

Approved January 4 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:10 a.m. on Thursday, JANUARY 23, 1992 in room 519-S of the Capitol.

All members were present except:

Rep. Ken Grotewiel, excused; Rep. Bill Roy, excused; Rep. Gwen Welshimer, excused; Rep. Eugene Shore, excused.

Committee staff present:

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

Conferees appearing before the committee:

David Cunningham, Director of Property Valuation

Chairman Wagnon received unanimous consent for introduction of a bill requested by the Shawnee County Treasurer. The bill would require affidavits as to the purchase price of used vehicles.

David Cunningham, Director of Property Valuation, discussed the administration of the property appraisal system. Cunningham reviewed proposals for changes in the process (Attachment 1).

In response to questions, Cunningham said subsections 1, 3, and 4 of Objective A under Goal I would all require statutory change. He said subsection 2 could not be done without implementation of the other four subsections. Cunningham further stated that Recommendation 1, 2, 5 and 6 under Objective C would not need legislation while Recommendation 3 and 4 would. Cunningham said additional funding would be needed for the enforcement of 5 and 6; Under Objective B, Recommendation 4 would need legislation. Goal II, Objective D, Recommendation 1 might require legislation, Cunningham said. Goal III would require legislation, he said.

Cunningham said funding would be needed to achieve the proposals under Goal I, Objective B. Chairman Wagnon asked if the Ratio Study outlined in Goal I, Recommendation 4, Objective B would give the Legislature an independent assessment of whether or not appraisals were really determining fair market value. Rep. Vancrum said that without an audit no determination of fair market value could be achieved.

Information was requested on a comparison of county appraisals/valuations from 1990 and 1991; the number of appeals, by county for 1990 and 1991; and the number of property taxpayers who have paid under protest in each county.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, State-house, at 9:10 a.m. on Thursday, January 23, 1992.

Cunningham discussed the appeals process for appointed county appraisers who were terminated prior to the end of their four year term.

Rep. Marvin Smith said he believed objective "a" under recommendation 2, Goal II, would require legislation.

Information was requested regarding the number of counties out of compliance with the ratio study because of vacant lot appraisals. County code lists for sales ratio study were also requested.

Cunningham discussed the procedures used to determine compliance of counties with property appraisal requirements.

Chairman Wagon asked if audits sought to determine if appraisals were within the law included a determination that appraisals reached fair market value. Cunningham replied that the Property Valuation Department was auditing the process and that should lead to fair market value.

Rep. Smith said that annual appraisals were perceived by his constituents as annual harassments because valuations continued to increase despite lack of improvements in property.

Committee members discussed problems their constituents had reported in dealing with appraisers and other relevant county officials.

In response to a question, Cunningham discussed current and requested tools of PVD for motivating county appraisers.

Information was requested on the fiscal impacts of the PVD proposals.

Cunningham said PVD would require 75 new positions just to comply with current laws. More would be needed if the proposals were adopted.

Chairman Wagon noted that the Governor's budget did include 25 new positions for PVD. She adjourned the meeting at 10:35 a.m. The next meeting will be January 28.

GOAL: I. TREAT ALL TAXPAYERS FAIRLY WITH UNIFORM APPRAISALS AT MARKET VALUE.

OBJECTIVE: A. ASSURE THAT STATE AND COUNTY GOVERNMENTS HAVE QUALIFIED, TRAINED PROFESSIONAL STAFF.

RECOMMENDATION: 1. Establish different levels of Appraiser Certification based upon experience, education, property mix and complexity of appraisals required within the county or district. Educational qualifications and proficiency will be determined by the Director.

- a. Legislature amend K.S.A. 19-428 through K.S.A.19-430.
- b. PVD would have criteria established for implementation July 1, 1992.
- c. Governor recommend and the Legislature approve sufficient funding and staff effective July 1, 1992.

RECOMMENDATION: 2. Require P.V.D. appraisers to fulfill the same continuing education requirements established for County Appraisers.

- a. PVD working with the Division of Personnel Services, will amend Civil Service position specifications and individual job descriptions to make this a condition of continued employment effective July 1, 1992.

RECOMMENDATION: 3. Require that each county or appraisal & mapping district (defined in following section) form an Appraisal Selection Committee consisting of one representative from each county commission, school board and incorporated city. This committee would interview and hire the Appraiser from the Certified list maintained by PVD, and in conjunction with the Director of PVD, review the performance of the appraiser and the appraiser's staff and approve funding and staffing for the office. The Director would have final review and approval of plans, budgets and general expenditures.

- a. Legislature provide statutory authority for this committee and amend K.S.A. 19-430 and 431 regarding the appointment of appraisers.

RECOMMENDATION: 4. An appraiser appointed by the Appraisal Selection Committee could only be removed from that office for cause shown by the Committee or the Director or for loss of certification. Any appraiser removed for cause will be removed from the eligibility list or certified for a lower appraiser classification.

a. Legislature amend K.S.A. 19-430 and 431 regarding the appointment of appraisers.

OBJECTIVE: B. ASSURE THAT ALL APPRAISAL TOOLS PROVIDED FOR COUNTY USE ARE FUNCTIONAL AND PROPERLY UTILIZED.

RECOMMENDATION: 1. Maintain the assessment administration and residential portion of the CLT computer system.

a. PVD begin study to determine best approach to modifying this software to simplify its use and provide more user control over final values. Study concluded and ready for implementation January 1, 1993.

b. PVD require all County Appraisers or designees as well as PVD staff, involved in the appraisal process to demonstrate proficiency in operating the system. A greater effort will be made to educate the appraisal staff and contractor operators in all phases of the system. Classes developed by January 1, 1993 proficiency testing for current staff by August 1993.

c. Governor recommend and the Legislature approve sufficient funding and staff effective July 1, 1992.

RECOMMENDATION: 2. Determine the most cost effective approach to assure that the counties have a reliable Commercial valuation module.

a. PVD study all available options to determine if existing system can be modified to produce desired results or if another system utilizing a complete income, market comparable and cost approach could be developed or purchased that is compatible with present computers. Study begin immediately, completed January 1, 1993, implemented prior to calculation of 1994 values.

b. Governor recommend and the Legislature approve sufficient funding and staff effective July 1, 1992.

RECOMMENDATION: 3. Require that documents transferring title to real property be reviewed for verification of accuracy by the cartography section prior to being recorded. The document, once recorded, would be copied to the appraiser/cartography section for additional processing and valuation. The county clerk and treasurer would gather the necessary information only from the appraiser's certified rolls.

a. Legislature amend all relevant current statutes governing the operations of the impacted county officers.

RECOMMENDATION: 4. Require that Sales Ratio Study results that indicate variations of more than 10% from 100% median and/or a Coefficient of Deviation (COD) of more than 20% trigger a detailed audit of appraiser practices with a goal of improved ratios and COD in the next appraisal cycle.

a. Legislature amend all relevant current statutes governing the operations of the impacted county officers.

OBJECTIVE C. ASSURE THAT ALL PERSONNEL AND EQUIPMENT IS MOST EFFECTIVELY AND EFFICIENTLY UTILIZED.

RECOMMENDATION: 1. Counties could contract with PVD to appraise large or complex commercial or industrial properties. All appraisals contracted would be defended through all levels of appeal (Cost to be reimbursed by county).

a. PVD provide training for highly specialized staff to do complex commercial and industrial appraisals.

b. PVD develop model contract to be utilized in acquiring service of private fee appraisers. Model ready for use by November 1, 1992 for 1993 appraisals.

c. Governor recommend and the Legislature approve sufficient funding and staff effective July 1, 1992.

RECOMMENDATION: 2. Provide uniform guidelines for a discounted method for valuing vacant lots.

a. PVD provide guidelines for discounting values.

RECOMMENDATION: 3. Establish a biannual valuation cycle with 100% reinspection every four years.

- a. Legislature amend current statutes to allow for the biannual revaluation cycle. The Director must also be provided the authority to approve the county/district inspection plan to insure that all properties are inspected within the four year cycle.

RECOMMENDATION: 4. Homogeneous counties with small parcel counts would be consolidated into Appraisal and Mapping Districts to allow the most cost effective utilization of personnel, equipment and data.

- a. Legislature enact authority for the Director to develop plan and mandate compliance.
- b. PVD approve or deny any county proposal for consolidation
- c. PVD develop mandatory consolidation plan for those areas where no acceptable plan is submitted. All consolidation complete by January 1, 1994.
- d. Governor recommend and the Legislature approve sufficient funding and staff effective July 1, 1992.

RECOMMENDATION: 5 Require all counties and Appraisal/Mapping Districts to utilize the uniform parcel identification number established by PVD.

- a. Legislature enact authority for the Director to mandate compliance.

RECOMMENDATION: 6. Require that all aerial photography be kept updated to avoid acreage errors, help determine changes in ag-use, and aid cartographers in delineating accurate property boundaries. The number of years between reflights should not exceed 10, more frequent reflights are needed in areas with high growth rates.

- a. Legislature appropriate funding to re-fly counties.
- b. PVD cartography staff establish schedules on a county by county basis.

OBJECTIVE D. ASSURE THAT SUFFICIENT ENFORCEMENT TOOLS ARE AVAILABLE TO THE DIRECTOR TO ASSURE IMMEDIATE COMPLIANCE BY COUNTY GOVERNMENT.

RECOMMENDATION: 1. Director would impose fines on any county official found to be in willful violation of statutes, regulations, or directives governing the administration of property taxes. Imposition of these fines would be appealable to the State Board of Tax Appeals. Fines would be the personal responsibility of the official and not the taxpayers. All fines collected would be deposited into a Special Training Fund for use by PVD first, to correct the problem and second to provide training for county officials.

a. Legislature enact authority for the Director to impose fines and create special fund.

RECOMMENDATION: 2. Director would order the State Treasurer to withhold appraisal maintenance reimbursements, LAVTR Funds, and/or City County Revenue Sharing Funds when the County is found to be in noncompliance with statutes and regulations governing the administration of property taxation. Unless these funds are restored through appeal of the Director's findings to the State Board of Tax Appeals, they will be deposited to the Special Training Fund to be utilized by PVD first, to correct the problem and second to provide training for county officials.

a. Legislature enact authority for the Director to withhold funds and create special fund.

RECOMMENDATION: 3. Appraisal Maintenance Reimbursements to counties must be significantly increased and maintained at a level high enough to assure compliance.

a. Legislature approve adequate funding.

GOAL: II. KEEP ALL TAXPAYERS INFORMED WITH UNIFORM NOTIFICATION AND REPORTING REQUIREMENTS.

OBJECTIVE: A. ASSURE THAT TAXPAYERS ARE PROVIDED WITH SUFFICIENT INFORMATION TO MAKE INFORMED AND EDUCATED DECISIONS REGARDING THE VALUATION AND TAXATION OF THEIR PROPERTY.

RECOMMENDATION: 1. Require that valuation notices be mailed to all real property owners in each county.

a. Legislature amend K.S.A. 79-1460.

RECOMMENDATION: 2. Require counties to send all property owners "Truth in Taxation" forms similar to those in use in Florida, at least five working days prior to the first public budget hearing (See Appendix 6).

a. Legislature mandate use of this form.

b. PVD prepare and prescribe form to be used and oversee all necessary computer modifications to implement that mailing. Ready for implementation tax year 1993.

RECOMMENDATION: 3. Make comparative sales information available to all taxpayers by making Sales Validation Questionnaires a public record. However, an exception should be provided which protects the privacy of transactions between spouses and lineal descendants and ascendants.

a. Legislature amend 1991 Session Laws.

OBJECTIVE: B. ASSURE THAT SALES VALIDATION QUESTIONNAIRE INFORMATION IS AS ACCURATE AND COMPLETE AS POSSIBLE.

RECOMMENDATION: 1. Mandate a statutory fine structure for buyers, sellers or their agents who knowingly provide false information on the Sales Validation Questionnaire.

a. Legislature enact authority for the Director to impose fines and create special fund explained above, for the deposit of fines.

RECOMMENDATION: 2. Clarify that no deed may be registered unless accompanied by a completed Sales Validation Questionnaire, that has been reviewed by the County Appraiser, and mandate fines for Registers of Deeds who accept and/or record deeds without completed Sales Validation Questionnaires.

- a. Legislature enact authority for the Director to impose fines and create special fund explained above, for the deposit of fines.
- b. Legislature provide necessary statutory clarification.

OBJECTIVE: C. ASSURE THAT ACCURATE RATIO STUDIES ARE PRODUCED TO PROVIDE RELIABLE COMPARATIVE DATA TO TAXPAYERS AND THE LEGISLATURE.

RECOMMENDATION: 1. Insure that all data going into the Study is accurate, timely and complete.

- a. PVD verify sales information reported on the Sales Validation Questionnaire. Sales verification could begin as soon as staff was available.
- b. Governor recommend and the Legislature approve sufficient funding and staff effective July 1, 1992.

RECOMMENDATION: 2. Rectify ratio study statutes to reflect changes made by Classification, modify the ratio study year to begin the day after the county appraiser certifies values to the county clerk and continue for twelve calendar months and remove the County Appraiser as completely as possible from the ratio study procedures.

- b. Legislature enact necessary legislation.

OBJECTIVE: D. ASSURE THAT USEFUL, ACCURATE, COMPLETE AND TIMELY INFORMATION IS SUPPLIED BY THE COUNTY CLERKS ON THE JULY AND NOVEMBER ABSTRACTS.

RECOMMENDATION: 1. Require a state-wide uniform data management system with standard abstract forms and data extraction.

- a. PVD Consult with all data users to determine what data is needed and in what format. This phase should be completed by July 1992.
- b. PVD Conduct a study to determine relative costs and benefits associated with purchasing such a system from a vendor as opposed to developing the program in-house.
- c. Governor recommend and the Legislature approve sufficient funding and staff effective July 1, 1992.
- d. Legislature provide clarification that the Director has the authority to mandate a uniform reporting system.

GOAL: III. PROVIDE ALL TAXPAYERS WITH ACCESS TO SPEEDY, ACCURATE AND UNIFORM RESOLUTION OF INQUIRIES AND/OR APPEALS.

OBJECTIVE: A. ASSURE TAXPAYERS THAT THEY WILL RECEIVE A FAIR HEARING BEFORE A KNOWLEDGEABLE HEARING PANEL

RECOMMENDATION: 1. Require that no evidence is presented after the hearing is concluded when the taxpayer has no opportunity for rebuttal or to question the new evidence.

a. PVD Issue Directive mandating this procedure.

RECOMMENDATION: 2. Require the Appraiser Selection Committee (defined previously) to establish a county or district hearing panel. The panel would consist of persons of varied occupational backgrounds and receive mandatory valuation training. This panel would replace the current County Board of Equalization.

a. PVD establish standards for appointment to the panel.

b. PVD develop and maintain valuation training for hearing panel members.

c. Legislature amend current statutes to provide for county or district hearing panels to hear tax year 1993 appeals.

OBJECTIVE B. SIMPLIFY THE APPEALS PROCESS SO THAT THE TAXPAYER CAN UNDERSTAND THEIR OPTIONS AND RECEIVE A SPEEDY RESOLUTION OF THEIR COMPLAINTS.

RECOMMENDATION: 1. Establish a pilot binding arbitration board in four counties. The Board would consist of three unbiased members knowledgeable in appraisals. For example, one State Appraiser appointed by the Director one member of the State Board of Tax Appeals (or their designee) and one person appointed by the County/District Appraiser Selection Committee. It would be the taxpayers option to have their appeal submitted to this panel. The panels decisions would be binding and could not be appealed. All decisions would have to be rendered within fifteen working days of the hearing.

a. Legislature enact legislation to implement this pilot project for a trial period of three years beginning with tax

year 1993.

b. PVD monitor and evaluate the pilot project and recommend to the legislature, at the end of the trial period, whether it should be expanded and continued or abandoned.

RECOMMENDATION: 2. Restrict the Payment Under Protest statutes to appeals based upon illegal levies only.

a. Legislature amend K.S.A. 79-2005.

RECOMMENDATION: 3. Establish a time structure contingent upon value and complexity of properties involved within which the State Board of Tax Appeals (BOTA) must complete their work and notify the Counties. This should be established so that counties are notified prior to the time levies are established.

a. Legislature amend current statutes to provide for BOTA time limits to be effective for tax year 1993 appeals.

RECOMMENDATION: 4. When any delay in the results of a hearing causes an overpayment of taxes or a delayed refund, then the taxpayer should receive interest at the same rate as that paid on late taxes.

a. Legislature amend current statutes.