

Approved Monday, February 11, 1991
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at
Chairperson

11:00 a.m. ~~pm~~ on Thursday, February 7, 1991 in room 519-S of the Capitol.

All members were present except:

Committee staff present:
Don Hayward, Assistant Revisor
Tom Severn, Research Department
Chris Courtwright, Research Department
Marion Anzek, Secretary

Conferees appearing before the committee:

Larry Clark, Wyandotte County Appraiser Re: KS County Appraisers Association
Bob Corkins, KS Chamber of Commerce and Industry
Lucky DeFries, KS Apartment Legislative Committee

Chairman Dan Thiessen called the meeting to order at 11:08 a.m. and called for a motion on the minutes dated February 4, 1991 and February 5, 1991.

Senator Audrey Langworthy moved to adopt the minutes of February 4, 1991 and February 5, 1991, 2nd by Senator Don Montgomery. The motion carried.

Chairman Thiessen said we would be hearing from Proponents and Opponents on SB8, and then we would continue with hearings on SCR1611 and SCR1606. He then recognized Larry Clark, Wyandotte County Appraiser.

SB8:AN ACT relating to property taxation; concerning dates of appeals of the valuation of real property, amending K.S.A. 1990 Supp. 79-1448 and 79-1460 and repealing the existing sections.

Larry Clark said he was representing the Kansas County Appraisers Association, as their president elect, today.

He said the KS County Appraisers Association and County Clerks' Association met last year and developed a joint proposal for adjusting the tax calendar including those deadlines discussed in SB8. They proposed mailing change of value notices by February 1, leaving the 21 day period to appeal the value intact and concluding all informal hearings by April 5. The intent of their proposal was to allow sufficient time for hearings while avoiding compressing succeeding hearing levels. By allowing informal hearings to continue until April 30, SB8 provides less time for the hearing officer/panels and Boards of Equalization to conclude their hearings prior to their adjournment.

He asked the members to consider revising the mailing date to February 1 and the deadline for hearing informal appeals as April 1.

In addition, he said their committee revised the number of days in which to appeal from 21 to 51. He also suggested that if notices are required to be mailed by February 1 that the deadline for filing an informal appeal be set at March 1, and if the notice date is set at March 1, as it is in SB8, the deadline be set at April 1. He said this would provide the taxpayers ample time to decide whether to appeal without unduly compressing succeeding appeal levels. Mr. Clark said his handout, includes Legislative proposals by KS County Appraisers Association (ATTACHMENT 1)

Questions to Mr. Clark from committee members were, (1) Do you feel there is a need for hearing panels, anymore? Mr. Clark said no, because it delays the taxpayer reaching a solution to their problem and causes the counties greater expense. (2) There are a number of counties that sent out a large number of notices, one county sent out 17,000 which takes a lot of time for the taxpayer in gathering materials, should there be more time allowed for the whole process, so the taxpayer has enough time to get to the clerk and treasurer? Larry Clark said they feel the same way, that the taxpayer should be given ample time to prepare for the hearing, and this is why they suggested the February 1 date for mailing notices, rather than March 1, if it was set for April 1, as the final date for appealing, that would give the taxpayer (2) full months to decide if they want to

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on Thursday, February 7, 1991.

appeal and then time to prepare. This would also decrease the amount of time before the Board of Equalization.

Chairman Thiessen concluded hearings on SB8 and turned attention to continued hearings on SCR1611 and SCR1606 recognizing Bob Corkins, Director of Taxation, Kansas Chamber of Commerce and Industry.

SCR1606:A PROPOSITION to amend section 1 of article 11 of the constitution of the state of Kansas, relating to the taxation of property.

SCR1611:A PROPOSITION to amend section 1 of article 11 of the constitution of the state of Kansas, relating to the taxation of property.

Bob Corkins said KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women.

He said although KCCI would consider supporting reclassification designed to bring commercial property tax reductions, they oppose this and other similar proposals for the following reasons. (1) These proposals finally acknowledge that the business sector is the class which has suffered most under statewide reappraisal and classification and that some relief for this class should be the primary objective.

He said, however, their opposition has been directed by their members due to three main items included in all reclassification plans submitted this session: inventory taxes, increased public utility taxes, and excessively high machinery and equipment taxes. He said, KCCI opposes all forms of an inventory tax, including those upon public utilities' inventory, KCCI opposes any increase in the assessment rates applied to public utility property, KCCI opposes any unreasonable increase in property taxes applied to business machinery and equipment and they are optimistic about the possibility of a reclassification amendment which effectively addresses the commercial property tax problem in a fair and prudent manner and because of the uncertainties involved in the process, though, KCCI still prefers a statutory approach towards solutions. (ATTACHMENT 2)

A committee member said he was disappointed in Mr. Corkins' testimony, that it seems they are opting out to sit on the sidelines and listen to comments made, and he said a group of this importance would opt, instead of participating which your testimony seems to imply that, and that makes it very difficult for us to address any answers as it seems to be a new direction on thinking, on KCCI's part. Another committee member said they also were disappointed and would hope that Mr. Corkins' would take this back to his organization and try to get his members around the table again, because there is nothing here that we can work with.

Lucky DeFries representing the Kansas Apartment Legislative Committee, said they strongly oppose any attempt to raise the classification percentage on multi-family residential real property above the existing 12% level.

He said, the changes that some would propose for multi-family residential property is premised on at least three false conclusions. (1) Under Classification in 1989, apartment real property taxes went down. True for some properties within some counties, but not a consistent trend throughout the state. (2) False conclusion is that apartment owners are the ones who pay the taxes, as opposed to apartment renters. Nothing could be further from the truth. Expenses incurred in operating multi-family housing has a direct impact on the rents that are charged for such housing. (3) The proposed change is premised on the false conclusion that 1988 taxes on apartments were at an appropriate level. When some apartment taxes went down in 1989, it was because their 1988 assessments were unrealistically high.

Mr. DeFries said with his testimony, were attachments listing Lawrence KS Apartment Projects with 1988, 1989 Assessed Value, Assessed Unit and Taxes, with percentages changes from 1988 to 1989. (ATTACHMENT 3)

After committee discussion Chairman Thiessen said we would have to continue hearings on SCR1606 and SCR1611 on Monday, February 11, 1991 and he apologized to the conferees that are still on the list and said if they want to turn in written testimony, the secretary would be happy to accept it, or they could testify on Monday.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Thursday, February 7, 1991.

The Chairman adjourned the meeting at 12:02 p.m.

WRITTEN TESTIMONY WAS TURNED IN BY

- (1) Pam Somerville-Taylor, Governmental Affairs Director, KS Motor Car Dealers Association (ATTACHMENT 4)
- (2) B. J. Beaudoin, Vice Pres.-Finance (ATTACHMENT 5)
- (3) Cindy L. Simons, CKA McPherson County Appraiser, McPherson County, KS. (ATTACHMENT 6)
4. Franz H. Penner, a KS landowner from Lamar, Missouri (ATTACHMENT 7)

GUEST LIST

COMMITTEE: SENATE
ASSESSMENT & TAXATION

DATE: 2-7-91

Please Print

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Kirby L. Stegman	Topeka	DOR
JANICE MARCUM	TOPEKA	DOR
Dan Schuack	Topeka	ICTOGIA
Pat Wiechman	Topeka	A.C.T. Apt Council of Topeka
FRANCES KASTNER	topeka	Ks Food Dealers Assn
Dan Haas	Overland Park	KCPK
Luck, Jeffries	Topeka	Ks. Dept. Reg. Comm.
MARK A. BURSHART	TOPEKA	REVENUE
AUSTIN NOTHERN	TOPEKA	MARTIN TRACTOR Co
Carol Mason	Topeka	KPL
Mark Lee	Meade	KCNA
Alan Hoop	Bandew City	Finney Co
Quinn Tappan	Wlypses	Shant/Stanton Co
Brad Welch	Jabin	Kearny/Greeley Co
Thom Humphreys	Topeka	KMHA
Cindy Gupin	Topeka	Budget Division
Dan Carlson	Topeka	Kansas Ind Auto Dealers Assn
Jacquie Oakes	Topeka	Ks. Ind. Auto Dealers Assn
John TUNNELL	TOPEKA	KS GRAIN & FEED ASSN
LISA Getz	WICHITA	KS ASSO for Small Business
MARY ELLEN COMLEE	WICHITA	" " " "
Rob Hodges	Topeka	Ks Telecom Assn
Ram Somerville-Jaylor	Topeka	KS MOTOR CAR DEALERS ASSOC.
Janet Stubbs	Topeka	HBA of Ks
Ed Sam	Lawrence	Lawrence Apt Assoc.

To: Senate Assessment and Taxation Committee
From: Larry Clark, Wyandotte County Appraiser
Date: February 7, 1991
Re: Senate Bill #8

Mr. Chairman and honorable members of this committee, I appreciate the opportunity to appear before you in regards to Senate Bill #8.

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 and the County Clerks' Association met last year and developed a joint proposal for adjusting the tax calendar including those deadlines discussed in this bill. We proposed mailing change of value notices by February 1, leaving the 21 day period to appeal the value intact and concluding all informal hearings by April 5. The intent of our proposal was to allow sufficient time for hearings while avoiding compressing succeeding hearing levels. By allowing informal hearings to continue until April 30 Senate Bill 8 provides less time for the hearing officer/panels and Boards of Equalization to conclude their hearings prior to their adjournment. Human nature being what it is we can expect a number of taxpayers to wait until the last possible minute to appeal. If a county waited until March 1 to mail notices that would give taxpayers until April 20 to appeal, which would, in turn leave only 10 days to schedule and conduct an informal hearing. It is impossible to do that and give the required 10 days notice of the hearing to the taxpayer.

ATT. 1
2-7-91

In addition, the hearing officer/panels and/or county board of equalization would have only 25 working days to receive appeals, provide a 10 day notice, and hear and decide them before the May 31 adjournment.

Therefore I would respectfully request that the committee consider revising the mailing date to February 1 and the deadline for hearing informal appeals as April 1.

In addition, the committee revised the number of days in which to appeal from 21 to 51. While the legislative proposal of the clerks and appraisers associations did not address this directly, we feel the taxpayers would be better served by setting a calendar day as the deadline, rather than asking counties and taxpayers alike to count days from a date on a form. With the latter there invariably arise disputes on which days are to be counted. I would suggest that if notices are required to be mailed by February 1 that the deadline for filing an informal appeal be set at March 1. If the notice date is set at March 1, as it is in Senate Bill 8, the deadline be set at April 1. This will provide the taxpayers ample time to decide whether to appeal without unduly compressing succeeding appeal levels.

I would conclude by asking the committee to consider all the points raised in the joint legislative proposal attached to this testimony.

KANSAS COUNTY APPRAISERS ASSOCIATION

LEGISLATIVE PROPOSALS

The Kansas County Appraisers Association supports the following legislative proposals for introduction into the Kansas Legislature during the 1991 Legislative Session. In general terms, the Appraisers Association would support:

1. Streamlining the equalization (Change of Value Notice) hearing process by elimination of the Hearing Officer/Panel (HOPs) level of appeal.
2. Date adjustments to the Tax Calendar.
3. Streamline the Payment Under Protest procedures so that taxpayers who had equalization hearings in the Spring and also Paid Under Protest would not receive another meeting with the Appraiser or the County Commissioners but would appeal their Payment Under Protest directly to the Board of Tax Appeals.
4. Expand information required on Certificate of Value (COV) to include sales ratio information, and increase penalties for failure to complete COV completely and accurately.

A specific discussion of the above four proposals follows:

1. Streamlining the equalization (Change of Value Notice) hearing process by elimination of the Hearing Officer/Panel (HOPs) level of appeal.

Currently, a property owner may appeal the value shown on a Change of Value Notice to the Appraiser, then, in counties that choose the option, to a Hearing Officer or Panel and, then, to the County Board of Equalization. This three-step process is time consuming and costly for both the property owner and the county. By eliminating the HOPs the final value decision at the county level is accomplished in two steps, which saves time, money and should eliminate some of the current confusion over hearing levels. If the County Board of Equalization desires assistance in reaching their decisions it is available to them under the authority of KSA 79-1607.

Statutes affected: KSA 79-1601, 1602, 1603, 1606, 1607, 1609, 1610; 79-1472; 79-1481.

2. Date adjustments to the Tax Calendar.

See Exhibit A for a list of dates and proposed adjustments. Corresponding statutes are cited as well. Generally the proposed changes to the tax calendar would expand the time in which appraisers have to process and hear appeals from Change of Value Notices from approximately six weeks to nine weeks. The mailing

of Change of Value Notices triggers a series of deadlines in which various stages of the equalization appeal process must be completed. Under current law the Change of Value Notices (CVN) are mailed to the taxpayer no later than April 1 for real property. Under this proposal, the CVNs would be mailed by February 1, giving the county appraiser until April 5 to conduct all hearings and issue Final Determinations. The County Boards of Equalization would then have until May 30 to complete hearings on appeals from decisions at the appraiser's level. No date has been proposed for the "Last day for Hearing Officers or Panels to complete hearings from Final Determinations" due to the above proposal to eliminate the HOPs.

Perhaps the greatest advantage to moving the mailing of the CVNs to February 1, is to provide the county appraiser with the opportunity to allocate more time to each taxpayer appeal. A more thorough job at the first level of appeal will result in less wasted effort at higher levels of appeal(s).

Statutes affected: KSA 79-1460

3. Streamline the Payment Under Protest procedures so that taxpayers who had equalization hearings in the Spring and also Paid Under Protest would not receive another meeting with the Appraiser or the County Commissioners but would appeal their Payment Under Protest directly to the Board of Tax Appeals.

In tax year 1990, a property owner could theoretically, appeal his or her valuation in the Spring and could then pay taxes under protest for both the first and second half of their tax bill. Should a property owner choose such a course of action he/she could, under current law, have three hearings with the appraiser, possibly three hearings with the county commission and one hearing with a hearing officer or panel. Seven appeal hearings is time consuming, costly and confusing for all concerned and not in the best interests of the taxpayers. Under this proposal, the property owner may appeal his or her valuation, from the CVN mailed at the beginning of the year, to the county appraiser; and if not satisfied with the results the property owner could appeal the appraiser's decision to the county board of equalization. If the property owner remains dissatisfied, he/she must pay taxes under protest in the Fall and the protest will be heard by the State Board of Tax Appeals without any further hearings at the county level. The county's responsibility at that point would be to provide a written recommendation to the State Board.

On the other hand, if the property owner did not appeal during the Spring equalization hearings and pays the first or second half property taxes under protest and timely files a protest application, he/she would be given a hearing with the appraiser as a result of that protest. Should the property owner be unsatisfied with the appraiser's recommendation he/she would have the opportunity to appeal directly to the State Board of Tax Appeals.

Statutes affected: KSA 79-2005, 79-1448.

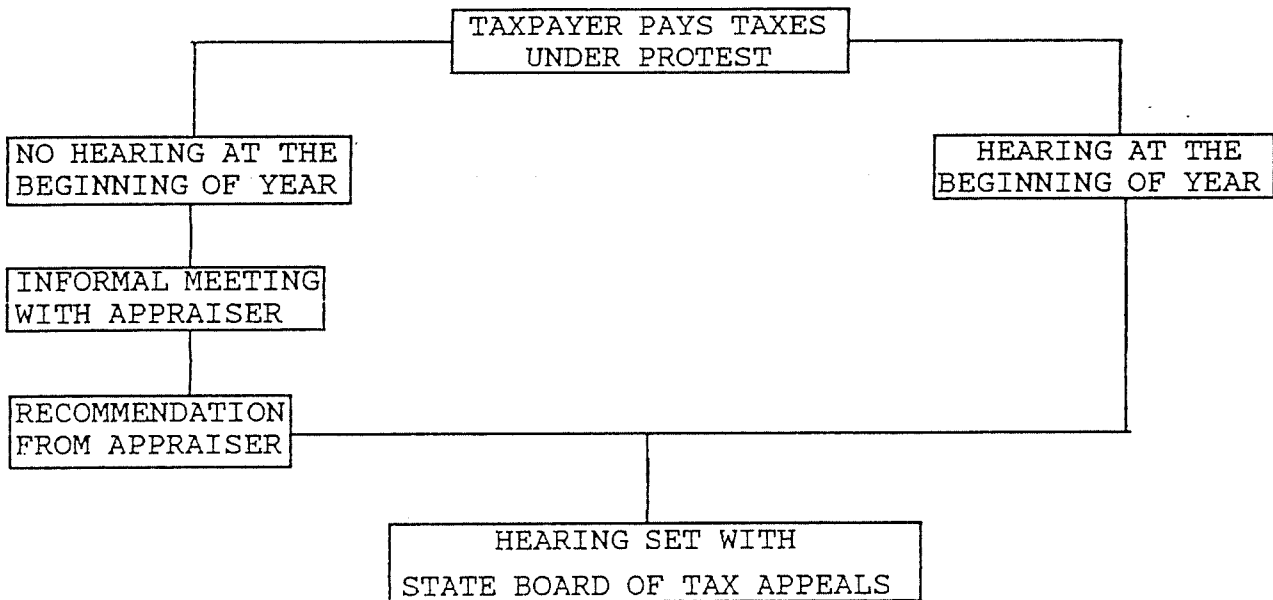
Expand information required on Certificate of Value (COV) to include sales ratio information, and increase penalties for failure to complete COV completely and accurately.

Should Exhibit B, the "Kansas Real Estate Sales Verification Questionnaire", or some similar questionnaire become part of the Certificate of Value form described in KSA 58-2223d, the County Appraiser's duty to compile a list of, "every tract or piece of real estate which has been or shall be either sold, transferred or contracted to be sold or transferred", (KSA 79-1436) would be greatly simplified. The purpose of KSA 79-1435 et seq is to provide the Counties, the Director of PVD, the State Board of Tax Appeals, Legislators, and the Governor with information on how closely the County Appraiser has appraised each parcel on January 1 with that parcel's actual selling price during that tax year. Currently, the county appraisers are mailing the Kansas Real Estate Sales Verification Questionnaire or a facsimile thereof to the buyer and seller of the real property. This method has proved to be very inefficient in terms of obtaining complete and accurate information concerning the transfer of property. Information obtained via the questionnaire allows the county appraiser to determine whether each specific sale meets the standards of a "valid sale", as outlined in the Division of Property Valuation's "GUIDELINES FOR SALES VERIFICATION". Not only will an identified "valid sale" be included in the Assessment-Sales Ration Study required by KSA 79-1435 et seq, it will also be used by the county appraiser in the initial valuation of properties similar to the sold property. For these reasons, all entities involved in real property appraisal must have complete and accurate information concerning the terms and circumstances surrounding the property transferred.

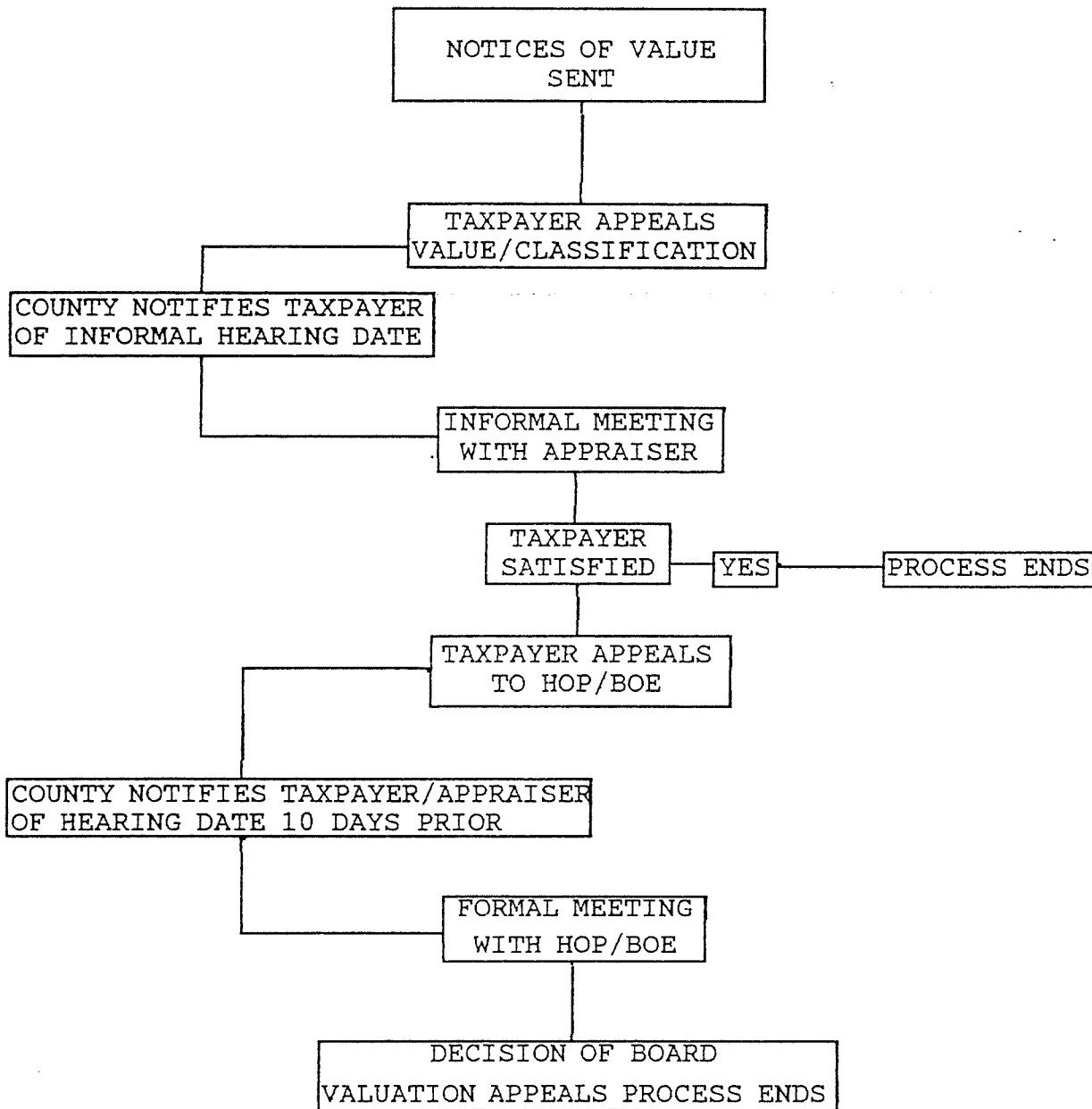
There appears to be significant reluctance on the part of buyers and sellers to provide the information requested on the Kansas Real Estate Sales Verification Questionnaire. Often, buyers and sellers fail to return the questionnaire altogether or fail to complete all the items requested. A solution to obtaining this vital information is to expand the information required on the COV (KSA 58-2223d) to include verification questions. This would increase the likelihood that the COV/Verification would be completed at the closing when all knowledgeable, involved parties are present. Additionally, the penalty provisions of KSA 58-2223e should be increased to ensure accurate and complete data are being supplied by the appropriate parties.

Statutes affected: KSA 58-2223d, 58-2223e.

PROTEST PROCESS



HEARING AND APPEALS PROCESS



Property Tax Calendar

<u>1990 Deadline</u>	<u>Proposed Deadline</u>	<u>Event</u>
3/31/90	6/15/XX	Deadline for County Appraiser to deliver a document to the Clerk certifying that such appraisals constitute the complete appraisal rolls for real property [KSA 79-1467].
4/16/90	2/1/XX	Last day for County Appraiser to mail Change of Value Notices on real property [KSA 79-1460].
4/30/90	6/15/XX	Deadline for County Appraiser to deliver a document to the Clerk certifying that such appraisals constitute the complete appraisal rolls for personal property [KSA 79-1467].
5/1/90	5/1/XX	Last day for County Appraiser to mail Change of Value Notices on personal property [KSA 79-1460].
5/6/90	2/22/XX	Last day for taxpayers receiving a notice, due to an change in valuation or classification, to appeal to the Co. Appraiser (appeal within 21 days) [KSA 79-1448].
5/15/90	4/1/XX	Informal meeting between taxpayer and Co. Appraiser must be completed [KSA 79-1448].
5/20/90	4/5/XX	Appraiser must issue Final Determination (real property) [KSA 79-1448].
5/25/90	5/15/XX	Last day for Hearing Officers or Panels to complete hearings from Final Determinations made at Informal meetings and issue an Order (Notice of hearing must be send 10 days in advance of hearing) [K.S.A. 79-1602].
6/7/90	4/25/XX	Last day for taxpayers to appeal Final Determination made at Informal meeting to Hearing Officer/Panel/County Board of Equalization (within 18 days) [KSA 79-1606].

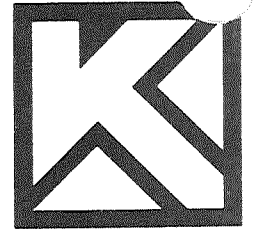
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Property Tax Calendar

6/8/90	5/30/XX	Last day for County Board of Equalization to complete hearings from final Determinations made at Informal meetings and issue an Order (Notice of hearing must be sent 10 days in advance of hearing) [K.S.A. 79-1602].
6/11-21/90	6/5-6/15	County Board of Equalization reconvenes to hear appeals from Final Determinations made by Appraisers, Hearing Officers or Panels, and appeals from persons who have been notified by county clerk of pending changes in the valuation of their property. (Notice of hearing must be sent 10 days in advance of hearing) [K.S.A. 79-1602].
6/15/90	7/15/XX	Last day for County Clerk to notify each taxing district and joint counties as to assessed valuation [K.S.A. 79-5a27].
6/21/90	6/15/XX	County Board of Equalization adjourns sine die [K.S.A. 79-1602].
8/25/90	8/1/XX	Deadline to file budgets and tax levy with County Clerk [KSA 79-1801].
11/1/90	11/1/XX	Last day for County Clerk to certify tax roll to County Treasurer K.S.A. 79-1803].
11/1/90	11/1/XX	All taxes legally due [K.S.A. 79-1804].
12/31/90	12/31/XX	Deadline for all taxing districts to change boundaries [KSA 79-1807].

6-7

LEGISLATIVE TESTIMONY



Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

SCR 1606 & SCR 1611

February 6, 1991

KANSAS CHAMBER OF COMMERCE AND INDUSTRY
Testimony Before the
Senate Assessment and Taxation Committee
by
Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to appear today to express our concerns regarding proposed changes to the constitutional property tax classification system. Although KCCI would consider supporting reclassification designed to bring commercial property tax reductions, we oppose this and other similar proposals for reasons which I will briefly explain.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

ATT. 2
2-7-91

First, we are very encouraged by the primary thrust of these proposals. They all finally acknowledge that the business sector is the class which has suffered most under statewide reappraisal and classification and that some relief for this class should be the primary objective.

However, our opposition has been directed by our members due to three main items included in all reclassification plans submitted this session: inventory taxes, increased public utility taxes, and excessively high machinery and equipment taxes.

KCCI opposes all forms of an inventory tax, including those upon public utilities' inventory. Any business subjected to an inventory tax, to whatever degree, would be saddled with a regressive, counterproductive tax which is highest when they can least afford it and which the vast majority of other states have already declared obsolete. In addition, to reimpose an inventory tax in Kansas, when 42 other states have either never imposed it or have eliminated it, would be devastating to our economic development.

KCCI opposes any increase in the assessment rates applied to public utility property. Although all property taxes on businesses are eventually reflected in the price of goods and services sold, it is especially true and rapid with respect to utilities -- an expense which very few individuals and businesses can avoid.

KCCI opposes any unreasonable increase in property taxes applied to business machinery and equipment. Our members strongly believe that the current appraisal and straight line depreciation method used for machinery and equipment must not be changed. While some reasonable increase in the assessment rate applied to this property would be acceptable, most KCCI members feel that 30% would be too high.

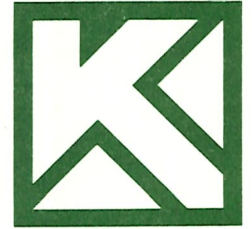
We remain optimistic about the possibility of a reclassification amendment which effectively addresses the commercial property tax problem in a fair and prudent manner. Because of the uncertainties involved in the process, though, KCCI still prefers a statutory approach towards solutions. Reclassification, unfortunately, will not reduce the present overreliance on property taxes as a source of revenue.

Again, thank you for your time and consideration.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

COMPARISON OF REGIONAL TREATMENT OF BUSINESS MACHINERY & EQUIPMENT AD VALOREM TAXATION

Kansas

- * All business M&E appraised at "retail cost when new"
- * All business M&E depreciated on a 7-year straight line basis
- * All business M&E assessed at 20% of appraised value

Colorado

- * All business M&E appraised at "original installed cost new"
- * Depreciation calculated on "Iowa curve":
 - not equivalent to straight line depreciation
 - 12 classes of M&E established, according to M&E life
 - all classes, faster depreciation allowed in early years
 - IRS "form 534" depreciation used as guideline
 - annually updated Colo. booklet used by appraisers
- * All business M&E assessed at 29% of appraised value

Iowa

- * Generally, tangible personal property is all exempt
- * Computers and industrial machinery are taxed
- * Appraisal = 30% of "acquisition cost"
- * No depreciation is allowed, regardless of M&E's useful life;
property remains on tax rolls at 30% acquisition cost until disposed of
- * Property is assessed at 100% of appraised value

Missouri

- * Substantial discretion is given to local appraisers
- * Generally, M&E is appraised at "retail cost when new"
- * Depreciation schedules vary by county, some using straight line
- * Business M&E is assessed at 33% of appraisal; Agric. M&E = 12%

Nebraska

- * Business M&E appraised at "historic" price:
 - generally meaning original retail price
 - exceptions allowed for other appraisal method
if M&E life expectancy exceeds 10 years
- * Depreciation of M&E:
 - 10 year straight line on most M&E
 - 5 year straight line on computers and data processing
 - 3 year straight line on videotapes, etc.
- * Business M&E is assessed at 100% of appraisal

Oklahoma

- * Business M&E is both appraised and depreciated using state's "book value"
- * No depreciation schedule, per se, but "book" is revised annually
- * Assessment rates on M&E vary by county, but average 10 to 12% of "book value"

To: Senate Taxation Committee

From: S. Lucky DeFries on behalf of the
Kansas Apartment Legislative Committee

My name is Lucky DeFries, and I am appearing on behalf of the Kansas Apartment Legislative Committee. We strongly oppose any attempt to raise the classification percentage on multi-family residential real property above the existing 12% level. The changes that some would propose for multi-family residential property is premised on at least three false conclusions. The first is that under classification in 1989, apartment real property taxes went down. While this may have been true for some properties within some counties, it was by no means a consistent trend throughout the state. Attached you will find Chart A which shows that in Lawrence, some apartments' taxes went up, some stayed about the same, and some went down. Obviously, a further increase for those that already have experienced higher taxes would have a devastating impact on those particular apartments.

The second false conclusion is that apartment owners are the ones who pay the taxes, as opposed to apartment renters. Nothing could be further from the truth. The expenses incurred in operating multi-family housing has a direct impact on the rents that are charged for such housing. Real estate taxes are a significant part of these expenses, especially in Kansas. Ultimately, expenses determine rents. Attached you will find Chart B which represents a trend analysis from the 1988 Manual of

ATT. 3
2-7-91

the Institute of Real Estate Management. This chart details the relationship between rents and expenses in the United States from 1973 to 1987. As one can readily see from the chart, when expenses go up, then rents go up. When expenses go down, rents go down. Small expense increases dictated small rent increases. Large expense increases dictated large rent increases.

Finally, the proposed change is premised on the false conclusion that 1988 taxes on apartments were at an appropriate level. When some apartments' taxes went down in 1989, it was because their 1988 assessments were unrealistically high. Attached you will find Charts C and D from the Institute of Real Estate Management providing nationwide 1988 figures. They reflect that in 1988, the ratio of apartment real estate taxes to total potential gross rents nationwide was 7.8%. That ratio in Topeka, Kansas, was 12.8%, or 64% above the national average. Of 116 American cities, Topeka, Kansas, ranked as the 12th highest in real estate taxes.

Most apartment complexes in Kansas were experiencing negative cash flow in 1988, such that any reduction in taxes only served to reduce the amount of negative cash flow that they were experiencing. Very few apartment complexes actually went from a negative to a positive position.

Chart E attached to these remarks reflects that even at the end of 1989, apartments in Kansas were still being taxed well above the national averages. You will note that while the national average was 6.3%, Kansas City, Missouri, was at 9.7%, and Topeka at 11%. Thus, even though the classification amendment has occasioned some relief for some apartment complexes in Kansas, the apartment industry continues to be taxed in Kansas at a level much higher than the national average.

In conclusion, we would suggest that good tax policy would mandate that a residence be considered a residence, regardless of whether you are considering a typical single-family residence, an apartment, a nursing home complex, or a mobile home park. Many who have studied this issue over the years have reached this conclusion, and we believe it represents a common sense approach to this issue.

Appendix A

Lawrence, Kansas Apartment Projects

Project	Number Of Units	1988 Assessed Value	1988 Assessed Per Unit	1988 Taxes	1989 Assessed Value	1989 Assessed Per Unit	1989 Taxes	1989 Appraised	1989 Appraised Per Unit	% Change 1988 to 1989
Aspen West	72	121,300	1,682	20,565	222,960	3,097	28,048	1,858,000	25,806	36.4
Boardwalk	230	322,620	1,403	54,774	976,900	4,247	122,894	8,140,833	35,395	124.4
Graystone	86	52,140	606	8,852	93,695	1,089	11,787	780,792	9,079	33.2
Malls Olde English Village	144	293,220	2,036	49,783	439,260	3,050	55,259	3,660,500	25,420	11.0
Naismith Place	48	102,500	2,135	17,402	154,835	3,226	19,478	1,290,292	26,881	11.9
1224 Ohio	4	9,740	2,435	1,654	16,355	4,089	2,057	136,292	34,073	24.4
Parkway Terrace	67	46,340	692	7,868	70,205	1,048	8,832	585,042	8,732	12.2
Shannon Plaza Townhomes	18	46,840	2,602	7,952	131,425	7,301	16,533	1,095,208	60,845	107.9
Trailridge	168	359,300	2,139	61,002	527,750	3,131	66,391	4,397,917	26,178	8.8
Apple Lane	75	97,260	1,297	16,513	117,170	1,562	14,740	976,417	13,019	-10.7
Berkeley Flats	96	159,530	1,662	27,085	200,700	2,091	25,248	1,672,500	17,422	-6.8
Campus Place	21	59,760	2,846	10,146	79,525	3,787	10,004	662,708	31,558	-1.4
Emery Place	29	40,590	1,400	6,891	53,245	1,836	6,698	443,708	15,300	-2.8
Kentucky Place	18	59,840	3,324	10,160	69,950	3,886	8,800	582,917	32,384	-13.4
Prairie Ridge Place	101	205,460	2,034	34,883	268,765	2,661	33,811	2,239,708	22,175	-3.1
Shannon Plaza Club	64	132,290	2,067	22,460	169,200	2,644	21,285	1,410,000	22,031	-5.2
South Pointe	108	200,180	1,854	33,987	231,480	2,143	29,120	1,929,000	17,861	-14.3
University Terrace	72	129,390	1,797	21,968	156,395	2,172	19,674	1,303,292	18,101	-10.4
Birchwood Gardens	92	192,920	2,097	32,754	210,580	2,289	26,491	1,754,833	19,074	-19.1
Clinton Place	58	130,710	2,254	22,192	137,930	2,378	17,352	1,149,417	19,818	-21.8
Grandview Terrace Quadruplexes	44	104,010	2,364	17,659	115,880	2,634	14,578	965,667	21,947	-17.4
Heatherwood Valley	72	331,450	4,603	56,274	348,910	4,846	43,893	2,907,583	40,383	-22.0
Oaks	72	107,660	1,495	18,279	97,355	1,352	12,247	811,292	11,268	-33.0
Park Plaza South	102	152,250	1,493	25,849	160,360	1,572	20,173	1,336,333	13,101	-21.9
Parkway 4000	55	345,100	6,275	58,591	344,495	6,264	43,337	2,870,792	52,196	-26.0
Peppertree	80	205,810	2,573	34,942	202,485	2,531	25,473	1,687,375	21,092	-27.1
Princeton Place	48	204,010	4,250	34,637	198,635	4,138	24,988	1,665,292	34,485	-27.9
Quail Creek	95	275,080	2,896	46,703	278,620	2,933	35,050	2,321,833	24,440	-24.9
Summit House	18	31,100	1,728	5,280	32,905	1,828	4,139	274,208	15,234	-21.6
Sunrise Place	68	177,690	2,613	30,168	207,315	3,049	26,080	1,727,625	25,406	-13.6

7-8
Not a complete list of Lawrence projects.

Historical Overview of Operating Experience

The four tables on this page provide a brief overview of the variations in operating experience over the past fifteen years. The data are grouped by building type for all unfurnished buildings in the U.S. sample.

Five columns of data appear for each building type (left to

right): Gross Possible Apartment Rents (Rents); Gross Possible Total Income (GPTI); Total Actual Collections (TAC); Total All Expenses (TAE); and Net Operating Income (NOI).

All figures are reported in Dollars per Square Foot of Rentable Area. All figures from 1973 to 1976 are averages. All figures from 1977 to 1987 are medians.

Table 17: ELEVATOR BUILDINGS

Year	Rents	GPTI	TAC	TAE	NOI
1973	3.66	3.97	3.85	2.04	1.81
1974	3.30	3.57	3.42	1.89	1.53
1975	3.55	3.80	3.64	2.03	1.62
1976	3.75	4.04	3.87	2.15	1.59
1977	3.63	3.85	3.71	2.14	1.53
1978	3.94	4.13	4.04	2.24	1.69
1979	4.20	4.49	4.32	2.34	1.96
1980	4.58	4.82	4.65	2.53	1.99
1981	5.31	5.59	5.37	2.89	2.48
1982	6.04	6.29	6.12	3.10	2.96
1983	6.68	7.02	6.73	3.31	3.31
1984	7.24	7.64	7.40	3.53	3.74
1985	6.91	7.26	6.75	3.55	3.33
1986	7.27	7.57	7.10	3.58	3.48
1987	7.51	7.80	7.36	3.95	3.41

Table 19: LOW-RISE 25+ UNITS

Year	Rents	GPTI	TAC	TAE	NOI
1973	2.41	2.48	2.34	1.16	1.18
1974	2.54	2.63	2.48	1.26	1.23
1975	2.71	2.80	2.61	1.39	1.22
1976	2.85	2.94	2.78	1.45	1.33
1977	3.18	3.29	3.09	1.61	1.51
1978	3.30	3.41	3.24	1.64	1.57
1979	3.72	3.83	3.58	1.75	1.79
1980	4.02	4.12	3.88	1.95	1.93
1981	4.52	4.65	4.45	2.13	2.19
1982	4.96	5.10	4.83	2.32	2.37
1983	5.25	5.43	5.05	2.40	2.64
1984	5.73	5.94	5.57	2.62	2.93
1985	5.90	6.11	5.55	2.68	2.85
1986	5.82	6.00	5.48	2.73	2.79
1987	5.93	5.96	5.46	2.72	2.73

Table 18: LOW-RISE, 12-24 UNITS

Year	Rents	GPTI	TAC	TAE	NOI
1973	2.32	2.38	2.27	1.18	1.09
1974	2.38	2.45	2.33	1.18	1.14
1975	2.50	2.58	2.47	1.26	1.21
1976	2.63	2.69	2.57	1.36	1.21
1977	3.09	3.17	3.03	1.54	1.42
1978	3.32	3.37	3.28	1.61	1.59
1979	3.62	3.73	3.52	1.74	1.73
1980	3.96	4.03	3.84	1.86	1.90
1981	4.43	4.48	4.24	2.06	2.18
1982	4.86	4.94	4.68	2.26	2.34
1983	5.22	5.33	5.03	2.31	2.70
1984	5.53	5.62	5.37	2.36	2.84
1985	5.73	5.86	5.60	2.52	2.94
1986	6.04	6.21	5.64	2.72	2.98
1987	6.21	6.21	5.95	2.77	3.16

Table 20: GARDEN TYPE BUILDINGS

Year	Rents	GPTI	TAC	TAE	NOI
1973	2.31	2.38	2.23	1.10	1.13
1974	2.49	2.58	2.38	1.22	1.16
1975	2.65	2.73	2.52	1.31	1.21
1976	2.78	2.87	2.67	1.40	1.27
1977	2.96	3.04	2.86	1.47	1.41
1978	3.14	3.23	3.04	1.51	1.52
1979	3.42	3.54	3.32	1.62	1.66
1980	3.74	3.86	3.60	1.73	1.81
1981	4.12	4.24	4.00	1.93	2.00
1982	4.53	4.67	4.37	2.07	2.24
1983	4.79	4.94	4.58	2.18	2.33
1984	5.06	5.21	4.80	2.31	2.44
1985	5.26	5.43	4.91	2.45	2.44
1986	5.44	5.61	5.03	2.51	2.48
1987	5.59	5.77	5.08	2.62	2.47

GARDEN TYPE BUILDINGS
UNFURNISHED

MEDIAN INCOME AND OPERATING COSTS

SELECTED REGIONS
U.S.A. AND CANADA

GARDEN TYPE BUILDINGS

APPENDIX C

	TOTAL U.S.A.						CANADA							
	3,016 BUILDINGS			531,752 APARTMENTS			79 BUILDINGS			12,564 APARTMENTS				
	438,530,508 RENTABLE SQUARE FEET						11,060,041 RENTABLE SQUARE FEET							
	BLOGS.	% OF GPTI			\$/SQ. FT.			BLOGS.	% OF GPTI			\$/SQ. FT.		
		MED	LOW	HIGH	MED	LOW	HIGH		MED	LOW	HIGH	MED	LOW	HIGH
INCOME														
RENTS-APARTMENTS	(3014)	97.5%	96.3%	98.5%	5.59	4.71	6.63	(79)	97.7%	96.1%	98.6%	6.02	5.49	6.94
RENTS-GARAGE/PARKING	(355)	1.4	.6	2.6	.08	.04	.16	(28)	2.1	.5	4.5	.15	.04	.30
RENTS-STORES/OFFICES	(30)	1.1	.6	2.1	.07	.04	.12	(1)	1.4			.09		
GROSS POSSIBLE RENTS	(3013)	97.7%	96.6%	98.6%	5.60	4.71	6.67	(79)	98.3%	97.4%	99.1%	6.02	5.49	7.08
VACANCIES/RENT LOSS	(3015)	9.1	5.0	14.7	.54	.29	.87	(79)	5.4	.9	13.4	.37	.07	.74
TOTAL RENTS COLLECTED	(3014)	88.1	81.9	92.7	4.91	4.08	5.96	(79)	92.2	83.8	97.9	5.60	4.76	6.67
OTHER INCOME	(2804)	2.5	1.6	3.6	.14	.09	.21	(71)	1.8	1.1	2.7	.11	.07	.18
GROSS POSSIBLE INCOME	(3015)	100.0%	100.0%	100.0%	5.77	4.85	6.89	(79)	100.0%	100.0%	100.0%	6.17	5.70	7.26
TOTAL COLLECTIONS	(3014)	90.9	85.3	95.0	5.08	4.23	6.17	(79)	94.6	86.4	99.1	5.72	4.86	6.74
EXPENSES														
MANAGEMENT FEE	(2900)	4.5	3.9	4.9	.26	.21	.32	(71)	4.4	3.8	4.7	.27	.23	.31
OTHER ADMINISTRATIVE**	(2931)	6.6	3.9	9.4	.39	.23	.55	(73)	5.4	2.3	7.5	.35	.12	.51
SUBTOTAL ADMINIST.	(3005)	11.1%	8.2%	13.9%	.65	.48	.82	(79)	8.6%	5.4%	11.5%	.53	.35	.69
SUPPLIES	(2707)	.4	.2	.8	.02	.01	.05	(70)	.3	.2	.5	.02	.01	.03
HEATING FUEL-CA ONLY*	(1364)	.7	.3	1.4	.04	.02	.08	(25)	.7	.4	1.2	.04	.02	.07
CA & APTS.**	(637)	3.9	2.9	5.6	.26	.17	.37	(22)	3.6	2.5	6.1	.30	.18	.36
ELECTRICITY--CA ONLY*	(2635)	1.8	1.2	2.5	.10	.07	.14	(59)	1.6	.8	2.1	.09	.05	.13
CA & APTS.**	(331)	2.6	1.5	5.9	.13	.08	.20	(19)	1.8	1.3	5.4	.11	.08	.43
WATER/SEWER--CA ONLY*	(136)	1.0	.5	2.0	.06	.02	.13	(11)	.4	.3	.6	.03	.01	.04
CA & APTS.**	(2860)	2.8	1.9	4.0	.16	.12	.23	(65)	2.9	1.7	4.4	.17	.11	.27
GAS-----CA ONLY*	(1015)	.5	.2	1.3	.03	.01	.10	(21)	.6	.5	2.1	.05	.03	.14
CA & APTS.**	(781)	1.6	.9	2.3	.10	.06	.15	(15)	1.9	.9	2.3	.12	.05	.15
BUILDING SERVICES	(2533)	1.1	.7	1.7	.06	.04	.10	(49)	1.4	.8	1.9	.08	.05	.12
OTHER OPERATING	(1288)	.6	.2	1.8	.04	.01	.10	(35)	.5	.1	1.3	.03	.00	.09
SUBTOTAL OPERATING	(3015)	9.0%	6.6%	11.9%	.51	.38	.70	(78)	8.6%	5.6%	11.5%	.54	.29	.77
SECURITY**	(1225)	.4	.2	.7	.02	.01	.04	(22)	.3	.2	.5	.02	.01	.04
GROUPS MAINTENANCE**	(2919)	2.1	1.4	3.0	.12	.08	.18	(76)	1.8	1.2	2.5	.11	.07	.15
MAINTENANCE-REPAIRS	(2986)	3.4	1.8	5.7	.19	.10	.32	(78)	4.7	3.1	7.5	.28	.21	.45
PAINTING/DECORATING**	(2942)	2.2	1.3	3.5	.13	.08	.21	(78)	1.9	1.3	2.7	.12	.08	.19
SUBTOTAL MAINTENANCE	(3015)	8.4%	6.0%	11.6%	.49	.35	.68	(79)	8.7%	7.2%	12.0%	.53	.41	.77
REAL ESTATE TAXES	(3002)	7.8	5.7	10.1	.45	.31	.61	(79)	8.8	5.8	11.7	.55	.36	.86
OTHER TAX/FEE/PERMIT	(1639)	.1	.1	.4	.01	.00	.02	(40)	.2	.1	.6	.01	.00	.04
INSURANCE	(3000)	2.4	1.7	3.2	.13	.10	.19	(77)	1.4	.8	2.7	.09	.06	.16
SUBTOTAL TAX-INSURANCE	(3011)	10.6%	8.4%	13.3%	.61	.47	.78	(79)	11.4%	8.3%	16.1%	.71	.55	1.03
RECREATNL/AMENITIES**	(1750)	.4	.2	.8	.02	.01	.05	(40)	.9	.4	1.6	.07	.02	.09
OTHER PAYROLL**	(2375)	4.9	3.1	6.9	.28	.18	.39	(61)	3.6	2.1	6.1	.22	.14	.36
TOTAL ALL EXPENSES	(3013)	45.2%	39.1%	52.1%	2.62	2.19	3.13	(79)	43.3%	37.9%	50.3%	2.73	2.33	3.32
NET OPERATING INCOME	(3015)	44.1%	35.2%	52.4%	2.47	1.77	3.34	(79)	47.4%	39.9%	55.8%	2.89	2.29	3.74
PAYROLL RECAP**	(2667)	9.2	6.9	11.5	.53	.41	.67	(69)	7.1	4.5	10.5	.45	.29	.62

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layout and method of data analysis, refer to the sections entitled Guidelines for the Use of this Data and Interpretation of a Page of Data. For definitions of the income and expense categories, refer to the Appendix. Copyright © 1988, Institute of Real Estate Management.

**GARDEN TYPE BUILDINGS
UNFURNISHED**

MEDIAN INCOME AND OPERATING COSTS

**SELECTED METROPOLITAN AREAS
U.S.A.**

GARDEN TYPE BUILDINGS

	TAMPA-ST PETER., FL							TOPEKA, KS			TRENTON, NJ		
	47 BLDGS.			9,630 APARTMENTS				10 BLDGS.			5 BLDGS.		
	7,478,516 RENTABLE SQUARE FEET							1,119 APTS.			1,398 APTS.		
	BLDGS.	% OF GPTI			\$/SQ. FT.			BLDGS.	% GPTI	\$/SQFT	BLDGS.	% GPTI	\$/SQFT
		MED	LOW	HIGH	MED	LOW	HIGH		MED			MED	
INCOME													
RENTS-APARTMENTS	(46)	96.1%	95.5%	97.2%	5.63	4.77	7.25	(10)	96.6%	4.84	(5)	99.3%	7.01
RENTS-GARAGE/PARKING	()							(4)	.7	.04	()		
RENTS-STORES/OFFICES	()							()			(1)	.7	.06
GROSS POSSIBLE RENTS	(46)	96.1%	95.5%	97.2%	5.60	4.77	6.83	(10)	96.6%	4.87	(5)	100.0%	7.01
VACANCIES/RENT LOSS	(46)	8.8	6.8	12.2	.55	.31	.84	(10)	11.3	.60	(5)	3.8	.23
TOTAL RENTS COLLECTED	(46)	87.4	83.6	90.7	4.98	4.16	6.51	(10)	85.4	4.74	(5)	96.1	6.17
OTHER INCOME	(46)	3.9	2.8	4.5	.23	.15	.31	(10)	3.6	.16	(2)	1.7	.12
GROSS POSSIBLE INCOME	(46)	100.0%	100.0%	100.0%	5.94	4.99	7.33	(10)	100.0%	4.93	(5)	100.0%	7.13
TOTAL COLLECTIONS	(46)	91.4	88.0	93.2	5.28	4.43	6.66	(10)	88.9	4.79	(5)	96.2	6.29
EXPENSES													
MANAGEMENT FEE	(46)	4.6	4.4	4.8	.31	.23	.36	(10)	4.4	.23	(5)	4.9	.35
OTHER ADMINISTRATIVE**	(46)	6.6	5.6	8.0	.42	.30	.58	(10)	7.8	.38	(3)	5.6	.35
SUBTOTAL ADMINISTRATIVE	(46)	11.3%	10.2%	13.7%	.72	.56	.96	(10)	12.6%	.58	(5)	8.8%	.70
SUPPLIES	(44)	.3	.2	.5	.02	.01	.03	(9)	.2	.01	(4)	1.1	.04
HEATING FUEL-CA ONLY*	(11)	.3	.2	.5	.01	.01	.03	(6)	.7	.03	(1)	3.3	.24
CA & APTS.**	()				.18			(1)	.2	.01	(2)	9.2	.56
ELECTRICITY--CA ONLY*	(41)	2.2	1.8	2.4	.13	.10	.16	(6)	2.5	.11	(5)	1.8	.13
CA & APTS.**	(4)	2.7			.12			(4)	2.7	.15	()		
WATER/SEWER--CA ONLY*	(3)	.3			.03			()			(1)	4.1	.29
CA & APTS.**	(43)	3.4	2.5	4.2	.22	.18	.27	(10)	2.4	.12	(4)	5.5	.38
GAS-----CA ONLY*	(32)	.4	.2	.4	.02	.01	.03	(2)	2.5	.14	(1)	2.5	.18
CA & APTS.**	(5)	.3			.02			(1)	2.0	.10	(1)	1.6	.10
BUILDING SERVICES	(24)	1.9	1.3	2.5	.10	.07	.13	(10)	1.3	.05	(3)	2.0	.18
OTHER OPERATING	(25)	3.4	2.5	3.8	.23	.14	.28	(6)	1.0	.06	(1)	2.5	.22
SUBTOTAL OPERATING	(46)	9.0%	7.7%	10.7%	.50	.45	.69	(10)	9.8%	.47	(5)	11.8%	1.18
SECURITY**	(29)	.6	.4	.9	.04	.03	.05	(2)	.2	.01	()		
GROUNDS MAINTENANCE**	(45)	3.1	2.1	3.4	.19	.14	.25	(10)	1.4	.07	(4)	2.6	.14
MAINTENANCE-REPAIRS	(46)	2.5	1.8	3.5	.17	.10	.23	(10)	4.3	.21	(5)	11.2	.92
PAINTING/DECORATING**	(44)	2.0	1.2	2.4	.13	.08	.15	(10)	2.0	.10	(5)	1.4	.17
SUBTOTAL MAINTENANCE	(46)	8.3%	6.1%	9.6%	.50	.37	.63	(10)	7.7%	.39	(5)	16.6%	1.15
REAL ESTATE TAXES	(46)	10.6	8.7	11.0	.60	.47	.77	(10)	12.8	.65	(5)	11.5	.79
OTHER TAX/FEE/PERMIT	(37)	.2	.2	.3	.02	.01	.02	(6)	.3	.01	(3)	.5	.03
INSURANCE	(46)	3.3	1.9	3.9	.18	.12	.24	(10)	2.1	.10	(4)	3.7	.15
SUBTOTAL TAX-INSURANCE	(46)	13.4%	11.4%	15.1%	.82	.58	1.02	(10)	14.2%	.76	(5)	15.7%	1.03
RECREATML/AMENITIES**	(12)	.4	.3	.5	.02	.02	.04	(8)	.4	.02	(3)	.6	.05
OTHER PATROLL**	(41)	4.7	4.1	6.3	.32	.25	.35	(10)	5.3	.27	(4)	5.6	.47
TOTAL ALL EXPENSES	(46)	47.8%	44.8%	51.3%	2.77	2.37	3.50	(10)	49.5%	2.48	(5)	58.5%	3.89
NET OPERATING INCOME	(46)	42.2%	37.1%	47.1%	2.58	1.72	3.22	(10)	40.5%	2.35	(5)	38.2%	2.46
PAYROLL RECAP**	(46)	9.5	8.6	11.6	.62	.52	.68	(10)	8.6	.47	(3)	7.1	.56

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layouts and method of data analysis, refer to the sections entitled Guidelines for the Use of this Data and Interpretation of a Page of Data. For definitions of the income and expense categories, refer to the Appendix. Copyright © 1988, Institute of Real Estate Management.

APPENDIX D

37

SELECTED METROPOLITAN AREA

NAME AND OPERATING COSTS

BY BUILDING TYPE

NAME AND OPERATING COSTS

DOM 1989
IREM
REPORT

TOPEKA, KS 1989
GARDEN TYPE BUILDINGS

TOTAL U.S.A. 1989
GARDEN TYPE BUILDINGS

KANSAS CITY, MO 1989
GARDEN TYPE BUILDINGS

	15 BUILDINGS 1,190,642 RENTABLE SQUARE FEET						55 BUILDINGS 5,531,518 RENTABLE SQUARE FEET						29 BUILDINGS 2,969,416 RENTABLE SQUARE FEET						
	---X OF GPI---			---\$/SQ.FT.---			---X OF GPI---			---\$/SQ.FT.---			---X OF GPI---			---\$/SQ.FT.---			
	MED	LOW	HIGH	MED	LOW	HIGH	MED	LOW	HIGH	MED	LOW	HIGH	MED	LOW	HIGH	MED	LOW	HIGH	
INCOME																			
RENTS-APARTMENTS	97.2X	95.4X	97.5X	5.14	4.57	6.04	(55)	96.5X	94.6X	97.6X	6.93	6.14	8.03	97.6X	96.9X	98.2X	5.09	4.20	5.42
RENTS-GARAGE/PARKING	.8			.04			(5)	.5			.05			.4			.03		
RENTS-STORES/OFFICES							()												
GROSS POSSIBLE RENTS	97.2X	95.4X	97.6X	5.14	4.60	6.04	(55)	96.7X	94.6X	97.6X	6.93	6.15	8.03	97.6X	96.9X	98.6X	5.12	4.20	5.42
VACANCIES/RENT LOSS	4.6	.0	6.4	.32	.00	.35	(55)	9.3	4.9	15.2	.71	.34	1.07	10.1	.0	16.2	.53	.00	.7
TOTAL RENTS COLLECTED	92.9	88.7	95.4	4.97	4.25	5.86	(55)	86.1	78.7	91.6	6.19	5.26	7.10	88.5	81.0	95.8	4.42	4.06	4.5
OTHER INCOME	2.8	2.4	4.0	.18	.12	.27	(54)	3.5	2.4	5.4	.24	.15	.34	2.4	1.4	3.1	.11	.07	.16
GROSS POSSIBLE INCOME	100.0X	100.0X	100.0X	5.29	4.72	6.31	(55)	100.0X	100.0X	100.0X	7.15	6.38	8.32	100.0X	100.0X	100.0X	5.26	4.40	5.62
TOTAL COLLECTIONS	95.4	92.5	100.0	5.05	4.35	6.04	(55)	90.7	84.7	95.1	6.33	5.62	7.60	89.9	83.8	100.0	4.51	4.18	5.07
EXPENSES																			
MANAGEMENT FEE	4.8	4.5	4.9	.25	.22	.29	(53)	4.3	3.8	4.7	.32	.27	.36	4.2	3.8	4.5	.23	.17	.24
OTHER ADMINISTRATIVE**	7.2	5.2	8.8	.34	.26	.51	(55)	6.1	2.3	8.5	.45	.17	.62	8.7	6.6	11.5	.43	.33	.59
SUBTOTAL ADMINIST.	12.6X	9.7X	14.2X	.59	.48	.86	(55)	10.4X	6.4X	12.3X	.76	.46	.89	12.8X	11.0X	15.8X	.67	.48	.80
SUPPLIES																			
HEATING FUEL--CA ONLY*	.9	.2	1.4	.03	.01	.06	(47)	.3	.2	.7	.02	.01	.05	.5	.3	1.5	.03	.02	.06
CA & APTS.*	.7			.03			(9)	.4			.04			2.2	.8	2.6	.12	.05	.13
ELECTRICITY--CA ONLY*	2.9			.18			(22)	2.4	1.1	4.3	.17	.08	.32	3.7			.21		
CA & APTS.*	2.2	1.8	4.9	.12			(35)	1.8	1.0	2.6	.13	.07	.18	3.3	2.8	3.6	.16	.14	.19
WATER/SEWER--CA ONLY*	7.5			.35			(19)	4.7	2.4	9.0	.45	.15	.68	2.7			.17		
CA & APTS.*							(3)	5.5			.39								
GAS-----CA ONLY*	2.8	2.6	3.3	.14	.13	.18	(52)	2.7	2.0	3.1	.19	.15	.25	2.1	1.7	3.0	.10	.09	.16
CA & APTS.*	1.4			.08			(15)	.3	.2	.8	.03	.02	.07	2.3			.10		
BUILDING SERVICES	1.2						(18)	1.6	1.2	2.1	.12	.08	.18	1.1			.05		
OTHER OPERATING	1.1	.9	1.5	.05	.05	.07	(49)	1.0	.7	1.4	.07	.05	.14	1.0	.6	1.4	.05	.04	.07
SUBTOTAL OPERATING	.1			.00			(30)	1.1	.2	1.7	.08	.01	.12	.4	.1	.7	.02	.01	.03
	10.1X	6.6X	13.6X	.42	.35	.68	(55)	9.3X	6.8X	12.4X	.64	.51	.89	10.6X	8.4X	14.5X	.54	.45	.66
SECURITY**																			
GROUNDS MAINTENANCE**	.4			.02			(19)	.3	.1	.8	.05	.01	.07	.6	.4	1.1	.03	.02	.0
MAINTENANCE-REPAIRS	1.1	1.1	1.8	.07	.05	.11	(55)	1.7	1.1	2.4	.11	.07	.18	2.6	1.4	4.7	.15	.06	.1
PAINTING/DECORATING**	3.4	2.9	4.2	.19	.16	.27	(55)	2.7	1.8	4.5	.18	.13	.33	4.7	3.6	8.5	.25	.15	.41
SUBTOTAL MAINTENANCE	1.9	1.6	2.7	.09	.08	.13	(51)	2.4	1.4	3.5	.17	.11	.28	2.2	1.4	3.7	.11	.07	.18
	7.2X	6.3X	8.9X	.37	.32	.52	(55)	8.6X	5.1X	11.8X	.56	.40	.82	12.3X	8.3X	16.1X	.54	.44	.74
REAL ESTATE TAXES																			
OTHER TAX/FEE/PERMIT**	11.0	8.5	12.6	.54	.46	.65	(53)	6.3	4.0	8.5	.48	.27	.59	9.7	7.9	11.3	.45	.36	.55
INSURANCE	.2			.01			(40)	.2	.1	.3	.01	.01	.02	.5	.0	.2	.01	.00	.01
SUBTOTAL TAX-INSURANCE	2.1	1.8	2.4	.11	.10	.12	(54)	1.5	1.2	2.0	.12	.08	.14	2.5	1.7	2.9	.11	.09	.15
	11.2X	10.3X	13.9X	.65	.59	.72	(55)	8.3X	5.8X	10.0X	.63	.41	.77	12.1X	10.4X	14.4X	.60	.45	.74
RECREATNL/AMENITIES**	.3	.2	.3	.01	.01	.02	(35)	.5	.2	.7	.03	.02	.05	.5	.2	1.9	.03	.01	.05
OTHER PAYROLL**	6.4	5.5	7.7	.33	.27	.40	(43)	4.6	2.9	6.9	.32	.20	.53	7.2	5.1	9.5	.35	.27	.45
TOTAL ALL EXPENSES	48.4X	44.9X	59.4X	2.43	2.16	3.07	(55)	42.7X	38.3X	48.6X	2.92	2.56	3.70	55.6X	46.7X	61.7X	2.74	2.33	3.19
NET OPERATING INCOME	46.6X	38.2X	49.2X	2.32	2.22	2.56	(55)	46.4X	40.0X	55.0X	3.23	2.59	4.34	32.9X	26.6X	42.6X	1.67	1.36	2.26
PAYROLL RECAP**	9.7	8.2	11.2	.42			(50)	8.4	5.9	11.0	.65	.44	.82	10.6	8.1	13.7	.59	.43	.68

FOOTNOTE: For a description of Utility B of the report layouts and method of data analysis, refer to the sections entitled Guidelines and Appendix. Copyright© 1990, Institute of Real Estate Management.



KANSAS MOTOR CAR DEALERS ASSOCIATION

800 Jackson, Suite 808 • Topeka, Kansas 66612 • (913) 233-6456 • (800) 825-0169 (KS only) • FAX (913) 233-1462



MEMORANDUM

TO: The Honorable Dan Thiessen, Chairman
Senate Committee on Assessment and Taxation

RE: SCR 1606 and SCR 1611

FROM: The Kansas Motor Car Dealers Association
Kevin L. Allen, Executive Vice-President
Pam Somerville-Taylor, Governmental Affairs Director

Date: February 6, 1991

Mr. Chairman and members of the committee. Our trade association represents over 320 franchised new car and truck dealers in Kansas.

We do not oppose the concept of property tax relief but instead, oppose an inventory tax to fund the relief. We believe the concept contained in SCR 1606 is targeted only to address one specific group of individuals. We are sympathetic to the commercial owners who are service oriented with no inventories; however, we do not believe the answer is to tax those individuals who have inventories.

You have heard many times from many different people about the inequities of inventory taxes, and our members agree! Inventories maintained by car dealers - vehicles, parts, paint, and the like are enormous, most of which is financed.

2-7-91
ATT. 4-P6.1

Senate Assessment and Taxation Committee
February 6, 1991
Page Two

The magnitude of repealing the exemption on merchants inventory on the new car dealers of Kansas would be staggering. We do not feel that those businesses, who, by their very nature must maintain inventories, should bear more of the tax burden than those businesses who are less inventory oriented.

Kansas car dealers are, for the first time in many years, in a competitive posture with car dealers in surrounding states. Missouri, Colorado, Nebraska and Oklahoma no longer tax motor vehicle inventories. In addition, our members pay their share of the property tax burden - most of their dealerships are in prime real estate locations thus raising their property tax rates! The Kansas Motor Car Dealers fully appreciate the magnitude of the property tax dilemma and our Board of Directors voted to support a broader based tax, but are adamantly opposed to reinstating the inventory tax.

In closing, we appreciate the critical problem the legislature is facing, and request continued examination of the proposal at hand. Thank you for the opportunity to present our position.

2-7-91
ATT. 4-PG 1-2

KANSAS CITY POWER & LIGHT COMPANY

1330 BALTIMORE AVENUE

P. O. BOX 418679

KANSAS CITY, MISSOURI 64141-9679

B. J. BEAUDOIN
VICE PRESIDENT-FINANCE
&
CHIEF FINANCIAL OFFICER

February 6, 1991

Senator Dan Thiessen, Chairman
Committee on Assessment and Taxation
Kansas Senate
State Capitol
Topeka, KS 66601

Dear Senator Thiessen:

I would like to express Kansas City Power & Light Company's opposition to SCR 1606 and SCR 1611. SCR 1606 proposes to increase utility real and tangible property assessment by one-third from the current 30% to 40%. SCR 1611 proposes an increase from 30% to 33%.

Since 1985, KCPL's annual Kansas property taxes have gone from \$15.2 million to \$19.4 million. Reappraisal had little impact upon our Kansas property taxes. In 1988, the year before reappraisal, KCPL paid \$19.6 million. In 1990, after reappraisal, KCPL's property tax bill was \$19.4 million. We estimate SCR 1606 will add \$6.5 million to our Kansas property taxes for a total of \$25.9 million. SCR 1611 would add \$1.96 million for an annual total of \$21.36 million.

In addition, KCPL's Kansas electric rates are based on 1985 property taxes. While we have endeavored to hold the line to avoid requesting a rate increase which would impact our 160,000 Kansas customers, mounting property taxes are a real concern. A continuing increase in property taxes will eventually be born by our ratepayers.

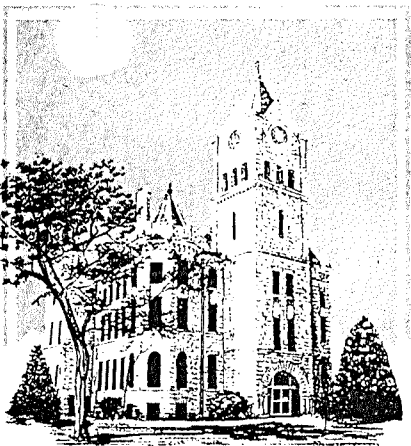
Sincerely,

B. J. Beaudoin / by jmh

/jmh

c: Senate Assessment and Taxation
Committee Members

ATT. 5
2-7-91



McPHERSON COUNTY

January 29, 1991

TO: Senate Assessment and
Taxation Committee Members
% Dan Thiessen - Chairperson

FROM: Cindy L. Simons, CKA
McPherson County Appraiser
McPherson County, KS

RE: Senate Bill No. 8
Re Proposal No. 1

Dear Mr. Thiessen,

Pursuant to the above proposed Senate Bill No. 8, I think it most important to get input and information from persons actually working with the protest procedures on a daily basis. The proposed Senate Bill could cause extreme pressure and complications for the local implementor. The main problem of reference is the taxpayers extension of giving notification to the county appraiser for dissatisfaction, from 21 days of the mailing to 51 days.

Looking at the time table as proposed in SB-8, the county's notification deadline to the taxpayer is March 1st. Extending the time to file a complaint to 51 days could allow the taxpayer up to April 22nd to make a protest hearing appointment. Should the nightmare occur where everyone waits until the last minute to file an appointment, the county appraiser has only 6 working days to hear the taxpayer's dissatisfaction or issue. The formal meetings can not take place after May 1st. Over the years, especially with the massive changes revolving around the reappraisal process, the public tends to wait until the last minute to take care of a inauspicious business affair, as is typical with payment of taxes or filing IRS returns. It's normal and expected.

As we approach our third year of new reappraised valuation notification, I can speak from experience that the original 21 days is sufficient time to call the office to make an appointment. Three weeks should be more than adequate time for anyone to make an appointment for anything. It is my opinion that extending the period allowing thirty additional days or over 7 weeks is just adding the county to delay a process that should be expediently and professionally executed. A 30 day delay could only continue to delay the other appeal processes, or so experience has shown in the past. Delays in any process only gives indication to the public that someone is not on top of things or doing their job. It makes for poor public relations.

Please give strong consideration to leaving the taxpayer's 21 day notification to the county appraiser as originally stated. The counties are already of the opinion that we are in hearings the majority of the year, extending the deadline will most likely confirm that happening. Thank you for your consideration in this matter. Please feel free to contact me personally.

Respectfully,

Cindy L. Simons

Cindy L. Simons, CKA
McPherson County Appraiser

CC:Audrey H. Langworthy - Chairperson
Sheila Frahm - Members
Jerry Karr
Fred A. Kerr
Janis Lee
Phil Martin
Don Montgomery
Lana Oleen
Marge Petty

CLS/as

2-7-81
1-2

Chairman,

Members of this Committee:

I am a landowner and taxpayer in Meade County. I am a farmer and reside in Barton County, MO. just across the Ks line from Pittsburg. I am deeply concerned by the astronomical increase that the real estate taxes on my land have taken recently.

The taxes were increased over \$100. in just one year, 1989, on 80 acres of dryland unimproved farm land.

I am also concerned that they may increase more if the recent supreme court decision on the natural gas storage in Meade County is allowed to remain in effect.

I support the basic idea of valuation based on "use value" or productivity. I find both Resolutions do this. Perhaps if the best of each were combined into one it may improve the chances of being accepted.

I prefer the wording in Res 1606, page 3 begin on line 20 thru 25 because it specifically eliminates "merchants and manufacturing inventories" which leaves no doubt as to your intent. I believe SR 1611, page 3 line 12-16 is not as clear. It also opens the possibilities for a court challenge by the gas company on grounds of unequal, unfair treatment. I feel this is the heart of Meade County tax problem.

2-7-91
ATT: 7-1

Furthermore, I would respectfully urge you also strike out the words "farm machinery and equipment" and "and livestock" from Pg 6 page 3 SR 1606. I pay, and always have, taxes on my livestock and equipment. If you increase the base the levy should come down. I know farm Bureau don't agree but you save on real estate to make up the tax on property. Also there is a lot of property that bears no burden at all and I do not believe it fair that I have to pay more when some do not pay anything.

Where these two resolutions differ on percentages for assessed valuation I suggest that the higher percent be used. The higher valuation gives a larger tax base thereby spreading the burden more fairly.

Also I feel RS 1606 is better on page 3 lines 6-14 than 1611 because it simply states the rate on commercial & industrial machinery to be 30%. The comments about depreciation in SR 1611 add to the possibilities of confusion and contention.

I appreciate the opportunity to share my concerns and suggestions with you. Thank you

Frank H. Jenner
Rt 4 Box 906
Lamar, Mo. 64759