

Approved 1-30-92
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. ~~xxx~~ on Wednesday, January 29, 1992 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Bill Edds, Revisors Office
Don Hayward, Revisors Office
Chris Courtwright, Research Department
Tom Severn, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Don Schnacke, KS Independent Gas & Oil Association
Bev Bradley, KS Association of Counties
Mike Billinger, Jr., Ellis County Treasurer
Ron Swisher, Property Valuation Department

Chairman Dan Thiessen called the meeting to order at 11:10 a.m. and he said, the agenda for today is a hearing on HB2381, recognizing Don Schnacke, representing Kansas Oil & Gas Association.

HB2381: Property taxation; concerning the cancellation of certain personal property taxes.

The following conferees are Proponents of HB2381.

Don Schnacke, KS Independent Gas & Oil Association said he has heard the previous testimony in the House and was sympathetic with it, and he said they just support the concept of increasing from \$2.00 to \$10.00 which would cancel taxes of less than \$10.00. (ATTACHMENT 1)

The following conferees are Opponents of HB2381

Alan Steppat, representing Pete McGill & Associates, Inc. said he was appearing on behalf of the KS Legislative Policy Group (KLPG) which is an organization of county commissioners representing 24 oil and gas producing counties from primarily the western part of the state.

He said if the threshold is \$10.00 in HB2381 this would be a substantial loss of tax revenue to counties with oil and gas production. Page 2 of his handout shows the impact it would have on Grant and Stevens Counties, and he urged the committee to reduce the threshold to reduce the loss of tax revenue to these counties. (ATTACHMENT 2)

Bev Bradley, KS Association of Counties said they are opposed to \$10.00 minimum, because some county treasurers have reported the minimum cost varies between \$2.00 and \$3.00 in all the processing of statements. She said they have to report the value even though they might not have to send a statement.

Ms. Bradley said vehicles have a minimum tax, and she said maybe there should be a minimum tax on personal property of maybe \$5.00, then for anyone who has taxes below \$5.00 would pay \$5.00. (ATTACHMENT 3)

Mike Billinger, Jr., Ellis County Treasurer said if the tax is cancelled, the procedure is basically the same until you get to the County Treasurer's office, and there you still have to render the property. He said, there is no doubt regarding the \$12.00 cost if you include everything that goes through the system.

He said when it gets to the Treasurer's office, you have the tax billing, the envelopes, data entry, and postage which would take care of the \$2.00 figure, and the rest of the fixed cost would still be there, regardless if the tax is cancelled. (NO WRITTEN TESTIMONY)

Ron Swisher, Property Valuation Department said HB2381 does reference all taxable personal property in the counties. He said, how do you distinguish between personal property and leaving \$10.00 worth of taxes and not considering the same for real estate. He said,

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on Wednesday, January 29, 1992

there is an awfully lot of real estate property out there that pays less than \$10.00 worth of taxes. He said, he was just talking about the uniformity of the issue. He said, on line 18 of the bill "notice thereof shall be provided to the taxpayer by the county appraiser". He said this is typically a county appraiser responsibility rather than the county treasurer.

He pointed out to the committee, the constitutionality of HB2381 is for just one class of property and not all classes of property across the board. He said, they are not a proponent or opponent of the bill. **(NO WRITTEN TESTIMONY)**

Chairman Thiessen concluded the hearing on HB2381 and recognized Senator Fred Kerr.

Senator Fred Kerr passed out a memorandum and information on proposed statutory changes which was recently mailed to the Wyandotte County delegation, requested by Senator Fred Kerr to Leroy Leland for input from appraisers on the 1992 session. Larry J. Clark, CAE Wyandotte County Appraiser sent the information to Senator Kerr.

Senator Kerr said the appraisers had several suggestions regarding the appraisers laws, he said he asked them to put it in suggested bill form and they will come in later for introduction and testify on the proposals. He said he don't know how many bills it may be, but he said there are several topics. He suggested proposing them but hold up on the hearings because the Department of Revenue may have proposed amendments. **(ATTACHMENT 4)**

Senator Fred Kerr moved to introduce the bills in (ATTACHMENT 4), 2nd by Senator Frahm. The motion carried.

Senator Janis Lee said she has talked with David Cunningham regarding real estate form to be filled out, when real estate property is transferred from one owner to another. She said, there needs to be an additional catagory that deals with property in trust.

Chairman Thiessen said the committee would take that up when Mr. Cunningham gets his proposed bills over here.

Senator Audrey Langworthy moved to approve the minutes of 1-28-92, 2nd by Senator Gerald Karr. The motion carried.

Chairman Thiessen adjourned the meeting at 11:28 a.m.



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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January 29, 1992

TO: Senate Committee on Assessment and Taxation

RE: HB 2381

KIOGA continues to support HB 2381 as passed by the House. It would cancel taxes of less than \$10, in lieu of \$2 which is the current law.

The cost of processing, mailing and collecting taxes below \$10 seems to us to not be worth the effort and the amendment should be allowed.

Donald P. Schnacke

DPS:pp

SENATE ASSESSMENT & TAX
ATT. 1
1-29-92

**TESTIMONY TO THE
SENATE ASSESSMENT & TAXATION
COMMITTEE ON HOUSE BILL 2381**

JANUARY 29, 1992

Mr. Chairman and members of the committee. I am Alan Steppat of Pete McGill & Associates. We appear on behalf of the Kansas Legislative Policy Group (KLPG) which is an organization of county commissioners representing 24 oil and gas producing counties from primarily the western part of the state.

We appear today in opposition to House Bill 2381 as currently amended. As introduced, the bill would have cancelled taxes of less than \$2.00. The House committee amended the bill to raise the threshold to \$10.00 and to conform a statute dealing with cancellation of taxes on producing oil and gas properties. By raising the threshold to \$10.00, this would be a substantial loss of tax revenue to counties with oil and gas production.

*SENATE ASSESSMENT & TAX
19 77. 2-1
1-29-92*

Listed below is the impact this legislation would have on Grant and

Stevens Counties:

Grant County

	Parcels	Tax \$
Real Estate	129	\$ 378.17
Minerals	976	3,820.51
State Assessed	1	4.05
Personal Property	88	556.26
Oil & Gas	<u>2,533</u>	<u>10,343.10</u>
Total	<u>3,727</u>	<u>\$15,102.19</u>

Stevens County

	Parcels	Tax \$
Real Estate	122	\$ 525.15
Minerals	1,524	8,931.03
State Assessed	0	0
Personal Property	233	1,351.43
Oil & Gas	<u>6,144</u>	<u>22,317.87</u>
Total	<u>8,023</u>	<u>\$33,125.48</u>

We would recommend that the committee lower the threshold to reduce the loss of tax revenue to these counties.

Thank you for your consideration.



"Service to County Government"

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Bourbon County Clerk
(316) 223-3800, ext 54

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Keith Devenney
Geary County Commissioner
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Executive Director
John T. Torbert, CAE

TO: Senator Dan Thiessen, Chairman,
Members of the Senate Assessment and Taxation
Committee

FROM: Bev Bradley, Deputy Director
Kansas Association of Counties

Re: HB 2381

The Kansas Association of Counties is in opposition to HB 2381. We would support the bill if the amount were \$2. We must, however, oppose the bill in the present form, based on the loss of revenue and in effect narrowing the tax base. We understand the cost of sending a tax bill for the treasurers office is between \$2 and \$3. Other work in county offices must continue to be done, such as valuing the property, even if the statement is not sent and the tax is not collected.

We know of no other source of revenue to recover the revenue lost if this bill were to become law other than advalorem property tax and counties are operating under a tax lid.

One suggestion would be to apply a minimum personal property tax of \$5 in all cases where the amount of tax owed is \$5 or below. This is consistent with the minimum registration on vehicles that is currently in place. Another alternative would be to cancel taxes that are below \$5. I understand intangible taxes are not collected if the amount is less than \$5.

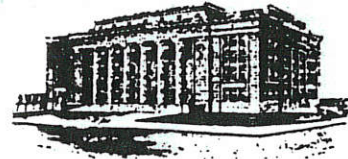
The Kansas Association of Counties is opposed to HB 2381 in the present form. Thank you for your time, Mr. Chairman.

TSB2381

SENATE ASSESSMENT & TAX
ATT. 3
1-29-92

OFFICE OF
LARRY J. CLARK CAE
COUNTY APPRAISER
913/573-2889

287-2641



WYANDOTTE COUNTY COURTHOUSE
KANSAS CITY, KANSAS 66101

January 15, 1992

Senator Fred Kerr
R.R. 2
Pratt, KS 67124

Re: Legislative Suggestions

Dear Senator Kerr:

Attached is a memorandum and information on proposed statutory changes which was recently mailed to the Wyandotte County delegation. I send this to you in response to a request you made to Leroy Leland for input from appraisers on the 1992 session.

These proposed changes do not represent a consensus position of appraisers, although I believe most would be supported by other county appraisers.

If there is any way I can be of service to the legislature please feel free to call on me.

Sincerely,

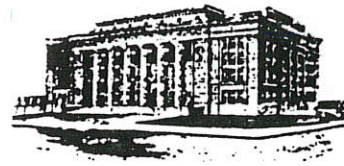
Larry J. Clark, CAE
Wyandotte County Appraiser

SENATE ASSESSMENT & TAX

ATT. 4-1

1-29-92

OFFICE OF
LARRY J. CLARK CAE
COUNTY APPRAISER
913/573-2889



WYANDOTTE COUNTY COURTHOUSE
KANSAS CITY, KANSAS 66101

To: Wyandotte County Legislative Delegation
From: Larry Clark, Wyandotte County Appraiser
Date: January 14, 1992
Subject: Proposed Legislation

During the year 1991 the Wyandotte County Commission asked the International Association of Assessing Officers to review the performance of reappraisal efforts in this county as well as the statutory and regulatory basis for them. One result of that study was a set of suggestions for legislative changes. Attached is the county's effort to interpret those suggestions in the form of statutory changes. I attempted to present these suggestions during the recent forum but was not certain all of you had received a copy.

The board of county commissioners specifically support the changes being proposed to 79-1411b, 79-1479, 79-1601 and 79-2005. The changes being proposed are as follows:

79-1411b - language is added to require the education of all appraisal staff who perform appraisal functions. This came out of the IAAO audit conducted in my office in the summer of 1991. This addition will serve the dual purposes of mandating training for the appraiser's staff and provide the commission the rationale to fund it.

79-1479 - opens the real estate sales validation questionnaire to the general public. Presently my office is in the position of denying the general public access to sales information that they need in order to determine whether their property has been fairly appraised. They may only obtain that information when an appeal has been filed. Opening these documents to public inspection is the next logical step.

79-1601 - allows county commissioners to appoint hearing officers/panels to serve as the county board of equalization. As a county option this would not only allow county commissioners to spend their time more productively it would allow the processing of appeals by real estate professionals.

79-2005 - eliminates the ability to challenge valuation under the payment under protest. Like all the previous suggestions this arose from the IAAO audit. Quoting from that report "the process delays finality in the property tax system, increases public confusion about how the system works, falsely raises expectations of relief when none is warranted, and diverts appraiser's office resources from more important tasks."

Two other issues are presented here on my own. The county commission has not taken a stand on either. First, one of the most troublesome issues during reappraisal has been the turnover in the office of county appraiser. There can never be statewide equality or fairness until there is stability within this office. That stability is threatened by the fact that every four years

each county commission has the authority to appoint the appraiser. The county commission is not required to provide a good reason for refusing to rehire the current appraiser. They do not have to give any reason at all. The change proposed to 19-430 is to change the appraiser's position to a one-time appointment. The board of county commissioners would then have to show cause at any time they wanted to dismiss the appraiser.

The second issue concerns the values reported to property owners. Current law requires that my office break down the value of a property into land and building components. This sounds deceptively simple, with deceptive being the key word. When property is bought and sold in the open market one price is quoted, negotiated and paid. The real estate market does not recognize a distinction between the value of a house and the land its sits upon. Likewise, when appraisers use the comparative sales portion of the cama system one value estimate is produced. In order to comply with the law that single figure is broken into two with no real relation to the final value except that the two combine to form the third.

Land values are calculated as part of the cost estimate of value. Theoretically the cost and comparative sales estimates of value should be similar, but as in many cases theory and reality are not the same. The cama system currently takes the land value calculated for the cost approach subtracts it from the value determined from the comparative sales approach to calculate a building value. This does not represent a problem within cama, rather it is a result of trying to adapt to a requirement which does not reflect the market. Since the total value and is independent of the other two (land and building), strange combinations may result. A simple example will illustrate how confusing this breakdown can be if land values change from year to year and the final value remains constant. What is shown is one property in two different time periods.

Land	Building	Total
15,000	45,000	60,000
10,000	50,000	60,000

Many counties have experience situations like this where land valuation tables were adjusted from one year to the next without any change in the final value. However, to the property owner we have increased the value of their building by 5,000. This property owner may request a hearing to discuss the value of the building only an argue vehemently that it has not increased by that amount in one year. Or he may argue that the county is playing some kind of shell game with the figures.

A great deal of confusion and unnecessary concern could be eliminated if counties were required to report only the final value for each class of property on a parcel. The current system presents false figures and is therefore, deceptive.

Thank you for taking the time to read this memo and the accompanying documents. If there is any way I can be of assistance during the coming session, please feel free to call on me.

K.S.A. 79-1411b

Each county shall comprise a separate assessment district and the county ~~assessor, or county clerk acting as assessor, or district appraiser~~ shall have the duty of ~~assessing appraising~~ all tangible property in this county.

Notwithstanding the provisions of this act which require persons, associations, companies or corporations to list tangible personal property for assessment, the county ~~assessor, or county clerk acting as assessor, or district appraiser~~ also shall have the duty of listing and ~~assessing appraising~~ all taxable tangible personal property in his or her county used in, owned by, held, or in possession of a business. The board of county commissioners of each county, after consultation with the county ~~assessor or the county clerk acting as assessor, or district appraiser~~ shall determine the most practical method of providing for the listing and ~~assessing~~ appraising of all tangible property as provided herein.

The county ~~assessor, or county clerk acting as the assessor, or district appraiser~~ shall with the consent of the board of county commissioners appoint such township trustees, assistants, appraisers, and other employees as are required to carry out the provisions of this act and to give such assistance to taxpayers as is necessary.

The county commissioners ~~may~~ shall require ~~at least one every~~ employee ~~performing appraisal functions~~ to attend ~~assessment appraisal~~ schools conducted by the director of property valuation and schools which are conducted in cooperation with a state university.

(a) On or before January 15, 1992, and quarterly thereafter, the county or district appraiser shall submit to the director of property valuation a progress report indicating actions taken during the preceding quarter calendar year to implement the appraisal of property in the county or district. Whenever the director of property valuation shall determine that any county has failed, neglected or refused to properly provide for the appraisal of property or the updating of the appraisals on an annual basis in substantial compliance with the provisions of law and the guidelines and timetables prescribed by the director, the director shall file with the state board of tax appeals a complaint stating the facts upon which the director has made the determination of noncompliance as provided by K.S.A. 79-1413a, and amendments thereto. If, as a result of such proceeding, the state board of tax appeals finds that the county is not in substantial compliance with the provisions of law and the guidelines and timetables of the director of property valuation providing for the appraisal of all property in the county or the updating of the appraisals on an annual basis, it shall order the immediate assumption of the duties of the office of county appraiser by the director of the division of property valuation until such time as the director of property valuation determines that the county is in substantial compliance with the provisions of law. In addition, the board shall order the state treasurer to withhold all or a portion of the county's entitlement to moneys from either or both of the local ad valorem tax reduction fund and the city and county revenue sharing fund for the year following the year in which the order is issued. Upon service of any such order on the board of county commissioners, the appraiser shall immediately deliver to the director of property valuation, or the director's designee, all books, records and papers pertaining to the appraiser's office.

Any county for which the director of the division of property valuation is ordered by the state board of tax appeals to assume the responsibility an duties of the office of county appraiser shall reimburse the state for the actual costs incurred by the director of the division of property valuation in the assumption and carrying out of such responsibility and duties, including any contracting costs in the event it is necessary for the director of property valuation to contract with private appraisal firms to carry out such responsibilities and duties.

(b) On or before June 1 of each year the director of property valuation shall review the appraisal of property in each county or district to determine if property within the county or district is being appraised or valued in accordance with the requirements of law. If the director determines the property in any county or district is not being appraised in accordance with the requirements of law, the director of property valuation shall notify the county or district appraiser and the board of county commissioners of any county or counties affected that the county has 30 days within which to submit to the director a plan for

bringing the appraisal of property within the county into compliance.

If a plan is submitted and approved by the director the county or district shall proceed to implement the plan as submitted. The director shall continue to monitor the program to insure that the plan is implemented as submitted. If no plan is submitted or if the director does not approve the plan, the director shall petition the state board of tax appeals for a review of the plan or, if no plan is submitted, for authority for the division of property valuation to assume control of the appraisal program of the county and to proceed to bring the same into compliance with the requirements of law.

If the state board of tax appeals approves the plan, the county or district appraiser shall proceed to implement the plan as submitted. If no plan has been submitted or the plan submitted is not approved, the board shall fix a time within which the county may submit a plan or an amended plan for approval. If no plan is submitted and approved within the time prescribed by the board, the board shall order the division of property valuation to assume control of the appraisal program of the county and shall certify its order to the state treasurer who shall withhold distributions of the county's share of moneys from the county and city revenue sharing fund and the local ad valorem tax reduction fund and credit the same to the general fund of the state for the year following the year in which the board's order is made. The director of property valuation shall certify the amount of the cost incurred by the division in bringing the program in compliance to the state board of tax appeals. The board shall order the county commissioners to reimburse the state for such costs.

(c) The state board of tax appeals shall within 60 days after the publication of the Kansas assessment/sales ratio study review such publication to determine county compliance with K.S.A. 79-1439, and amendments thereto. If in the determination of the board one or more counties are not in substantial compliance and the director of property valuation has not acted under subsection (b) above, the board shall order the director of property valuation to take such corrective action as is necessary or to show cause for noncompliance.

Sec. 3. No deed or instrument providing for the transfer of title to real estate or affidavit of equitable interest in real estate shall be recorded in the office of the register of deeds unless such deed, instrument or affidavit shall be accompanied by a completed real estate sales validation questionnaire by the grantor, grantee or his or her agent concerning the property transferred. Such questionnaire shall be retained for a period of two years at which time they shall be destroyed. The register of deeds shall in conjunction with the county clerk use the information derived from such questionnaires in preparing the report to the director of property valuation as provided for in K.S.A. 79-1436, and amendments thereto.

Sec. 4. The real estate sales questionnaire shall be devised by the director of property valuation, and the director shall furnish copies thereof to the register of deeds. Upon proposing

modifications or changes to the real estate sales validation questionnaire devised and used prior to 1992 or any validation questionnaire approved by the legislature in 1992 or thereafter, the director of property valuation shall submit such proposal to the legislature. Upon the failure of the legislature to enact legislation modifying the director's proposal within 60 days of submission thereof, such proposal shall be deemed to be approved, and the director's modified questionnaire may be utilized at anytime thereafter. The questionnaire shall be devised to obtain information regarding the identification and location of the property, name and address of the purchaser, sales price, date of sale, the classification and subclassification to which such property belongs, nature and circumstances peculiar to the sale, whether any personal property was included in the sales price, whether the purchaser assumed any mortgages or liens, loans, leases or taxes, the method of financing, whether any special assessments are levied against the property and such other information as the director of property valuation shall require. ~~No information shall be requested in such questionnaire which would require the disclosure of the interest rate paid by the purchaser or the specific term of any mortgage.~~

Sec. 5. The real estate sales validation questionnaire required by this act shall not apply to transfers of title:

- (1) Recorded prior to the effective date of this act;
- (2) made solely for the purpose of securing or releasing security for a debt or other obligation;
- (3) made for the purpose of confirming, correcting, modifying or supplementing a deed previously recorded, and without additional consideration;
- (4) by way of gift, donation or contribution stated in the deed or other instrument;
- (5) to cemetery lots; or
- (6) by leases and transfers of severed mineral interests.

Sec. 6. ~~The contents of the real estate sales validation questionnaire shall be made available to the county clerk for the purpose of preparing the report to the director of property valuation as provided for in K.S.A. 79-1436 and amendments thereto, any property owner who has appealed and for the sole purpose of prosecuting such appeal of the valuation of property pursuant to K.S.A. 79-1448, 79-1606, 79-1609, and 79-2005, and amendments thereto, or such owner's representative as evidenced by such owner's affidavit, and only to the extent of the contents of those certificates concerning the same constitutionally prescribed subclass of property as that of the property being appealed, the county appraiser and appraisers employed by the county for appraisal of property located within the county, appraisers licensed or certified pursuant to K.S.A. 58-4101 et seq., and amendments thereto, and the board of county commissioners, but such contents shall not be otherwise disclosed by any party having access to anyone other than the director of property valuation, the county appraiser or the appraiser's designee, hearing officers or panels appointed pursuant to K.S.A. 79-1602, and amendments thereto, or to the board of tax appeals or county board of equalization in the event of proceedings before such boards,~~

~~except that appraisers licensed or certified pursuant to K.S.A. 58-4101 et seq., and amendments thereto, may consider and include such contents in an appraisal report general public in the same manner as all other public documents.~~

Sec. 7. Any person who shall falsify the value of real estate transferred shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$100. (Chpt. , 1991 Session Laws)

K.S.A. 79-1601

The board of county commissioners of each county or their dully appointed representatives shall constitute a county board of equalization, and the county clerk shall be clerk of said board. A board of county commissioners shall by majority vote elect to exercise the option of appointing hearing panels to assume the authroity of the county board of equalization. Only such persons with demonstrable experience in the field of real estate sales and/or appraisal shall be eligible to serve on such hearing panels, the number of which shall be left to the discrection of each county board of commissioners. All such persons appointed to such boards who are appointed by virtue of their appraisal experience shall hold a current certification from the state.

(a) Any taxpayer, before protesting the payment of such taxpayer's taxes, shall be required, either at the time of paying such taxes, or, if the whole or part of the taxes are paid prior to December 20, no later than December 20, or, with respect to taxes paid in whole on or before December 20 by an escrow or tax service agent, no later than January 31 of the next year, to file a written statement with the county treasurer, on forms approved by the state board of tax appeals and provided by the county treasurer, clearly stating the grounds on which the whole or any part of such taxes are protested and citing any law, statute or facts on which such taxpayer relies in protesting the whole or any part of such taxes. The county treasurer shall forward a copy of the written statement of protest to the county appraiser who shall within 15 days of the receipt thereof, schedule a formal meeting with the taxpayer or such taxpayer's agent or attorney with reference to the property in question. The county appraiser shall review the appraisal of the taxpayer's property with the taxpayer or such taxpayer's agent or attorney and may change the valuation of the taxpayer's property, if in the county appraiser's opinion a change in the valuation of the taxpayer's property is required to assure that the taxpayer's property is valued according to law, and shall, within 15 business days thereof, notify the taxpayer and the state board of tax appeals, in the event the valuation of the taxpayer's property is changed, in writing of the results of the formal meeting *the state board of tax appeals*. The state board of tax appeals may *shall* within 45 days after receipt of notification of such change review such change and *protest application* schedule a hearing thereon upon a finding that the taxpayer's property may not be valued according to law. If the state board of tax appeals takes no action within such 45 day period, the results of the formal meeting shall be final.

(b) If the grounds of such protest shall be that the valuation or assessment of the property upon which the taxes so protested are levied is illegal or void, such statement shall further state the exact amount of valuation or assessment which the taxpayer admits to be valid and the exact portion of such taxes which is being protested.

(c) (b) If the grounds of such protest shall be that any tax levy, or any part thereof, is illegal, such statement shall further state the exact portion of such tax which is being protested.

(d) (c) Upon the filing of a written statement of protest, the grounds of which shall be that any tax levied, or any part thereof, is illegal, the county treasurer shall mail a copy of such protest to the governing body of the taxing district making the levy being protested.