property in more detail.

I understand that the Attorney General has been asked to opine on the issue of what constitutes a physical inspection.

Notices of changes in value have been sent out in all but seven counties. We have had a significant number of complaints about the notices in Crawford, Wyandotte, Saline, Riley and Kingman counties. Some concern has also been expressed in McPherson County.

In Kingman county, the appraiser indicated to me that in spite of knowledge of Senate Bill 332 he sent out increased valuation notices without having inspected all properties which were increased. I issued an order directing him to rescind such notices, and the order has been complied with.

The appraiser in Riley county also sent some increased valuations without having inspected the properties. He voluntarily rescinded the notices.

After meeting with Senator Martin, the Crawford County appraiser and the Chairman of the Crawford county commission, I ordered a rescission of all increased valuation notices in Crawford County. The appraiser will have until July 15 to inspect properties in the county and send whatever increased valuations are appropriate. The County Board of Equalization will then be ordered back in to session to hear taxpayer appeals.

After consultation with the Wyandotte County appraiser and County Counselor, an order was issued to Wyandotte County which is very similar to the Crawford County order.

I have today issued an order to Saline County to re-instate the values which were arrived at during the 1989 appeals process unless some new evidence can be documented which shows a substantial and compelling reason to deviate therefrom.

The situation in McPherson County is still under review.

We believe that a full moratorium was a good idea when it was proposed in January, and support the concept today. A moratorium in January would have certainly given the county appraisers more time to work on appeals and error corrections. We simply urge your consideration of the the changes in circumstance and the actions which have occurred.