

Approved _____
Date _____

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Joan Wagnon at _____
Chairperson

9:10 a.m./p.m. on March 25, 1991 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn & Chris Courtwright, Legislative Research;
Don Hayward & Bill Edds, Revisors;
Linda Frey, Committee Secretary & Douglas E. Johnston, aide

Conferees appearing before the committee:

Chairman Wagnon called the committee to order at 9:10 a.m. The committee began with discussion and action on Sub. HB 2113.

Rep. Welshimer made a motion to remove the gross receipts tax on professional services in Sub. HB 2113. Rep. Shore seconded the motion which carried.

Rep. Shore made a motion to retain the exemption for drill bits. Rep. Long seconded the motion.

Steve Stotts, Director of Taxation for the Dept. of Revenue, said the estimated fiscal impact of the motion was \$260,000.

The motion carried.

Rep. Vancrum made a motion to retain the exemption for machinery & equipment in an IRB zone. Rep. Snowbarger seconded the motion.

Stotts said the estimated fiscal impact of the motion was \$90,000.

The motion carried.

Rep. Wiard made a motion to eliminate barbers and beauticians from the list of taxable services in Sub. HB 2113. Rep. Reardon seconded the motion.

Stotts said the estimated fiscal impact would be \$10.5 million.

On division, the motion failed with only 5 votes in favor.

Rep. Larkin made a motion to retain the exemption for manufacturers machinery & equipment in Enterprise Zones. Rep. Snowbarger seconded the motion.

Concern was voiced that the exemption was being abused. It was also stated that eliminating the current exemption would remove economic incentives and that that was not the correct way to solve abuse problems.

The motion carried.

Rep. Snowbarger made a motion not to tax debt counseling services. Rep. Roe seconded the motion which carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

room 519-S, Statehouse, at 9:10 a.m.~~pm~~ on March 25, 1991

Rep. Roy made a motion not to tax debt collection services by eliminating the provision from Sub. HB 2113. Rep. Snowbarger seconded the motion. On division, the motion failed with 7 for and 12 against.

Rep. Larkin made a motion to pass Sub. HB 2113 as amended favorably. Rep. Welshimer seconded the motion.

Concerns were voiced about the comprehensive nature of the bill and that it was economically "regressive."

The motion carried.

Hearings opened on HB 2580.

The following people testified in favor of HB 2580:

David Cunningham, Director of Property Valuation (attachment 1)

Larry Clark, Wyandotte County Appraiser (attachment 2)

James Irish, Federal Appraiser

Gary Smith, Shawnee County Appraiser

The following people testified against HB 2580:

William Mitchell, Legislative Counsel for the Kansas Land Title Assoc. (attachment 3)

Jeff Sonnich, Vice President of the Kansas-Nebraska league of Savings Institutions (attachment 4)

Karen France, Director of Governmental Affairs for the Kansas Assoc. of Realtors (attachment 5)

Hearings were closed on HB 2580.

The committee adjourned at 10:00 a.m.

GUEST LIST

COMMITTEE: Inpatient

DATE: 3/25/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<i>Jh Clinton</i>	<i>Tyrh</i>	<i>Beck Aircraft</i>
Elwaine F Pomeroy	Topoka	KS Collectors Ass'n
<i>Jim McBride</i>	<i>Topoka</i>	<i>Observer</i>
R ANDERSON	OTTAWA	NSD/CANT OFF
Brad Smoot	Topoka	Black & Veatch
FRANCES KASTNER	Topoka	Ks. Food Dealers
Matt Kastner	Topoka	Visitor
<i>Rich McKee</i>	<i>"</i>	<i>KIA</i>
<i>Harriet Lange</i>	<i>"</i>	<i>KAB</i>
<i>George Barber</i>	<i>Topoka</i>	<i>KS consulting Engrs</i>
<i>Kathy Clark</i>	<i>Kansas City</i>	<i>Ks County Commis</i>
BEU BRADLEY	TOPEKA	KS Assoc of Counties
Alan Steppat	Topoka	Pete McGill & Associates
<i>John Lottjekam</i>	<i>Topoka</i>	<i>Foulston & Stephin</i>
Mary Ella Simon	TOPEKA	LG. of Women Voters
<i>Walter Jones</i>	<i>Top</i>	<i>League of KS Counties</i>
<i>Martha Jones</i>	<i>Topoka</i>	<i>KS Mfg. Housing Assn.</i>
Tom Whitaker	Topoka	Ks Motor Vehicle Assn.
KAREN FRANCE	TOPEKA	KAR
SARA F. ULLMANN	JOHNSON COUNTY	REG. OF DEEDS
<i>Jusie Palmer</i>	<i>Leavenworth Co</i>	<i>" " "</i>
<i>Lyndal Finchem</i>	<i>Marshall Co.</i>	<i>Reg. of Deeds</i>
<i>Larry M. Smith</i>	<i>Shawnee Co</i>	<i>Appraiser</i>
<i>Mike Deebert</i>	<i>Topoka</i>	<i>ATI</i>

GUEST LIST

COMMITTEE: _____

Inspiration

DATE: _____

3/25/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
MARY E. TURKINGTON	Topeka	Ks. North Kansas Assoc.
Francine Thomas	Hays	Shelby Scouts
Mary Ellen Mearns	Topeka	Girl Scouts
ROBERT F. WEISHAIMER	WICHITA	GWEN WEISHAIMER
TRUDY ARON	TOPEKA	Amer Inst of Architects
Shelley SUTTON	TOPEKA	KS Engineering Society
JANET STUBBS	"	HBAK
Kon Smith	"	KBA
Pat Higgins	"	Gov. Office
Deborah Sampson	Lawrence	KC-ICCA
T. C. ANDERSON	TOPEKA	KSCPA
David P. Schuack	Topeka	KIIOGA
SUSAN SOMERS	Topeka	KSCPA
Jim Ludwig	Topeka	KPL GAS SERVICE
Jacqueline Webb	Jola, Ks.	Reg. of Deeds
Mark Tallman	Topeka	KASB
James H. Irish	Topeka	Office of Thrift Supervision, D/Ken
Dee Libes	Topeka	KLA
Jim Mays	"	KBA
Paul Thomas	"	Martin Luther King - Leg. Com. Colgate
John Dyer	"	Columbus Nat'l Fedn for C.
John Dyer	"	KATC
Jeff Sumner	TOPEKA	KNLS
W.C. Rupp	Topeka	PCB, D



KANSAS DEPARTMENT OF REVENUE

Division of Property Valuation

Robert B. Docking State Office Building

Topeka, Kansas 66612-1585

MEMORANDUM

TO: HOUSE COMMITTEE ON TAXATION
FROM: DAVID C. CUNNINGHAM, DIRECTOR
DATE: MARCH 25, 1991
SUBJECT: COMMENTS ON HOUSE BILL NO. 2580

A handwritten signature in dark ink, appearing to read "David C. Cunningham".

In our opinion the required filing of a sales verification questionnaire at the time of deed recording would be a very beneficial piece of legislation from both the state and county perspective.

- It would guarantee a 100% questionnaire response rate and therefore provide a meaningful improvement in the number of valid sales used in the official state assessment/sales ratio study.
- In most counties the additional valid sales are desperately needed by county appraisers searching for evidence of fair market value. Valid sales are the most important benchmarks used in the appraisal process.
- Some counties continue to use sales questionnaires which do not ask a sufficient number of important validation questions. The PVD recommended form has been used successfully by many counties to date and conforms to the new guidelines prepared by the I.A.A.O. The use of a standard comprehensive form by all counties would insure greater uniformity and permit PVD to provide more adequate and specific training in the validation process.
- The formal filing of a sales verification document would be less prone to questionable accounting and review practices if the register of deeds is part the process. This check and balance procedure would remove the concern that questionnaires with bad sales ratios may tend to disappear from the county appraisers office before they are logged in.
- Statewide this legislation would save counties between \$200,000 and \$300,000 on the cost associated with this function per year. Postage, envelopes, follow up letters, phone calls, computer run time, log printouts, and the additional man-hours necessary to prepare the monthly mailings, track the responses, and make second and third contact attempts would be virtually eliminated.

The current PVD recommended sales verification questionnaire would require only slight revision if the certificate of value is replaced by this form. We can also explore the use of a two part form to eliminate the photocopy step necessary for the register of deeds to provide the county appraiser with a copy.

Phone (913) 296-2365

HOUSE TAXATION
Attachment #1
03/25/91

KANSAS REAL ESTATE SALES VERIFICATION QUESTIONNAIRE

DK T

SEE INSTRUCTIONS ON REVERSE SIDE

FOR OFFICIAL USE ONLY:		COV NUMBER	CO. NO.	MAP	SEC	SHEET	QTR.	BLOCK	PARCEL	OWN
DEED BOOK _____	PAGE _____	_____	_____	_____	_____	_____	_____	_____	_____	_____
SALE DATE ____/____/____			DEED DATE ____/____/____			MO YR TY AMOUNT S V			RA _____ DE _____	

SELLER NAME _____	BUYER NAME _____
MAILING _____	MAILING _____
ADDRESS _____	ADDRESS _____

BRIEF LEGAL DESCRIPTION OF PROPERTY SOLD STREET OR RFD # _____ CITY/TOWN _____ ADD/SEC _____ BLK OR TWP _____ LOTS/RANGE _____	MAILING ADDRESS FOR TAX STATEMENTS _____ _____
---	--

In reference to the recent sale of the property listed above, please answer the questions below.

1. CHECK ANY FACTORS THAT APPLY TO THIS SALE:

Sale between immediate family members:
SPECIFY THE RELATIONSHIP _____

Sale involving corporate affiliates belonging to the same parent company

Auction Sale

Sheriff sale pursuant to a court order

Forced, or distressed, sale in a bankruptcy settlement

Sale by judicial order (by a guardian, executor, conservator, administrator, or trustee of an estate)

Sale involved a government agency or public utility

Buyer (new owner) is a religious, charitable, or benevolent organization, school or educational association

Buyer (new owner) is a financial institution, insurance company, pension fund, or mortgage corporation

Sale was a foreclosure of a mortgage or forfeiture of a contract for deed (land contract)

Sale of only a partial interest in the real estate

Sale involved a trade or exchange of properties

NONE OF THE ABOVE

2. USE OF PROPERTY AT THE TIME OF SALE:

<input type="checkbox"/> Single Family Residence	<input type="checkbox"/> Vacant Lot/Land
<input type="checkbox"/> Farm/Ranch With Residence	<input type="checkbox"/> Agricultural Land
<input type="checkbox"/> Condominium Unit	<input type="checkbox"/> Apartment Building
<input type="checkbox"/> Commercial Building	<input type="checkbox"/> Industrial Building
<input type="checkbox"/> Other: (Specify) _____	

3. IF THIS WAS A PURCHASE OF COMMERCIAL/INDUSTRIAL RENTAL PROPERTY, WAS IT SUBJECT TO AN EXISTING LEASE OR LEASES? N/A YES NO

4. IF THIS WAS A PURCHASE OF COMMERCIAL OR INDUSTRIAL PROPERTY, DID THE SALE PRICE INCLUDE AN EXISTING (GOING CONCERN) BUSINESS ENTERPRISE? N/A YES NO

5. HAS THE PROPERTY CHANGED (NEW CONSTRUCTION, REMODELING, DEMOLITION, ADDITIONS) SINCE THE SALE OCCURRED? YES NO

If yes, what changed? _____

6. WAS ANY PERSONAL PROPERTY (SUCH AS FURNITURE, EQUIPMENT, MACHINERY, LIVESTOCK, CROPS, BUSINESS FRANCHISE OR INVENTORY, ETC.) INCLUDED IN THE SALE PRICE? YES NO

If yes, please describe _____

Estimated value of all personal property items included in the sale price \$ _____

7. ARE ANY SPECIAL ASSESSMENTS LEVIED AGAINST THE PROPERTY? YES NO

8. WERE ANY DELINQUENT REAL ESTATE TAXES ASSUMED BY THE PURCHASER? YES NO

If yes, what was the amount? \$ _____

9. METHOD OF FINANCING (check all that apply):

Assumption of Existing Loan(s) All Cash

New Loan From Seller

NEW LOAN(S) FROM A FINANCIAL INSTITUTION:

Conventional VA FHA

Other. Explain _____

10. DOES THE BUYER HOLD TITLE TO ANY ADJOINING PROPERTY? YES NO

11. WAS THE PROPERTY LISTED FOR SALE ON THE OPEN MARKET? YES _____ MONTHS

NOT OFFERED OR ADVERTISED ON OPEN MARKET

12. IN YOUR OPINION DID BOTH THE BUYER AND SELLER ACT PRUDENTLY, KNOWLEDGABLY AND WITHOUT UNDUE COMPULSION IN ARRIVING AT A PRICE FOR THE PROPERTY? YES NO

If no, explain: _____

13. TOTAL CONSIDERATION PAID \$ _____

I hereby certify that the sales verification questionnaire information for the property transferred by the deed or instrument attached is to the best of my knowledge correct.

14. Name _____

Date ____/____/____ Daytime Phone # _____

INSTRUCTIONS FOR COMPLETING THE SALES VERIFICATION QUESTIONNAIRE

ITEM 1

If more than one factor applies to the property listed on this questionnaire, please check all that are applicable.

ITEM 2

Check the use of the property at the time of sale. You may check more than one box if the uses are mixed.

ITEM 3

Check yes; if the buyer assumed any existing long term lease(s) (more than three years) at the time of sale.

ITEM 4

Check yes; if the purchase price included a business enterprise or franchise in addition to the real estate.

ITEM 5

Check yes; if any changes have been made to the property which have physically altered the buildings or improvements since the date of sale. Do not include minor maintenance or cosmetic items such as new paint, carpeting, wallpaper, etc.

ITEM 6

Check yes; if any personal property was considered to be included in the sale price of the property. If possible, please indicate your estimate of the value of the personal property included.

ITEM 7

Check yes; if any special assessments are levied against the property. Special assessments **are not** general property taxes. They apply only to certain districts and only for a limited period of time. They may include such improvements as street or sewer projects.

ITEM 8

Check yes; if any delinquent taxes were assumed by the purchaser and included as part of the sale price. Do not consider any prorated taxes for the year in which the property sold that are part of normal escrow closings.

ITEM 9

Check the method of financing used to acquire the property.

ITEM 10

Check yes; if the purchaser owns or controls any property adjacent to or joining the sale property.

ITEM 11

Check yes; if the sale property was listed or advertised on the open market by either a realtor or owner. Please indicate the number of months the property was offered for sale.

ITEM 12

Briefly provide an explanation if you feel the buyer or seller was not fully informed about the property or local market, poorly advised, did not use good judgment in the negotiations, was acting under duress, or compelled out of necessity.

ITEM 13

Please indicate the total sale price and the date of sale. The date of sale should be the actual date the property transferred ownership, not necessarily the date the deed was recorded.

ITEM 14

Please sign the questionnaire and list your daytime phone number in the event it would be necessary to contact you for further clarification of any other terms or conditions involved in this sale.

If you have any questions regarding the completion of this form, please call the phone number on the front of this form during the county appraiser's business hours.

To: House Taxation Committee
From: Larry Clark, Wyandotte County Appraiser
Date: March 25, 1991
Re: House Bill #2580

Madame Chairperson and honorable members of this committee,
I appreciate the opportunity to testify on House Bill #2580.

My name is Larry Clark and I am here representing the Kansas County Appraisers Association as their president elect and chairman of their legislative committee.

The Kansas County Appraisers Association supports this attempt to make the sales verification process more efficient and cost effective. All counties currently face the awkward situation of having access to sales information that we cannot use until we spend extra tax money to independently verify its accuracy. When the certificate of value is received a sales questionnaire is generated and mailed to the property owner, who must complete it and return it to the county. Due to the time lag and the natural disinclination for people to voluntarily return any type of questionnaire, the response rate is invariably low. Considering that each county has to devote a significant portion of one staff member's time to this project, the cost state wide of this process could exceed \$800,000 per year.

This bill should allow the Director of Property Valuation sufficient latitude to develop a form that will contain the necessary information to verify the sales data at the time the deed is filed. If it is done correctly the extra money currently

HOUSE TAXATION
Attachment #2
03/25/91

being spent by counties in this process will be greatly reduced.

This legislation raises two questions which we hope the committee will consider. First, the language of the bill is not sufficiently clear to this layman concerning access to this document. Is it intended to be a public record? If it is not, what, if any, restrictions are going to be placed on county appraiser's who wish to use this information on a system that is open to the public.?

The final concern I want to express is that the penalty for violating this statute may not adequate. A false statement concerning an individual sale has the potential for effecting the values of many parcels, because valid sales form the basis for virtually all value models constructed in the CAMA system. The smaller the sales data base the greater the impact of individual sales, but even in a larger county one discrepancy in data may be compounded into shifting far more than \$100 worth of tax burden.

Thank you for your time and consideration.

KANSAS LAND TITLE ASSOCIATION

To: House Taxation Committee

Subject: House Bill 2580

**From: Bill Mitchell
Legislative Counsel
Kansas Land Title Association**

The Kansas Land Title Association OPPOSES House Bill 2580 for the following reasons, to wit:

a. This bill requires the completed real estate sales verification form to be "filed of record by the register of deeds." Such filing would make confidential information between the seller and buyer of real estate open to public information and inspection;

b. The bill does not prescribe the form to be completed. As written, the bill gives the director of property valuation "unchecked" authority to request whatever information is deemed necessary by his office. Such "unchecked" authority could result in unwarranted governmental intervention into private, confidential information between a seller and buyer;

c. By not prescribing the form to be completed in the statute, it becomes very difficult for closing agents (i.e. title companies, escrow companies, lenders, real estate agents), who customarily are left with the task of completing the form, to know what information is required to complete the form;

d. This bill may delay and encumber the conveyancing of real estate due to the additional time spent in completing the required form and has the possibility of increasing real estate closing fees to the consumer due to the additional time required to gather information required by the form;

e. Similar bills (Senate Bill 450 in 1988 and House Bill 2211 in 1985) introduced in prior years and which required "laundry lists" of information by the director of property valuation, met defeat.

The Kansas Land Title Association respectfully requests that you defeat House Bill 2580.

**Kansas-Nebraska
League of
Savings
Institutions**

Jeffrey D. Sonnich, Vice-President

Suite 512
700 Kansas Avenue
Topeka, Kansas 66603
(913) 232-8215

March 25, 1991

TO: House Committee on Taxation
FROM: Jeff Sonnich
RE: H.B. 2580 (Sales Verification Form)

Madam Chairperson. Members of the Committee. The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the House Committee on Taxation to express our concerns regarding H.B. 2580.

H.B. 2580 would repeal the certificate of value statutes and replace that document with a sales verification form. This form greatly expands the amount of information that must be presented for recording. While we are not necessarily opposed to the idea of requiring additional information for property valuation purposes we feel some areas of information outlined in sec. 2 are inappropriate. Specifically we would object to the requirement that the method of financing be included in the form. This information would be a matter of public record and would infringe on the privacy of the borrower-lender relationship.

Also included in the form would be information disclosing the "nature and circumstances peculiar to the sale". We're not sure what is required by this section and feel that language should be included in the bill that specifically outlines what is needed.

We would request that this committee seriously consider what types of information are necessary for property valuation purposes and whether this information should be a matter of public record.

Jeffrey Sonnich
Vice President

HOUSE TAXATION
Attachment #4
03/25/91



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

TO: THE HOUSE TAXATION COMMITTEE
FROM: KAREN MCCLAIN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS
DATE: MARCH 25, 1991
SUBJECT: HB 2580, CERTIFICATES OF VALUE

On behalf of the Kansas Association of REALTORS®, I appear today to oppose HB 2580 in its current form.

As many of you may or may not know, KAR has opposed many certificate of value bills in the past. However, we supported the one passed in 1989, because it permitted taxpayers in the process of protesting their valuations to have access to the certificates. We also supported anyone in the county appraiser's office or PVD who needed the information to have access.

For this bill we have to ask: what is the purpose? If the purpose of this bill was to reduce the paper work and staff needed to keep reappraisal current, as it was originally described to us, then that is a noble purpose which we were willing to discuss. However, the bill which you have before you goes far beyond this.

We understand that, by substituting the Sales Verification form for the Certificate of Value it would avoid the additional mailing and staff costs necessary to verify the sale so that it can be used in the ongoing reappraisal. However, if there is to be any expansion of the items to be filled in as this bill proposes, we feel the items required should be clearly described in the

HOUSE TAXATION
Attachment #5
03/25/91

statute and not subject to change by PVD or subject to broad interpretation. For example, what does the phrase "nature and circumstances peculiar to the sale" on line 31 mean? How will it be interpreted by 105 county appraisers across this state, let alone the people who will be required to fill this out? We also believe any changes should be made on a statutory basis, not as an administrative function of the director of property valuation as the bill provides.

Also, a major change in existing law would be to make this information public, so that, not only is the information given to the counties expanded, it also is made public. The issue of making the certificate of value public information has been discussed many times. We have always opposed it on the basis of privacy. Kansans are very protective about certain things, one of which is the subject of the amount of money which they earn and another is the price of property which they bought or sold.

Perhaps property owners have gotten more tolerant of having their privacy invaded due to the reappraisal process. We encourage you to ask your constituents if they would mind having the local paper publish all the details of their recent real estate transaction. We think you will find they would be very uncomfortable with this.

As I stated earlier, we are willing to support permitting persons to have access to sales information on a "need to know" basis, such as the addition in 1989 which permitted persons in the appeal process to have access, in addition to all of the people at the county level. Private appraisers also have the need to have access for the work they do. Prior to 1990, there was no definition of "appraiser" in this state and so no statute could be drafted to make sure that anyone could come in and say they were an appraiser and have access.

However, last year the Appraiser Certification bill was passed as means of implementing the FIRREA legislation dealing with lending institutions. Under that statute (K.S.A. 58-4101 et seq) you now can identify appraisers in this state. We would have no problem permitting people licensed or certified under that statute having access to sales information. We believe that the federal government is very close to mandating that these persons have access to such information. Making this specific exception for them would prepare Kansas for this federal mandate. We believe there has been no justification for expanding accessibility for this information to anyone else.

Thank you for the opportunity to testify.