

Approved

March 12, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:10 a.m. on Friday, February 28, 1992 in room 519-S of the Capitol.

All members were present except:

Rep. Joan Adam, excused; Rep. Jo Ann Pottorff, excused;
Rep. Snowbarger, 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:

The public hearing on SB 515 was opened.

Gene Yonkers, member of the Real Estate Appraisal Board, testified in favor of SB 515. He said SB 515 would allow for imposition of fees by the rules and regulation process. The certification of independent appraisers is a process which was triggered by failures of savings & loans.

Jim Irish, representing the Appraisal Institute, testified in favor of SB 515. He said the bill would assure the maintenance of a smoothly functioning system and that immediate action was necessary to meet federal guidelines.

Both conferees noted there was no opposition to the bill.

The public hearing on SB 515 was closed.

Rep. Welshimer made a motion to report SB 515 favorably for passage. Rep. Charlton seconded the motion which carried.

The Chair stated that Representative Eloise Lynch had requested introduction of a bill authorizing a local option sales tax for Saline County to pay for a jail.

The Chair requested and received the unanimous consent of the committee to introduce a bill as requested by Rep. Lynch.

The Chair brought up HB 2816 for discussion and action. A balloon amendment was distributed to the committee which she reviewed as a substitute bill for HB 2816 (Attachment 1).

Rep. Krehbiel asked for a definition of uniformity of appraisals within and among counties as it appeared in the amendment. Bill Waters, Chief Attorney for the Property

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Valuation Department, replied that the definition was based on article 11, section 1, of the Constitution which mandates uniform and equal application of the laws.

There were several questions regarding the department's authority to promulgate rules and regulations. The Chair noted PVD currently has that authority. In response to a question regarding whether rules and regulations by the Property Valuation Department would be required by the bill, Waters said the Supreme court had interpreted shall as equal to may unless it is followed by language mandating consequences of not performing the duty in the form of some type of fine or other penalty which meant the rules and regulations would be optional under the bill.

Rep. Welshimer made a motion to adopt the proposed amendment as a substitute bill for HB 2816 and report the bill favorable for passage. Rep. Campbell seconded the motion which carried.

Bill Edds, Revisor, discussed the draft of substitute for SB 8 which had been developed by committee action.

It was noted that the revised version of SB 8 did not reflect committee action mandating one arbiter or panel. The revisor will make the correction.

Rep. Smith made a motion to delete the language requiring a meeting with the county appraiser to be a condition of being able to go to a hearing panel. Rep. Vancrum seconded the motion which failed.

Rep. Roe made a motion making the expenses of having hearing panels subject to the tax lid. Rep. Grotewiel seconded the motion. The motion carried with 11 affirmative votes. The section of the bill exempting the hearing panel from the tax lid was struck.

Rep. Vancrum made a motion, seconded by Rep. Larkin, to delete the sentence stating that the final order of the State Board of Tax Appeals shall be mailed to the property owner within 90 days. The motion carried.

The Chair requested and received the consent of the committee to clarify the language regarding binding arbitration in Shawnee, Saline, Lyon and Ellis counties.

In response to a question, Edds said the decision of the

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arbitrator(s) would be final.

Rep. Vancrum made a motion to include language providing for the appropriation of funds for the boards of arbitration. Rep. Larkin seconded the motion.

Rep. Larkin made a substitute motion to allow the withdrawal of binding arbitration appeals anytime during the 18-day period. Rep. Roe seconded the motion which carried.

Rep. Larkin made a motion to report Sub SB 8 favorably for passage, as amended, seconded by Rep. Vancrum and Rep. Roe. The motion carried with 11 affirmative votes.

The meeting adjourned at 10:05 a.m. The next meeting will be March 2.

79-1435. Assessment-sales ratio study; definitions. As used in this act: (1) The words "real estate" shall include lands and the improvements and structures thereon which are appraised as real property; (2) the word "director" means the director of property valuation; and (3) the words "sale" or "sold" shall include all sales which shall be found by the director to be valid for the purposes of the assessment-sales ratio study.

History: L. 1949, ch. 224, § 1; L. 1965, ch. 516, § 1; L. 1967, ch. 489, § 1; L. 1972, ch. 362, § 1; Jan. 1, 1973.

79-1436. Assessment-sales ratio study; listing of real estate sold or transferred; monthly report by county officials; collection and verification or supplementation by agents of director; information required in report; right of access to county records by director and agents. It shall be the duty of the director of property valuation, with the cooperation and assistance of registers of deeds, county appraisers or county clerks acting in the capacity of appraisers, and their deputies and clerks, to prepare and compile a listing of every tract or piece of real estate which has been or shall be either sold, transferred or contracted to be sold

or transferred in each county and school district of the state, the conveyance or agreement evidencing the same having been recorded in the office of the register of deeds of such county. On forms provided by the director, such county officials shall monthly record the required information for collection by agents of the director who shall check to see that all transferred properties are included and shall make such further investigations as may be necessary to verify or supplement the information provided on the real estate sales validation questionnaire and the reports prepared by the county officials. Such reports shall show:

(1) The date of the sale, transfer or agreement as evidenced by the date of the execution of the instrument;

(2) the purchase price of the particular tract or piece of real estate as shown by the instrument;

(3) the value of such tract or piece of real estate as reflected by the real estate sales validation questionnaire;

(4) the amount of any mortgage on such tract or piece of real estate assumed by the purchaser, including any purchase money mortgage, executed by the purchaser;

(5) the assessed valuation of such tract or piece of real estate as of January 1 of the year for which the assessment-sales ratio study is published;

(6) the classification and subclassification, if any, of the property sold, transferred or contracted for sale; and

(7) such other information as the director deems necessary to carry out the purposes of this act. The director and the director's agents shall have the right of access to the assessment rolls and other records in the offices of the county clerks, county appraisers and registers of deeds for the purpose of securing information required by this act.

History: L. 1949, ch. 224, § 2; L. 1965, ch. 516, § 2; L. 1967, ch. 489, § 2; L. 1972, ch. 362, § 2; L. 1974, ch. 428, § 1; L. 1982, ch. 397, § 1; L. 1989, ch. 2, § 7 (Special Session); L. 1991, ch. 162, § 8; July 1.

AN ACT relating to property taxation; enacting a Kansas Real Estate Ratio Study Act; repealing K.S.A. K.S.A. 79-1435, 79-1436a, 79-1436b, 79-1437a 79-1441, 79-1441a, 79-1442, 79-1443, 79-1444, 79-1445, 79-1446, and K.S.A. 1991 Supp. 79-1436 and 79-1437.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) Section 1 through 10 shall be known and may be cited as the Kansas real estate ratio study act. (b) The purpose of this act is to provide statistical information regarding the relationship of the appraised value to the selling price of real estate which has sold during the study year and the relative level of uniformity of appraisal within and among counties and to report such information in convenient form to the legislature and other interested parties.

Sec. 2. As used in this act: (1) "Sale" or "sales" shall include all transfers of real estate for which a real estate sales validation questionnaire is required by K.S.A. 79-1437c, and amendments thereto; (2) "real estate" shall include land, improvements and structures which are appraised as real property; (3) "director" shall mean the director of property valuation; (4) "classification" shall mean those classifications which apply to real property contained in K.S.A. 79-1439, and amendments thereto, or any stratification which may be prescribed by the director; (5) "average" shall mean that measure or measures of central tendency which the director shall determine best describes a group of individual ratios; (6) "ratio" shall mean the numerical relationship between the appraised or assessed value and the selling price; and (7) "study year" shall mean that twelve month period beginning annually on January 1.

House Taxation
At 5:00 PM
10/1/73

79-1436a. Assessment-sales ratio study; classification of property by director; county assessor or county clerk to report classification of property sold. The director of property valuation in carrying out the duties prescribed by the provisions of this act shall provide for classification of properties which are sold, transferred or contracted to be sold or transferred within the classification prescribed by K.S.A. 79-1459, and amendments thereto. The director of property valuation shall require the county assessor or county clerk acting in the capacity of county assessor to show on forms provided therefor, the classification and subclassification, if any, of the property sold and the classification and subclassification, if any, after the transfer is effected.

History: L. 1967, ch. 489, § 3; L. 1969, ch. 435, § 1; L. 1972, ch. 362, § 3; L. 1985, ch. 311, § 5; July 1.

79-1436b. Same; deviation of classification of property; director authorized to order reappraisal. In taxable years commencing after December 31, 1980, whenever the director of property valuation shall determine that the coefficient of deviation for any one classification or subclassification of property in a county, as shown from the ratio studies for such year, is greater than 20, the director is hereby authorized to order all property within the classification or subclassification within such county to be reappraised.

History: L. 1969, ch. 435, § 2; L. 1972, ch. 363, § 1; L. 1974, ch. 428, § 2; L. 1976, ch. 423, § 1; L. 1978, ch. 396, § 2; May 12.

79-1437a. Same; exchange of information by registers of deeds and county assessors. Registers of deeds and county assessors shall exchange such information as may be deemed necessary and advisable to properly carry out the intent and purposes of this act.

History: L. 1967, ch. 489, § 5; July 1.

Sec. 3. It shall be the duty of all county officials to cooperate with and assist the director in the development of the information required by this act. Such county officials shall exchange such information as may be necessary to carry out the intent and purposes of this act. The director or the director's agents shall have access to all county records for the purpose of carrying out the intent and purposes of this act.

Sec. 4. It shall be the duty of the director to obtain all information relating to each sale of real estate as the director shall deem necessary to carry out the intent and purposes of this act. The director shall prescribe the form in which the data is obtained. The director shall assign agents who shall verify that all sales are included. The director shall determine the average ratio of real estate sales and the coefficient of dispersion for each classification of property in each county. If, in the director's opinion, sales from the study year are insufficient to determine reliable ratios for any classification of property in any county, sales from the 12 month period preceding the study year may be used to supplement study year sales or the director may obtain or conduct appraisals for the purpose of supplementing, verifying or correcting ratios for the study year.

79-1437. Assessment-sales ratio study; sales price and ratios to be computed by director; annual report and publication of ratios; notification of board of county commissioners quarterly; correction of errors, when. (a) Upon securing information of real estate sales from the counties, the director shall determine, as nearly as possible, the sale price of each tract or piece of real estate and the ratio of the assessed valuation to the sale price. The director shall determine the average ratio of all sales of urban real estate and rural real estate and for each classification of property and for all classes combined in each county and unified school district for the twelve-month period ending on August 31 of such year. As soon as practicable after the certification of tax rolls to the county clerk, the director shall quarterly notify the board of county commissioners of each county and the school board of each unified school district of the ratios determined for such county or school district for the preceding quarter. In addition, the director shall determine the average ratio of all sales in all counties and unified school districts of the state for such twelve-month period. In determining the ratio of sales as required in this section, the director of property valuation shall, in all sales of property in which there is to be a change in the classification or subclassification of the property, place such sale in the proper classification or subclassification, and such sale resulting in a change of classification shall not be used in determining the ratio of the prior classification. Preliminary ratios for each twelve-month period shall be published annually by the director not later than January 15 next following the close of such period, in convenient form for the use and information of the legislature, taxpayers and other interested parties and public officers, and the final such ratios shall be published in such form not later than April 30 next ensuing. The annual report of the director of property valuation published as required by this section shall include reports of county and unified

school district ratios of urban real estate and rural real estate, ratios for the classifications of property established by K.S.A. 79-1459 and amendments thereto and ratios for a combination of all classes of property within each county and unified school district. In addition thereto, such report shall include reports of statewide average ratios of sales of urban real estate, sales of rural real estate and of all sales in all counties and unified school districts of the state for the period hereinbefore prescribed.

(b) If after publication of the annual report and prior to June 30 of the next ensuing year the director determines that any property is improperly classified or was improperly included in determining such ratios, the director shall correct such error or exclude such property and redetermine the ratios for any county or unified school district. The director shall report any such corrections made to the affected county or unified school district.

(c) The provisions of this section shall apply to all taxable years commencing after December 31, 1988.

History: L. 1949, ch. 224, § 3; L. 1965, ch. 516, § 3; L. 1967, ch. 489, § 4; L. 1972, ch. 362, § 4; L. 1974, ch. 428, § 3; L. 1982, ch. 397, § 2; L. 1985, ch. 311, § 6; L. 1986, ch. 374, § 1; L. 1989, ch. 2, § 8 (Special Session); Dec. 14.

Sec. 5. The director shall determine the mid-year ratios for each county and notify the board of county commissioners thereof. When the final ratios are determined, the director shall notify the board of county commissioners of each county of the ratios determined for such county. If the board of county commissioners disagrees with the ratios determined for the county, such board may, within 15 days after receipt of such notice, appeal such determination to the state board of tax appeals. Written notice of appeal shall be served on the state board of tax appeals and the director by certified mail. The notice of appeal shall clearly and specifically state the facts upon which the appeal is based. The state board of tax appeals shall conduct a hearing in accordance with the provisions of the Kansas administrative procedures act within 10 days of the receipt of the written notice of appeal and shall notify all parties of the findings within 15 days after the conclusion of the hearing. If the state board of tax appeals finds that corrections in the ratios are necessary, it shall order the director to make necessary corrections consistent with such findings prior to the publication of the study.

79-1441. Rules and regulations; forms.

The secretary of revenue shall adopt rules and regulations for the administration of this act and providing for the collection of the information from the several counties of the state. The director of property valuation shall prescribe and furnish forms for use in collecting such information.

History: L. 1963, ch. 460, § 9; L. 1967, ch. 489, § 6; L. 1972, ch. 342, § 91; L. 1974, ch. 428, § 4; July 1.

79-1441a. Notification of board of county commissioners of ratio; appeals to board of tax appeals; findings and order of board of tax appeals; correction and report by director of property valuation, when. Each year when the ratios are determined, the director shall notify the board of county commissioners of each county of the ratios determined for such county. If the board of county commissioners disagrees with the ratios determined for such county, the board may, within fifteen (15) days after receipt of such notice, appeal such determination to the state board of tax appeals. Any such appeal shall be commenced by written notice thereof served by certified mail on the board of tax appeals and the director of property valuation, which notice shall clearly and specifically state the basis for the disagreement. The board of tax appeals shall hear the board of county commissioners and the director of property valuation and shall make a finding on or before November 15 as to whether, in determining the ratios for the county, sales from the prior year should have been used to supplement sales from the current year as provided in K.S.A. 79-1443, and amendments thereto, whether appraisals should have been made as provided in K.S.A. 79-1443, and amendments thereto, whether the law has been complied with, and whether such other procedures as

may be provided by law or regulations were followed properly. If the board of tax appeals finds that the prescribed procedures were not followed it shall issue a written order as provided in K.S.A. 74-2426 directing the director of property valuation to correct any deficiency and report back to the board prior to publication of the ratio study.

History: L. 1967, ch. 489, § 7; L. 1974, ch. 428, § 5; July 1.

Sec. 6. The director shall publish the ratio study after the procedures prescribed in section 5 have been concluded. If it is determined that the ratio study cannot be published by April 1, the director shall provide a preliminary ratio study to the governor, the speaker of the house and the president of the senate and their respective tax committees on or before March 15.

79-1442. Assessment-sales ratio study; use of questionnaires. The director shall prepare and utilize questionnaires to grantors, grantees and contracting parties in determining and verifying data to be used in the assessment-sales ratio study.

History: L. 1965, ch. 516, § 4; L. 1972, ch. 362, § 5; Jan. 1, 1973.

79-1443. Same; use of prior year sales, when; appraisals. Sales from the twelve-month period ending on the thirty-first day of August of the prior year may be used to supplement sales of the current period by the director if in his or her opinion the sales in the current period are insufficient to determine the assessment-sales ratio of any county. The director may also, when in his or her opinion the same is necessary, obtain appraisals for the purpose of supplementing, verifying or correcting sales-assessment ratios for the current period.

History: L. 1965, ch. 516, § 5; L. 1972, ch. 362, § 6; L. 1974, ch. 428, § 6; July 1.

79-1444. Same; technical advisory committee; membership; qualifications; compensation and allowances; duties; additional advisory committee, appointment. There is hereby established a technical advisory committee on the assessment-sales ratio study. The committee shall consist of three (3) members, appointed by and serving at the pleasure of the secretary of revenue. Members of the committee shall have such education and training as may be necessary to advise the director in the methodology of conducting studies of the type required under the provisions of this act. Members of the advisory committee on assessment-sales ratio study attending meetings of such committee, or attending a subcommittee meeting thereof authorized by such committee, shall be paid amounts provided in subsection (e) of K.S.A. 75-3223 and amendments thereto. The same shall be paid from appropriations to the secretary of revenue upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of revenue or a person or persons designated by him or her.

It shall be the duty of the committee to advise and consult with and assist the director in the review and evaluation of the procedures used by the director of property valuation in making the assessment-sales ratio study and to make recommendations for any changes deemed necessary. It shall be the duty of the board of regents and the administration of each

of the state institutions thereunder to authorize any staff members so selected to participate as members in the activities of such committee. The secretary of revenue may appoint an additional advisory committee of not to exceed seven (7) members to serve at his or her pleasure.

History: L. 1965, ch. 516, § 6; L. 1968, ch. 208, § 14; L. 1972, ch. 362, § 7; L. 1974, ch. 348, § 99; L. 1974, ch. 428, § 7; L. 1975, ch. 416, § 27; July 1.

79-1445. County appraisal and assessment; annual determination of compliance; publication of list of counties; redetermination; rules and regulations; limitation on requirement to reappraise. The director of property valuation shall examine the tax assessment and appraisal of taxable property of the various counties prior to September 15 each year. On or before such date, the director shall publish a list of those counties which the director finds to be in substantial compliance with the requirements of law to appraise taxable property of all counties at fair market value in money as defined by K. S. A. 79-503a, and amendments thereto. Such list shall also specify those counties which are not in substantial compliance with the law and every county shall be named in one or the other parts of such list. After such list has been initially published, the board of county commissioners of any county may petition the director of property valuation to reconsider the determination as published in such list. Such petition shall be made in compliance with rules and regulations adopted by the secretary of revenue as to the form and contents of any such petition. Such rules and regulations shall provide for a redetermination, in every case, after the final completion of any countywide reappraisement. The director of property valuation may make a redetermination as to any county whether the same is petitioned for or not.

History: L. 1968, ch. 223, § 1; L. 1969, ch. 433, § 11; L. 1972, ch. 342, § 92; L. 1985, ch. 311, § 7; July 1.

79-1446. Annual comparison of fair market values in money of taxable property within adjoining counties and with statewide average; submission of countywide reappraisals; adjustment of appraised values. Before September 15 of each year the state director of property valuation shall make a comparison of the fair market values in money of taxable property of each county with the fair market value in money of taxable property of counties adjoining thereto, and shall make a similar comparison with the statewide average of fair market values in money of taxable property. All countywide reappraisals of taxable property, after their final completion, shall be submitted to the state director of property valuation for such a comparison with adjoining counties and with the statewide average. In the event that any annual comparison or any appraisal so submitted shall fail to be substantially equal to that of any adjoining county in the judgment of the state director of property valuation, it shall be the duty of such director to order the county assessor of the offending county to increase or decrease the appraised values of his or her county to the level of surrounding counties to make all such counties comparable to adjoining areas.

History: L. 1968, ch. 223, § 2; L. 1969, ch. 433, § 12; July 1.

Sec. 7. The secretary of revenue shall adopt rules and regulations providing for the administration of this act.

Sec. 8. The provisions of this act shall apply to the study year commencing January 1, 1992. Sales from the period commencing September 1, 1991, and ending December 31, 1991, shall be included in the 1992 ratio study.

Sec. 9. Nothing in this act shall preclude the director from gathering, compiling or publishing any information or statistics in addition to those required by this act.

Sec. 10. K.S.A. 79-1435, 79-1436a, 79-1436b, 79-1437a, 79-1441, 79-1441a, 79-1442, 79-1443, 79-1444, 79-1445, 79-1446, and K.S.A. 1991 Supp. 79-1436 and 79-1437 are hereby repealed.

Sec. 11. The act shall take effect and be in force from and after its publication in the statute book.