

Approved THURS. 2-20-92  
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, February 19, 1992 in room 519-s of the Capitol.

All members were present except:

Senator Janis Lee (Excused)  
Senator Jack Steineger (Excused)

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:

Larry Clark, President-KS County Appraisers Association  
Beverly Bradley, Deputy Director, KS Association of Counties  
James S. Maag, Senior Vice Pres. - KS Bankers Association  
Karen France, Director-Governmental Affairs, KS Association of Realtors

Chairman Dan Thiessen called the meeting to order at 11:07 a.m. and said the agenda today, is a hearing on **SB579, SB580 and SB581** recognizing Larry Clark, President-KS County Appraisers Association.

**SB579:** Appointment of County Appraisers, terms abolished.

The following conferees are proponents of **SB579**.

Larry Clark, said **SB579** is an attempt to remove the requirement for a four year appointment of county appraisers. He said, they propose through this bill that county appraisers be appointed by the respective county commissions and retained as long as they perform their duties in a satisfactory manner. (ATTACHMENT 1)

After committee discussion on the bill regarding updating the bill to make it more clear on qualifications of the appraisers, it was pointed out by a committee member that lines 23 through 28 could not be more clear and after discussion on this Chairman Thiessen concluded the hearing on **SB579** and turned attention to **SB580**.

**SB580:** Property tax, change of valuation notice, maintenance of valuation listings.

The following conferees are proponents of **SB580**.

Larry Clark, said **SB580** would eliminate the current requirement to report the value of properties in terms of a breakdown of the land and buildings. He said the legislature has indicated its support for the use of the income approach in the valuation of commercial property, and he said, the preferred method of valuing residential property is the market or comparative sales approach. He said, in either of these approaches the estimate provided is for the total property and the State Board of Tax Appeals has recognized that the breakdown between land and improvements when these estimates are used is purely artificial. (ATTACHMENT 2)

Chairman Thiessen turned attention to **SB581**.

**SB581:** Real Estate sales validation questionnaire open to public inspection.

The following conferees are proponents of **SB581**.

Larry Clark said the purpose of the amendment to K.S.A. 79-1437c is to make the sales validation questionnaire available to the general public. He said the proposal arose out of the Kansas County Appraisers Associations' desire to treat all property owners fairly and not force them to appeal in order to gain basic information. (ATTACHMENT 3)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,  
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Wednesday, February 19, 1992.

Chairman Theissen recognized Beverly Bradley, Deputy Director, KS Association of Counties.

Beverly Bradley said they have a convention adopted policy which states, "In order to avoid unnecessary appeals and in the interest of assisting taxpayers fully, the KAC urges the legislature to make the sales validation questionnaire an open public record which can be given to an interested taxpayer without additional verification and appeal".  
(ATTACHMENT 4)

Chairman Dan Thiessen recognized James S. Maag, Senior Vice President, KS Bankers Association.

James S. Maag said **SB581** would require that information contained in real estate sales validation questionnaires which are filed with the Registers of Deeds office be made available to the public.

He said, this information is vital to banks which are doing in-house appraisals and plan to continue such appraisals even after the implementation of the new federal law relating to appraisals (Title XI of FIRREA) on January 1, 1993.

He said, while **SB581** is a step in the right direction, they would urge the committee to either eliminate the provision which allows destruction of the questionnaires after 2 years or expand the bill to include similar language in K.S.A. 79-1437f. He said, this would assure that the information contained in the questionnaires would be available for a longer period of time.

He urged the committees support for **SB581**. (ATTACHMENT 5)

Chairman Dan Thiessen recognized Karen France, Director-Governmental Affairs, KS Association of Realtors.

Karen France testifying in **opposition of SB581** said they oppose the bill because it goes far beyond clarifying access for taxpayers who have a genuine need to know and actually serves as an invasion of privacy for property owners across the state.

She said, they oppose making the sales information a public record on the basis of privacy. (ATTACHMENT 6)

Chairman Dan Thiessen concluded the hearing on **SB581** and adjourned the meeting at 12:02 p.m.

GUEST LIST

COMMITTEE: ASSESSMENT & TAXATION

DATE: Wed. 2-19-72

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<i>Fred Clark</i>	<i>Kansas City</i>	<i>Ks County Apprais</i>
<i>Sam Schmidt</i>	<i>110 COURT HOUSE PLAZA MANHATTAN KS</i>	<i>County Appraisers</i>
<i>Wayle Randall</i>	<i>Marionville</i>	<i>Marshall Co. Clerk</i>
<i>BEN BRADLEY</i>	<i>Topeka</i>	<i>KS Assoc of Counties</i>
<i>Estrella Forste</i>	<i>Haysville</i>	<i>Campus High School</i>
<i>Sally ORR</i>	<i>130-N</i>	<i>Senator Steiner</i>
<i>Kathy Miller</i>	<i>Topeka</i>	<i>Ks Bankers Assn.</i>
<i>Jan Nankus</i>	<i>Valley Center</i>	<i>Leadership C.C.</i>
<i>Cheryl Bryant</i>	<i>Valley Center</i>	<i>Leadership Class</i>
<i>Vicki Truman</i>	<i>Valley Center</i>	<i>Leadership Class</i>
<i>Whitney Ulrich</i>	<i>Valley Center</i>	<i>Leadership Class</i>
<i>Virginia Black</i>	<i>Valley Center</i>	<i>Leadership Class</i>
<i>Mary Noonan</i>	<i>Valley Center</i>	<i>Leadership Class</i>
<i>Jerry Ann Haug</i>	<i>Valley Center</i>	<i>Leadership Class</i>
<i>Set Truman</i>	<i>Valley Center</i>	<i>Leadership Class City Council</i>
<i>LARRY BLANCHARD</i>	<i>VALLEY CENTER -</i>	<i>LEADERSHIP CLASS NAPA AUTO PARTS</i>
<i>Travis Bryant</i>	<i>Valley Center</i>	<i>Leadership Class</i>
<i>Martha Jenkins</i>	<i>Topeka</i>	<i>AIA</i>
<i>Russell A. FREY</i>	<i>Topeka</i>	<i>Ks Vet Med Assoc</i>
<i>Jim McS... ..</i>	<i>Topeka</i>	<i>Observer</i>
<i>Chris Steineger</i>	<i>KC KS</i>	<i>KCKS</i>
<i>Lenora Taylor</i>	<i>Topeka</i>	<i>Shawnee County</i>
<i>JEFF SONNICH</i>	<i>Topeka</i>	<i>KVLSI</i>
<i>BEN NEILL</i>	<i>Overland Park</i>	<i>CPAK</i>
<i>Carl Dougherty</i>	<i>Columbus</i>	<i>EMARE DISTRICT ELECTRIC</i>

**KANSAS COUNTY APPRAISERS ASSOCIATION**

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316-384-5451

To: Senate Assessment and Taxation Committee

From: Larry Clark, President KCAA

Date: February 19, 1992

Mr. Chairman and members of the committee thank you for the opportunity to appear in support of Senate Bill 579. My name is Larry Clark and I am here representing the Kansas County Appraisers Association as their president.

The purpose of this bill is to remove from K.S.A. 19-430 the provision calling for the four year appointment of county appraisers. Instead we propose through this bill that county appraisers be appointed by the respective county commissions and retained as long as they perform their duties in a satisfactory manner.

This accomplishes the goal of removing some of the political pressure currently placed on county appraisers. Once every four years the office of county appraiser is effectively vacated under current law. County commissioners do not have to have any excuse to terminate the current appraiser, they simply appoint whomever they want. It is unrealistic to think that some county commissioners do not use this lever to force the

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appraiser to do things which may not follow good appraisal practice.

Under this proposal appraisers would still be subject to removal for cause by either the county commission or the director of property valuation division. It would simply require the "for cause" provision to be employed in every instance that an appraiser is terminated.

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To: Senate Assessment and Taxation Committee

From: Larry Clark, President KCAA

Date: February 19, 1992

Mr. Chairman and members of the committee thank you for the opportunity to appear in support of Senate Bill 580. My name is Larry Clark and I am here representing the Kansas County Appraisers Association as their president.

The purpose of this bill is to eliminate the current requirement to report the value of properties in terms of a breakdown of the land and buildings. It will amend K.S.A. 79-1460 and 79-1480 to allow the reporting of the total value of the parcel only.

The legislature has indicated its support for the use of the income approach in the valuation of commercial property; and it is clear that the preferred method of valuing residential property is the market or comparative sales approach. In either of these approaches the estimate provided is for the total property and the State Board of Tax Appeals has recognized that the breakdown between land and improvements when these estimates are used is purely artificial. Beyond that it may

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be misleading, confusing and irritating to property owners.

For example, if comparative sales indicate a value of \$40,000 for a residential property it doesn't make very little difference to the system whether that is broken down as \$5,000 for land and \$35,000 for improvements or the opposite. The focal point is the total value. We have found that land values may fluctuate following a specific review of a given area with no change in the total parcel values. However, property owners question the reason for a change in the breakdown.

The only time the breakdown is applicable is in the cost approach and even then the emphasis is on the final value. All market studies use the total value. The ratio studies used by the legislature use the total value. Elimination of this requirement for a breakdown of land and improvements would eliminate a great deal of confusion and frustration among property owners.

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316-384-5451

To: Senate Assessment and Taxation Committee

From: Larry Clark, President KCAA

Date: February 19, 1992

Mr. Chairman and members of the committee thank you for the opportunity to appear in support of Senate Bill 581. My name is Larry Clark and I am here representing the Kansas County Appraisers Association as their president.

The purpose of this amendment to K.S.A. 79-1437c is to make the sales validation questionnaire available to the general public. Legislation that was passed during the last session allowed county appraisers access to additional sales information but in the process closed sales files in county computer systems to any member of the general public except those who appeal their valuation.

This proposal arises out of the Kansas County Appraisers Associations' desire to treat all property owners fairly and not force them to appeal in order to gain basic information. It also arises out of a study of Kansas law by the International Association of Assessing Officers last summer. To quote directly from that study:

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The main deficiency in the Kansas legal framework has been the absence of laws requiring property owners to disclose to county appraisers and the Director of Property Valuation information on sales prices and terms and information on rental property income and expenses. The disclosure of real estate sales prices and terms to property tax administrators serves the public interest in several ways. Appraisers find data on sales prices and terms essential in market value appraisal. Appeal and equalization agencies need the data to evaluate the accuracy of appraised values.

We were happy to learn of the passage of the House Substitute for Senate Bill 72 which became effective on 1 July 1991. The law provides assessment administrators with the sales information they need. The passage of the law gives urgency to making the improvements to the sales verification questionnaire and sales processing guidelines discussed later.

The legal restriction on general public access to basic sales information is troublesome. The confidentiality requirement serves no useful public policy purpose. It will generate more appeals and in the process increase the cost of property tax administration without any compensating benefit. It undermines public acceptance of the property tax. (Treating the terms of sales confidentially has some merit, however.)

Land values and property values are products of society's actions more than they are the result of the actions of individual property owners. Therefore, there is no need to regard sales prices as inherently private. Publicly available sales data are needed for orderly real property markets. Keeping sales data confidential only perpetuates real estate agents' information monopoly. Data are made available in some states with no appreciable damage to the real estate brokerage business.

We urge the senate take the next logical step in the evolution of this legislation and make sales information available to the people who are responsible for generating it in the first place.



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**Executive Director**  
John T. Torbert, CAE

Date: February 19, 1992

To: Senator Dan Thiessen, Chairman  
Members Senate and Taxation Committee

From: Bev Bradley, Deputy Director  
Kansas Association of Counties

Re: SB 581

The Kansas Association of Counties is in support of SB 581. We have a convention adopted policy which states, "In order to avoid unnecessary appeals and in the interest of assisting taxpayers fully, the KAC urges the legislature to make the sales validation questionnaire an open public record which can be given to an interested taxpayer without additional verification and appeal".

We feel this would be an important step in solving many of the taxpayer concerns. More and more special groups are seeking access to these records. It seems that everyone except the "public" can already use them. For those reasons, we support SB 581 and urge your support of it also.

TSB581

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The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

February 19, 1992

TO: Senate Committee on Assessment and Taxation  
RE: **SB 581** - Real estate sales validation questionnaires

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the committee in support of **SB 581**. This bill would require that information contained in real estate sales validation questionnaires which are filed with the Registers of Deeds offices be made available to the public.

Such information is vital to banks which are doing in-house appraisals and plan to continue such appraisals even after the implementation of the new federal law relating to appraisals (Title XI of FIRREA) on January 1, 1993. That federal law requires that all real estate transactions must have appraisals completed by a state licensed or certified appraiser. Title XI was to be implemented on January 1, 1992, but the effective date was recently delayed by Congress because many states had not completed their licensing and certification requirements.

In addition, the federal banking regulatory agencies have promulgated or are in the process of finalizing rules and regulations which state that banks may continue to do in-house appraisals on transactions of \$100,000 or less even after Title XI becomes effective.

However, the Kansas law passed last year creating the real estate sales validation questionnaires restricted access to the information in those questionnaires to a limited number of individuals - including licensed or certified appraisers. Appraisal standards which have been in effect since August, 1990, require the use of comparable data which can only be gained from the use of the questionnaires. As a result, banks wanting to do in-house appraisals are thwarted from doing so unless they have a licensed or certified appraiser on staff. This, in turn, creates additional cost for the bank customer since the cost of the appraisal will ultimately part of the closing costs.

This issue is becoming increasingly important for two reasons. First, Kansas banks are making more and more real estate loans. Real estate loans held on the books of Kansas banks have increased by 46.5% since 1988. Second, the lack of licensed and certified appraisers in many of the rural counties of Kansas creates real problems of time delays and increased costs. The attached map clearly shows where these problems exist.

While **SB 581** is a step in the right direction, we would urge the committee to either eliminate the provision which allows destruction of the questionnaires after two years or expand the bill to include similar language in K.S.A. 79-1437(f). This will assure that the information contained in the questionnaires will be available for a longer period of time. The



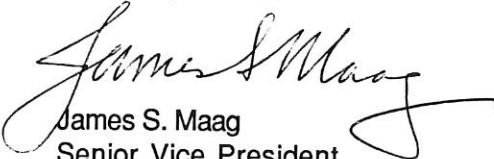
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public availability of the questionnaire information which would allow many banks to do in-house appraisals will result in lower closing costs on many real estate loans and will avoid major time delays in many parts of the state.

We strongly urge the committee to consider the amendments to **SB 581** suggested above in order for the bill to have the broadest positive impact. Thank you for your consideration of this important issue.

Sincerely,



James S. Maag  
Senior Vice President





KANSAS ASSOCIATION OF REALTORS

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

TO: THE SENATE ASSESSMENT AND TAXATION COMMITTEE  
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS  
DATE: FEBRUARY 19, 1992  
SUBJECT: SB 581, SALES VALIDATION QUESTIONNAIRES

On behalf of the Kansas Association of REALTORS®, I appear today to oppose SB 581.

As many of you may or may not know, KAR has opposed many Certificate of Value bills in the past. However, we supported the one passed in 1989, because it permitted access to the certificates for taxpayers in the process of protesting their valuations. There is currently a bill in the House Taxation committee, HB 2738, which we believe further clarifies the ability of taxpayers who are appealing or are considering appealing their valuations to have access to the sales information.

We oppose SB 581 because it goes far beyond clarifying access for taxpayers who have a genuine need to know and actually serves as an invasion of privacy for property owners across the state.

The issue of making the sales information a public record has been discussed many times. We have always opposed it on the basis of privacy. Kansans are very protective about certain things, one of which is the subject of the amount of money which they earn and another is the price of property which they have bought or sold.

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

We took an informal survey of buyers and sellers this summer to see what the people who would be most effected by this change in law had to say about it. Six-hundred-thirty-two buyers and sellers were interviewed and 520 or approximately 82% of those asked said that access to this information should be restricted. Sixty-six people, or approximately 10% said that public access should be allowed while 46 persons or approximately 7% were unsure. (Percentages were rounded and thus will not add to a perfect 100%.) It was interesting to note that when we broke it down further, 86% of the sellers interviewed and 78% of the buyers interviewed wanted the information to remain private.

While we know that our survey was not scientifically conducted, we believe it provides you with more insight than any proponent can provide you, into how the people who would be directly affected by making this information public, feel about changing the law.

As I stated earlier, we have been willing to support permitting persons to have access to sales information on a "need to know" basis, such as the addition in 1989 which permitted persons in the appeal process to have access, in addition to all of the people at the county level. We do not understand how making the information a public record, subject to publication in the newspapers, will facilitate the reappraisal process. Some explanations appear to argue that if the information were made public, then neighbors who saw a sale in their neighborhood might call the county and let them know that a sale price had been incorrectly reported, thus helping to "straighten out" the sales records for the

county appraiser. Most taxpayers who have attempted to go through the appeal process would tell you that the problems arise when county appraisers ignore actual sales in their neighborhood for one reason or another. The "comparable sales" which the CAMA system spits out, often bear no similarity to the subject property. Making this information public has no correlation on the correct use of each sale in having the computer locate "comparable property sales". It would only seem to encourage a "rat on your neighbor" mentality.

We do not publish the private contracts involved in car purchases, appliance purchases or most other private contracts when it comes to purchases. Why should real estate be singled out? While it would be nice to know exactly what kind of deal the purchaser ahead of us in the automobile showroom got on their car, we have no right of access to that information and it does not show up in the daily newspaper. Why should real estate sales between private parties be any different? Will the government want to publish our incomes in the newspaper next so that they can make sure we are reporting that correctly? It seems to be a logical progression if you choose to make this sales information public.

The sales price involved in a real estate transaction is a private matter which should only be disclosed when the parties involved choose to share the information with others. If you believe that the buying and selling public would not have a problem having this published in the paper, perhaps you could start it on an experimental basis at first. Ask each buyer and seller in a transaction to sign a release to have it made public. In transactions where both buyer and seller agree to do so, then the document would be made public, subject to being printed in the newspaper. It would be interesting to see how many sales would actually become "public".



The certificate of value was created to facilitate the ongoing reappraisal of property in the state in the late 1960's. It was not created to sell newspapers, help property owners snoop on eachother, or to create "bargaining chips" in real estate transactions. The certificate of value, like its replacement the sales validation form, was created of by and for the government. Why should we now let it be used to invade the privacy of Kansans by having private contract information spread across local newspapers?

We believe the sales validation form should be used for the purpose for which it was created--to facilitate the ongoing reappraisal of property. We ask you to oppose SB 581.

Thank you for the opportunity to testify.