Approved: Feb. 8, 1996
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on February 6, 1996 in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Martin, Senator Bond, Senator Clark, Senator Feleciano, Jr., Senator Hardenburger, Senator Lee, Senator Ranson, Senator Sallee and Senator Wisdom.

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Elizabeth Carlson, Secretary to the Committee

Conferees appearing before the committee: Mark Beck, Director, Property Valuation Division
Chris McKenzie, League of Kansas Municipalities
Larry Clark, Kansas County Appraisers Association
Paul Welcome, Johnson County Appraiser

Others attending: See attached list

APPROVAL OF THE MINUTES

Senator Ranson made a motion to approve the minutes of January 31 and February 1, 1996. The motion was seconded by Senator Bond. The motion passed.

ANNOUNCE OF SUBCOMMITTEE SB 455--PROCEDURES AND PRACTICES OF THE BOARD OF TAX APPEALS

Senator Langworthy appointed a subcommittee on **SB 455** of Senator David Corbin, Chair with Senator Phil Martin and Senator Audrey Langworthy as members.

RESPONSES TO QUESTIONS FROM THE COMMITTEE

Mark Beck, Director, Property Valuation Division, Department of Revenue, appeared with a handout in answer to some questions from Senator Martin and Senator Lee at a previous meeting. (Attachment 1) Mr. Beck had appeared before the Senate Assessment and Taxation Committee on Thursday, February 1 in regard to proposed changes in the property tax administration. **SB 439**.

SB 567--PROPERTY TAX VALUATIONS OF REAL PROPERTY; INCREASES; NOTICE

PROPONENT

Chris McKenzie, League of Kansas Municipalities, first passed to the committee a graph which answered Senator Lee's questions during a previous meeting concerning the statewide ad valorem tax levies. (Attachment 2)

Mr. McKenzie began his presentation by giving some background on the statewide reappraisal in 1985 which took effect in 1989. (Attachment 3) He said according to K.S.A. Supp. 79-1476, a taxpayer must be advised of the value of a parcel annually, but the same parcel must only be inspected every four years. It also provides further that the valuation of the property shall not be increased unless the appraiser reviews and documents his review of the record of the latest physical inspection and concludes the increase is supported by existing documentation.

Mr. McKenzie said the League of Kansas Municipalities was interested in property taxes because for many small cities, the property tax is the single most important source of revenue in their budgets. For this reason, the Governing Body of the League adopted a reappraisal reform policy. The policy advocates improvements to the revaluation of real property that will make annual changes in assessed valuations more stable and predictable.

Mr. McKenzie said **SB 567** (1) would provide a five percent statutory threshold under which the valuation of a taxpayer's property for tax purposes could not be changed and (2) would provide counties with the option of

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

eliminating the expense, aggravation and confusion connected with sending valuation notices if there has been no change in appraised valuation. He said the main purpose of this proposal is to discuss methods in which the current system of property appraisal and valuation can be improved and made to work better for all Kansas taxpayers. It represents a good faith effort by the League to advance ideas that can make a difference.

There were questions from the committee if there would be constitution problem with this bill. Staff said they thought there would be a constitutional problem. Mr. McKenzie said he thought there are some counties in which there was a general rule if the change in the valuation was not above 5 percent, there would be no change in the appraisal value.

Senator Feleciano asked Mr. McKenzie if he knew how many properties in Sedgwick county would not have a change in their valuation? Mr. McKenzie said he did not know if it was possible to get that information. Mr. McKenzie said if the value is 5 percent or less, the taxpayer would not be bothered by receiving a valuation notice. Senator Lee also asked what it would do to the appraisal process--would there be a tendency to keep the valuation under or over 5 percent? Mr. McKenzie replied that different people would give a different answer to this question.

Senator Langworthy called attention to a statement from the Sedgwick County Appraiser which had been passed out to the committee. (Attachment 4)

OPPONENTS

Larry Clark, representing the Kansas County Appraisers Association, said he liked the concept of **SB 567** but he did have some problems with it. (Attachment 5) He said he had implemented a similar idea in Wyandotte County and the Property Valuation Division did not like it at all. He listed some problems with doing this. He said the county appraisers are not single property appraisers, they are mass appraisers. If there are substantial reasons to raise that parcel then it should be done. If not, it should be left alone. By establishing a guideline of 5 percent, the judgement is still left in the hands of the appraiser, and by looking at not just the single property but also looking at what is happening in the neighborhood around the parcels, a judgement would be made if the property should increase or decrease. It is still in the hands of the appraiser if there should be a increase or decrease.

Senator Martin asked on page 1 , line 29, of the bill if the word "approximately" should be inserted before "5%"? This would provide a little more discretion if the notice is to be sent. He also said if **SB 567** is passed, wouldn't it be more equitable?

Mr. Clark said he thought there were better ways to approach this. The committee asked how? He said the approach he had taken in Wyandotte County was to examine model by model as to whether or not they were in compliance with state requirements to value it at fair market value, even going beyond that to the IAAO standards. If a model area indicates that it is in within those standards, and there is nothing to indicate that the market is changing to such an extent that it will be out of compliance at the appraisal date, it is left alone.

Senator Martin said he thought this bill would help to have more uniformity. There is a lot of difference between counties.

Paul Welcome, Johnson County Appraiser, also spoke in opposition to **SB 567**. (Attachment 6) He said the major reason he was opposed to this bill was the inequity within the neighborhoods. He gave some examples. Mr. Welcome said he would like to focus more on the annual notification. He thought it was very important to continue to do this because there is a perception that the county appraiser is trying to hide something from the taxpayer. To continue with this annual notification, he thought was very important. The second item he thought was very important is that they have a window to work out of -- 90 to 100 percent of the market value. If they follow the IAAO standards, then they are in compliance. He said in Johnson County they are in the process of looking at 5 areas per year. Johnson County has just finished a program where they reevaluated 30 areas. He hoped this would help stabilize values to a certain extent.

Mr. Welcome said they would like to work with Mr. McKenzie to draft a bill that would come up with this philosophy. A meeting time has been set for next Monday to do this.

The meeting adjourned at 12:00 noon.

The next meeting is scheduled for Wednesday, February 7, 1996.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: Feb 6, 1996

NAME	REPRESENTING
Jason Pittenberger	Brad Smoot
Tim Kennedy	Ks. Taxpayers Network
Anne Spiess	Ks. Assoc. of Counties
Sheila Menesses	
[illegible]	Western Resources
[illegible] Matthews	Bennington State Bank
Monty W. [illegible]	The Peoples Bank
[illegible]	The Bank of Tescott
Richard Rodewald	Taxpayers
Duan [illegible]	1st Mercantile Bank Topeka
Mike [illegible]	First Nat'l Bank
Steve Smyth	Spring Hill Bank
Anne Talbott	The Halstead Bank
Kathy Taylor	KBA
Dan H. Galbraith	The Bank of Perry
Doug Neff	Commerce Bank
Matt Moran	BANK IV N.A.
Don Fat	DSB
Jennifer Bradley	City of Overland Park

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: February 6 96

NAME	REPRESENTING
KAREN FRANCE	KAR
Karl Peterjohn	Ks Taxpayers Network
Martha Jenn Smith	KMHA
W. Martin	Sedgwick County
Bill Waters	KDOR - PVD
MARK BECK	KDOR
Paul Welcome	Johnson County
Randy Allen	Ks County Commissions
Gerry Ray	Jo Co. Commission

TE OF KANSAS
Bill Graves, Governor

Mark S. Beck, Director
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66612-1585

DEPARTMENT OF REV... JE
John D. LaFaver, Secretar

(913) 296-2365
FAX (913) 296-2320
Hearing Impaired TTY (913) 296-2366

Division of Property Valuation

MEMORANDUM

TO: Senator Audrey Langworthy, Chairperson
Assessment and Taxation

FROM: Mark S. Beck, Director
Division of Property Valuation

DATE: February 6, 1996

SUBJECT: Responses to Questions

Enclosed are responses to two questions raised during my last appearance before your committee. Senator Martin requested information regarding the assessment level of railroads and Senator Lee asked a question regarding taxable and exempt personal property.

I am providing this information to you for distribution to the entire committee in anticipation that others may have interest in the responses.

If questions arise, please call.

Senate Assess + Tax
Feb 6, 1996
attach 1-1

TE OF KANSAS
Bu. Graves, Governor

DEPARTMENT OF REV. E
John D. LaFaver, Secretary

Mark S. Beck, Director
Division of Property Valuation
Robert B. Docking State Office Building
915 S.W. Harrison St. 4th Floor North
Topeka, Kansas 66612-1585

(913) 296-2365
FAX (913) 296-2320
Hearing Impaired TTY (913) 296-2366

Division of Property Valuation

Subject:	**A Report on the Calculation of Railroad Assessment Rates.**
Prepared for:	**Senator, Phil Martin**
From:	**Robert M. Badenoch, Bureau Chief, State Appraised Property**
Through:	**Mark S. Beck, Director Division of Property Valuation**
Date:	**Tuesday, February 6, 1996**

1995 Real Property Assessment Rate for Railroads

The 1995 real property ratio study used to calculate the assessment rate for railroads began with the extraction of 5,021 sales records from the 91,164 universe of 1994 sales contained in the State's sales data base. The sales were down-loaded on March 16, 1995 and represented the final categorizing of sales made as part of the Division's administrative ratio process. The 5,021 sales represented the Federally defined category of commercial and industrial proprieties (valid & invalid). The following Validity codes, Class codes, and Residential Land Use Codes and were extracted.

#	**Validity Codes**
0	Valid
X	Adjusted Sale Price (Valid)
1	Multi-Parcels (Additional Parcels
2	Not Open Market
3	Property Changed after Jan 1
4	Split
5	Government Resale
6	Invalid: Appraisal Judgement
7	Invalid: Technical Criteria
8	Date Outside Range (Older than Jan. 1, 94 - Newer than Dec. 31, 94)
9	Discounted Vacant Lots

	Class Codes
CR	Commercial Rural
CU	Commercial Urban
OR	Other Rural
OU	Other Urban
VR	Vacant Rural
VU	Vacant Urban

	Residential Land Use Codes
118	Mobile Home Park or Court
119	Garden Apartment 1 to 3 Stories
120	Walk Up Apartments 1 to 4 Stories
121	Mid-Rise Apartment 4 to 7 Stories
122	Vacant Rural High-Rises Apartment 7 stories & up
123	Group Quarters-Rooming Houses
124	Residential Dwelling Converted to Apartments
659	Convalescent Home-Nursing Home

The Division and the railroads argued over sales validity and categories of inclusion. The number of sales to be included was reduced to, approximately 2,500. Agreement was reached on all but one category of exclusion. The railroads position was that all category #6 (Appraisal Judgment) sales should be included in the ratio as their exclusion was based solely on judgment. The Division argued that "appraisal judgment" was a valid exclusionary category.

After reviewing "Appraisal Judgment exclusion" for sales greater than $200,000, a compromise was reached which allowed one half the category #6 sales into the ratio calculations for 1995. Exhibit "A" a "Custom Ratio Study" shows the two ratio numbers that were averaged to achieve the 1995 railroad real property portion of the railroad assessment rate (20.63%).

Personal Property Ratio Study for Railroads in 1995

The 1995 PP ratio methodology was the same method used in 1994. That is commercial and industrial personal property in the State is valued in accordance with the Kansas Constitution Article 11 Class 2 (5) on an original cost seven year straight-line depreciation system with a base of 20% of the retail cost when new.

Railroad personal property is to be valued on a market value basis. For comparison purposes we must assume straight-line depreciation produces market value. We must also assume the average economic life for C&I personal property in Kansas is 12 years and that all property is on average 50% depreciated.

* Note that the State uses a BOY (Beginning of Year) straight-line scale.

** A study of life expectancy guidelines of commercial and industrial properties from U. S. Treasure Department Internal Revenue Service Publication No. 534 (dates 12/84, revised) indicates a average age life of 13 years.

The average C&I personal property reaches 50% depreciation at the end of 6 years. At this point in time the State system would retain only 20% of the property's value. Equating this process to a market value assumption produces an average loss of 30% of all properties market value (50% - 20% =30%). It is therefore concluded that the railroads are entitled to a (30%/50% =) 60% reduction in their personal property assessment rate. Stating this premise in simple terms, if the value of a piece of property at the end of 6 years by a normal 12 year straight line depreciation is $50.00, its value, according to the State of Kansas for assessment would be $20.00. The State is low in market valuation terms by the ($50.00-$20.00=) $30.00) difference . To answer the question what percent does the $30.00 represent of the $50.00 dollar market value, one divides $30 by $50 (30/50=) to achieve the sixty percent reduction (60%).

To calculate the necessary reduction from a true market value to the State's scale value, the statutory rate (25%) must be reduced by 60% or 15 basis points (.60% * .25 =15) (.25 -.15 = 10.0% rate) The proper assessment rate for RR personal property is 10.0%.

Another methodology used by railroad consultant Darwin W. Daicoff estimates the loss at 70%. The basic research was confirmed by the State's consultant Dr. Ifflander in 1994 railroad research. Daicoff's method would yield an assessment rate of (.70 * 25=17.5) (.25 -.17.5 =) 7.5%.

The State settled for the straight line, 12 year avg. life @ 50% dep., adjusted from market value to achieve the 1995 railroad personal property portion of the railroad assessment rate or 10.0%.

Application of the real and personal assessment rate to each road.

Since 1983 each railroad has had its unique assessment rate. The rate becomes unique as the annual uniform rate for personal and the uniform rate for real are applied to the individual railroad's property mix. The State and the railroads agreed upon a set of account numbers which would divide the personal property from the real property. The accounts used are from schedule 352B of the R-1 report to the Interstate Commerce Commission (See Exhibit "B"). Each road's real and personal property are multiplied times their respective percentages from the R-1 report making a unique assessment rate which is applied to the total Kansas allocated market value to achieve the railroad's assessed value (example attached as Exhibit "C")

Enclosed as Exhibit "D" is the history by railroad of the assessment rates used from 1989 to 1995.

CUSTOM RATIO STUDY

The record description for the custom ratio study shown below is as follows:

CR, CU, OR, OU, VR, VU
VALIDITY CODES OF 0, 2, 9
TRIMMED

Number of Records	2,432		Aggregate Ratio 0.843345
Aggregate Sales Prices		424,328,959	
Aggregate Certified Values		357,855,836	

CUSTOM RATIO STUDY

The record description for the custom ratio study shown below is as follows:

CR, CU, OR, OU, VR, VU
VALIDITY OF 0, 2, 6, 9
TRIMMED

Number of Records	2,547		Aggregate Ratio 0.807069
Aggregate Sales Prices		466,672,088	
Aggregate Certified Values		376,636,461	

0.843345
0.807069
=========
1.650414 ÷ 2 = 0.825207 * 0.25 = 0.206302 or 20.63% Ratio

EXHIBIT A

1995
COMPUTATION OF PORTION OF RAILROAD PLAINTIFFS
ALLOCATED UNIT VALUE THAT IS
COMPRISED OF PERSONAL AND REAL PROPERTY
FOR AD VALOREM TAX PURPOSES

1. The proportion of personal and real property shall be based on original cost less depreciation which shall be computed from the following schedules of Annual Report R-1 for the year ended immediately preceding the Kansas lien date:

   Schedule 200
   Schedule 335
   Schedule 352A
   Schedule 352B

2. In the event that a railroad company is not required to file an Annual Report R-1 with the Interstate Commerce Commission, the proportion of personal and real property shall be based on comparable records classified in a manner consistent with the Uniform System of Accounts prescribed by that Agency.

3. The following property accounts listed in Schedule 352B of Annual Report R-1 to the Interstate Commerce Commission maintained pursuant to regulations of such Commission which shall be considered personal property:

   Account 712 (Balance Sheet) - Materials and Supplies
   Account 13 - Fences, snow sheds and signs
   Account 26 - Communication systems
   Account 27 - Signals and interlockers
   Account 37 - Roadway machines
   Account 44 - Shop machinery
   Account 45 - Power-plant machinery
   Account 52 - Locomotives
   Account 53 - Freight-train cars
   Account 54 - Passenger-train cars
   Account 55 - Highway revenue equipment
   Account 56 - Floating equipment
   Account 57 - Work equipment
   Account 58 - Miscellaneous equipment
   Account 59 - Computer systems and word processing equipment

4. The numerator and denominator used to compute the percentage proportion of personal property shall include the original cost less depreciation of noncapitalized leased property reported to the Division of Property Valuation of the Kansas Department of Revenue.

5. Real property shall be comprised of those accounts listed in Schedule 352B of Annual Report R-1 to the Interstate Commerce Commission which are not designated above as personal property.

EXHIBIT B

R110

1995 UNION PACIFIC
REAL VS. PERESONAL PROPERTY

Total Original Cost	Investment Sched. 200, 352A & B	Sched. 352A Depreciation	Depreciated Cost
Road & Equipment	13,441,037	4,313,681	9,127,356
Material & Supplies	198,227	0	198,227
Operating Leases (Sch. 8a & 8b) (Locomotives and Cars)	417,319	188,058	229,261
Less:Leasead Lines	255,584	109,512	146,072
TOTAL	14,312,167	4,611,251	9,408,772

Personal Property Included In Above		Schedule 335 Depreciation	
Equipment (Accounts 52-59)	4,686,320	1,913,859	2,772,461
Material & Supplies	198,227	0	198,227
Operating Leases (Sch. 8a & 8b) (Locomotives and Cars)	417,319	188,058	229,261
Fences, Snowsheds, & Signs (Account 13)	22,001	5,799	16,202
Communication System (Account 26)	117,892	29,064	88,828
Signals/Interlocks (Account 27)	631,007	126,031	504,976
Roadway Machinery (Account 37)	187,190	73,341	113,849
Shop Machinery (Account 44)	95,131	20,513	74,618
Power Plant Machinery (Account 45)	2,669	1,815	854
TOTAL	6,357,756	2,358,480	3,999,276

PERSONAL PROPERTY = 42.51%

	Real	Personal	
	0.574941767	0.42505823	
	100.00%	100.00%	
	0.574941767	0.42505823	
	20.63%	10.00%	
	0.118610487	0.04250582	
ASSESMENT RATE 1995			16.11%

Source: Form R-1 Year Ended 12-31-94

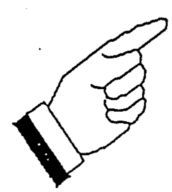


EXHIBIT C

Railroad Assessment Rates

Real v/s Personal split on Depreciated Cost from R1

RAILROAD	1993	1994	1995
1 100 Atchison, Topeka, & Santa Fe Ry.	14.54 %	19.28 %	16.54%
2 101 Burlington Northern, Inc.	14.89 %	19.38 %	16.57%
3 102 Soo Line	14.74 %	19.44 %	16.87%
4 105 Denver Rio Grande Western RR*	05.00 %	17.50 %	*1
5 106 Kansas City Southern Ry. Co.	14.93 %	19.46 %	17.31%
6 108 Norfolk & Western Ry.	14.21 %	19.26 %	16.49%
7 109 St. Louis-Southwestern	15.90 %	19.61 %	17.32%
8 110 Union Pacific	13.82 %	19.19 %	16.11%
9 123 Norteast Kansas and Missouri RR	19.41 %	20.28 %	20.21%
10 124 Kansas City Terminal Ry. Co.	19.04 %	20.20 %	19.88%
11 126 Kyle RR	15.22 %	19.92 %	18.79%
12 128 Wichita Union Terminal Co.	20.27 %	20.41 %	20.51%
13 130 Southeast Kansas Railroad	17.12 %	19.45 %	16.56%
14 133 South Kansas & Oklahoma Railroad	18.93 %	20.10 %	19.31%
15 134 Kansas Southwestern Railway, Inc.	19.83 %	20.31 %	20.31%
16 137 Central Kansas Railway, Inc.	16.23 %	19.53 %	17.10%

RAILROAD	1989	1990	1991	1992
1. R100 ATSF	20.03 %	17.46 %	15.87 %	17.79 %
2. R101 BN	20.42 %	17.65 %	16.01 %	18.08 %
3. R102 SOO LINE	*30.00 %*	*30.00 %*	14.94%	16.80%
4. R105 DRG	06.00 %	06.00 %	06.00 %	06.00 %
5. R106 KCS	22.35 %	19.77 %	17.38%	18.22 %
6. R108 NSR	*30.00 %*	*30.00 %*	*30.00 %*	17.30%
7. R109 SLSW	21.07 %	17.24 %	17.03%	18.95 %
8. R110 UP/MP	19.44 %	16.51 %	15.24 %	16.89%
9. R124 KC TERMINAL	28.10 %	23.37 %	20.70 %	23.23 %
10. R126 KYLE	*30.00 %*	*30.00 %*	19.09 %	19.97%
11. R128 WU TERMINAL	29.83 %	24.83 %	22.12%	24.86%
12. R133 SK & OR	*30.00%*	*30.00%*	*30.00%*	23.20%

Personal Property 80% Exempt
20% of PP @ 30% Assessment Level
"
"
"

Real Property Ratio @
1989 - 30.00%
1990 - 25.00%
1991 - 22.30%
1992 - 25.07%

*1 Beginning in 1995 The Denver and Rio Grande Railway Company a wholly-owned subsidiary of the Southern Pacific Transportation Company was combined into one (1) ICC R-1 consolidated annual report along with SP/SLSW Railroads.

EXHIBIT D

PERSONAL PROPERTY TAX OVERVIEW

K.S.A. means "Kansas Statutes Annotated"
K.S.A. (199x Supp.) refers to the *supplement* to the hardbound copy of the statute.

K.S.A. 79-102 defines personal property as: ". . . every tangible thing which is the subject of ownership, not forming part or parcel of real property. . ."

1. What Personal Property is Taxable?

K.S.A. 79-101 states: "All property in this state, real and personal, **not expressly exempt** therefrom, shall be subject to taxation."

Taxable Personal Property includes, but is not limited to the following, unless expressly exempted:

Assets used for the production of income
Motor vehicles - trucks, cars, ATV's, motorcycles, dune buggies, snow mobile, etc.
Watercraft - inboard/outboard, inboard, outboard, sail, sail board, pontoon, house, personal watercraft (jet ski), canoe, row, etc.
Trailers - watercraft, motor vehicle, flat bed, semi, etc.
Mobile homes - can be considered real or personal property (tax bill is the same real or personal)
Aircraft - planes, helicopters, balloons, gliders, etc.
Recreational Vehicles - motor homes, fifth wheels, campers, etc.
Any item which is not considered a household good (used in or around the home) that is not expressly exempt.

2. What Personal Property is Expressly Exempt?

The following is a list of personal property items that are exempt from property taxation. Personal property that would otherwise be taxable may be exempt if it is owned by a exempt entity. (i.e., certain nonprofit, charitable, church, school, humanitarian, government, economic development and IRB funded entities and personal property leased to certain exempt entities)

Personal Property Exemptions

Exemptions Law	Explanation
K.S.A. 79-201c *First - Third*	Wearing apparel, household goods, personal effects, graveyards (*re Graveyards, see also* 79- 207)
K.S.A. 79-220	Antique aircraft (30 yrs. or older)
K.S.A. 79-3109c	Money, notes and other evidence of debt.

Farm Exemptions

Exemptions Law	Explanation
Art. 11, § 1(b)	Livestock
K.S.A. 79-201d *First - Second*	Hay & silage, farm storing/drying equipment (8 yr. exemption)
K.S.A. 79-201i and j	Farm machinery & equipment
K.S.A. 79-201n	Grain

Business Exemptions

Exemptions Law	Explanation
K.S.A. 79-201k	Business aircraft
K.S.A. 79-201m	Merchant's & manufacturer's inventory
K.S.A. 79-201o	Construction hand tools
K.S.A. 79-201p	Motor vehicle inventories
K.S.A. 79-201t	Certain oil leases

5. How is Personal Property Classified and Assessed in Kansas?

Article 11, Section 1 of The Kansas Constitution provides that:

"... Property shall be classified into the following classes for the purpose of assessment and assessed at the percentage of value prescribed therefor... Class 2 shall consist of tangible personal property. Such tangible personal property shall be further classified into six subclasses ... and assessed uniformly as to subclass at the following percentages of value:

(1)* Mobile homes used for residential purposes .... 11 1/2 %

(2)** Mineral leasehold interests except oil leasehold interests the average daily production from which is five barrels or less, and natural gas leasehold interests the average daily production from which is 100 mcf or less, which shall be assessed at 25% 30%

(3)*** Public utility tangible personal property including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed 33%

(4) All categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985 .... 30%

(5) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property 25%

(6) All other tangible personal property not otherwise specifically classified ....30%"

Note:

* The same as Mobile Homes considered real property.

** Beyond the scope of this manual. Contact the county appraiser's office for more information.

*** Information provided in this publication does not apply to public utility and railroad property. Public utility and railroad property, real and personal, is state assessed and beyond the scope of this publication. Contact the Division of Property Valuation of the State of Kansas for information regarding public utility and railroad property.

6. When and Where Does a Taxpayer File a Rendition?

K.S.A.(1995 Supp.) 79-306 requires that all taxable personal property be listed on a rendition (also referred to as a 'statement') and filed with the county appraiser on or before March 15th of each year, or the next following business day, if such date falls on a day other than a regular business day. Oil and gas renditions are to be filed on or before April 1st.

K.S.A. (1995 Supp) 79-1422 and K.S.A. 79-1457 authorize the county appraiser to extend the time in which a taxpayer may complete and file the rendition. However, the statutes state that the request for extension must be made in writing, state just and adequate reasons for the extension, and be received by the county appraiser on or before the March 15th due date, April 1st for oil and gas renditions.

9. Recreational Vehicles (RVs):

To fall under the tax definition of an "RV" the vehicle must be, among other things, for use on a chassis and designed as living quarters for recreational, camping, vacation or travel use; have a body width not exceeding 8 1/2 feet and a body length not exceeding 45 feet; an electrical system which operates above 12 volts and provisions for plumbing and heating. Please contact the county appraisers office for proper classification.

AGE OF "RV"*	BASE AMOUNT		$ PER HUNDRED POUNDS of WEIGHT
0-5 years	$70.00	plus	$0.90
6-10 years	50.00	plus	0.70
11yrs & older, to 1982	30.00	plus	0.50
1981 model yr & older	30.00 flat fee		Do not need weight

The weight of the "RV" must be what is generally accepted as its correct shipping weight. If the "RV" is a 1982 model year or newer and the county appraiser or treasurer cannot determine the shipping weight using the information authorized by the state and the law, then the vehicle owner must have the vehicle weighed at a certified scale. The county treasurer has a listing of certified scales in the county.

Please contact your county treasurer or appraiser for more information and assistance.

10. Commercial and Industrial Machinery and Equipment:

The term commercial and industrial machinery and equipment includes tangible depreciable assets used for income producing purposes such as office furniture and fixtures.
The Kansas Constitution provides that: commercial and industrial property will be taxed based upon its retail cost when new less straight-line depreciation over a seven year period if the economic life of the equipment is seven years or more, or over its economic life if its economic life is less than seven years. However, the value so obtained, notwithstanding the item's economic life and so long as the property is "being used," shall not be less than 20% of the retail cost when new of such property. This classification of property is assessed at 25%.

What is Retail Cost When New?

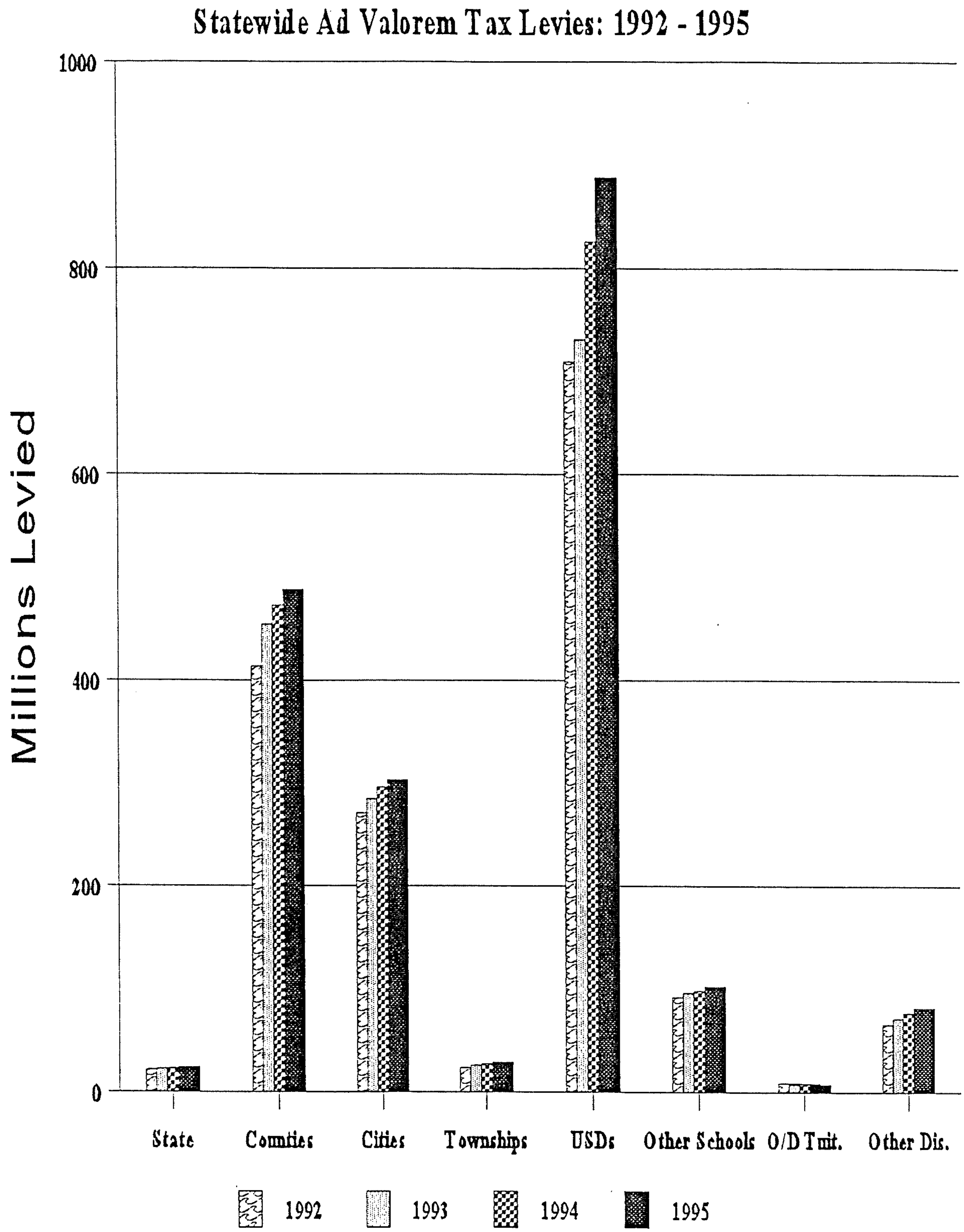
"Retail cost when new" means the dollar amount an item would cost when new to a purchaser at the retail level of trade. It is not a used sales price, and it is not a wholesale or manufacturer's cost. It is the total cost a taxpayer incurs to acquire new property and place it in operation in order to use it to produce income over a period of years in a commercial or industrial setting. Retail cost when new includes the cost of sales tax, freight and installation which are the costs included in the "basis" of an asset for IRS and acconting purposes. If a taxpayer cannot determine the retail cost when new of an item from a reliable source, the county appraiser will estimate the retail cost when new using the used sales price of the item.

Economic Life:

Assets with economic lives of seven years and greater must be depreciated over seven years, in accordance with the Kansas Constitution. Assets with economic lives that are less than seven years will be depreciated over the economic life of the asset. The county appraiser will determine the economic lives of the assets listed on an rendition. Asset economic lives are based primarily upon 1995 IRS publication 534 class lives. Contact the county appraiser's office for questions regarding economic lives of commercial and industrial machinery and equipment.

Used vs. Not Used:

Commercial and industrial property should be considered as being used until the property's condition and other objective evidence clearly indicate that the it is no longer used and will never again be used in an income producing capacity. For further interpretation of what constitutes being used, contact the county appraiser's office.



Source: League of Kansas Municipalities, based on data from Div.of Accounts & Reports, January, 1996.

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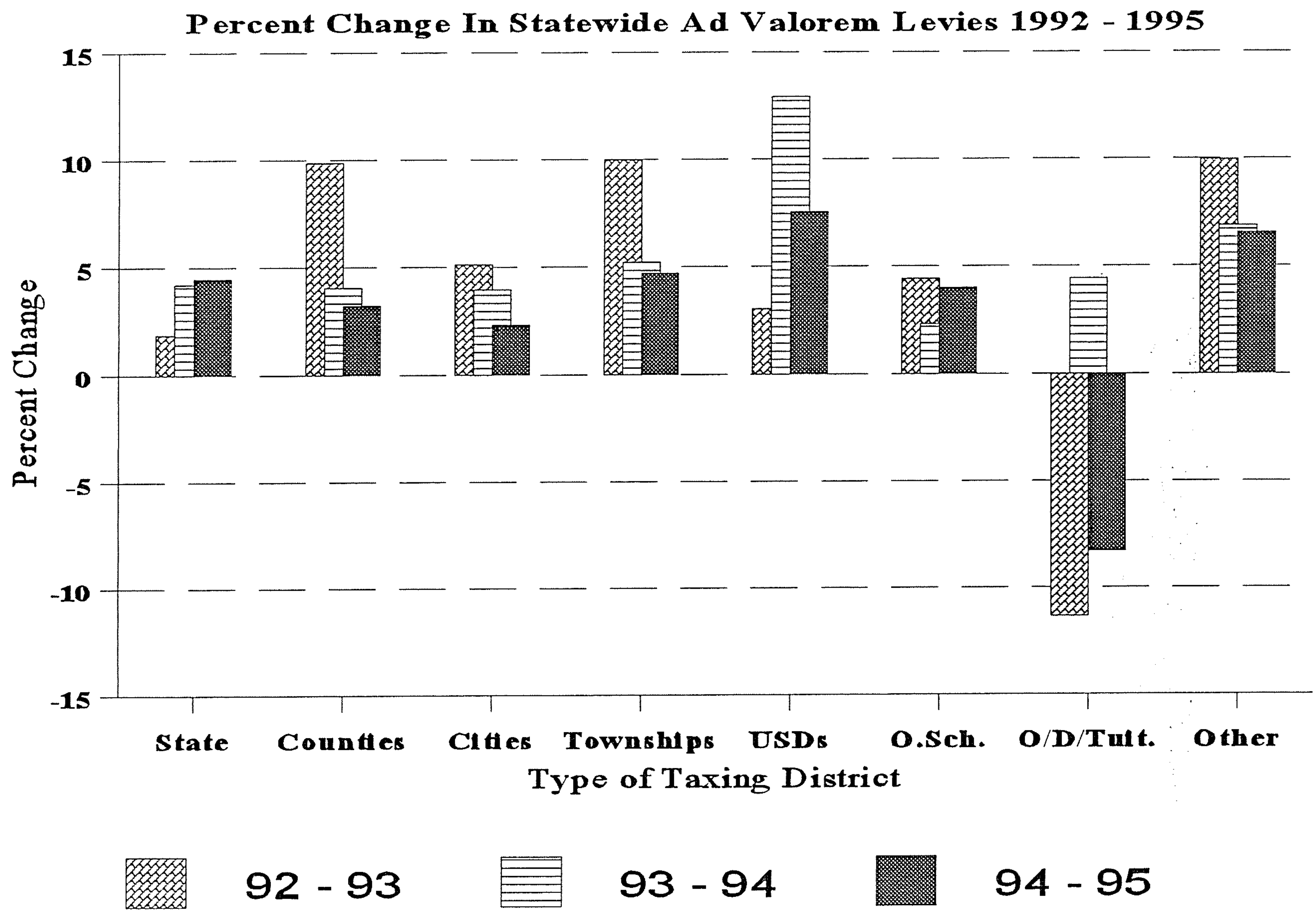

Source: League of Kansas Municipalities, based on data supplied by Division of Accounts and Reports, January, 1996

League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

TO:	**Senate Assessment and Taxation Committee**
FROM:	Chris McKenzie, Executive Director CM
DATE:	February 6, 1996
SUBJECT:	Testimony in Support of SB 567

BACKGROUND

When the legislature ordered statewide reappraisal in 1985 there was widespread acknowledgment of the serious disparities in property valuation practices and tax burdens. When reappraisal took effect in 1989 major tax shifts among classifications was largely prevented by the classification amendment to the constitution (Art. 11, Sec. 1) which was approved by the voters, but significant shifts from subclass to subclass occurred largely in the business property classifications which led to another classification amendment in 1992.

Part of the framework of reappraisal laws enacted in 1985 was K.S.A. Supp. 79-1460 which requires that "the county appraiser... **notify** each taxpayer in the county **annually**... of the classification and appraised valuation of the taxpayer's property." Such notices are sent after reviewing property values generated by county appraisers through use of the state-mandated computer assisted mass appraisal (C.A.M.A.) software. Using this software program appraisers can generate updates of the values of real estate in each county as additional sales information and other data are entered into the system. In conjunction with appraisers' judgement, this system is used for <u>annual</u> review and possible revaluation in compliance with the requirement of K.S.A. Supp. 79-1439 that "...all real and tangible personal property which is subject to general ad valorem taxation shall be appraised uniformly and equally as to class and, unless otherwise specified herein, shall be appraised at its fair market value...."

In addition to the annual notification requirement, K.S.A. Supp. 79-1476 requires that "commencing in 1994, every parcel of real property shall be actually viewed and inspected by the county or district appraiser once every **four** years." In other words, a taxpayer must be advised of the value of a parcel <u>annually</u>, but the same parcel must only be <u>inspected every four years</u>. K.S.A. 79-1460 provides further that the valuation of the property shall not be increased unless the appraiser reviews and documents his review of the record of the latest physical inspection and concludes the increase is supported by existing documentation.

County officials and the state Division of Property Valuation have worked diligently in recent years to develop a fair and efficient property appraisal system. Unfortunately there continues to be a wide gap between the public's perceptions of the system's fairness and the reality of these accomplishments. Certain taxpayers in some counties are intensely dissatisfied

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with the program, particularly in those counties that have experienced high rates of assessed valuation growth (see attached table). In some of these counties taxpayers have experienced annual increases before there has been complete resolution of their appeal from a prior year (a problem the Board of Tax Appeals hopes it now has under control now). Some commercial taxpayers in these counties have experienced annual increases in valuations, causing considerable unpredictability for business planning purposes--particularly small businesses.

WHY THE LEAGUE OF MUNICIPALITIES IS INTERESTED

Cities statewide accounted for approximately sixteen percent of the property taxes collected in Kansas in 1995. For many smaller cities, however, the property tax is the single most important source of revenue in their budgets. In other words, cities have a stake in the continuation of this important revenue source, and the public's perceptions of its fairness is critical to the future of our property tax system. While cities are not responsible for the administration of the property tax system, city officials are aware of the continued dissatisfaction with the system and have asked if there are ways in which we as a state can improve the system.

In order to underscore the League's commitment to working with the legislature and our colleagues in local government at the county level to address this concern, the Governing Body of the League adopted the following legislative priority at its November, 1995 meeting:

> ◘ **Reappraisal Reform.** Advocate improvements to the revaluation of real property that will make annual changes in assessed valuations more stable and predictable.

POLICY ISSUES

❶ Is the Kansas system of **annual** revaluation, notification and hearings, with its uncertainty and expense to taxpayers and county government, serving taxpayers and the local units funded by the property tax as well as it could?

❷ Should the legislature enact certain amendments to the property appraisal and notification laws to reduce the burden on taxpayers with no or limited changes in the value of their property.

WHAT SB 567 WOULD ACCOMPLISH

The requirement of Kansas property appraisal law that taxpayers be notified **annually** of the appraised value of their property virtually guarantees annual friction between some taxpayers and county officials charged with administering the property appraisal system.

Since the CAMA system used by county appraisers uses recent sales and other data to revalue property on a regular basis, taxpayers in some counties may experience frequent (sometimes annual) changes in values. In any case, the annual notification (even if no change has occurred) reminds taxpayers of a tax system that each of us has become accustomed to loathing. SB 567 would implement some common sense changes in the appraisal and notification process.

First, it would provide a five (5) percent statutory threshold under which the valuation of a taxpayer's property for tax purposes could not be changed. From conversations with some appraisers and state officials this threshold appears to approximate a general standard or notion of insignificance in changes in valuation on an annual basis. Given the continued subjective nature of property appraisal, a five (5) percent statutory standard or tolerance seems well within the bounds of reasonable legislative action. This legislative judgment would seem to receive further support from the provision of K.S.A. Supp. 79-503a that "a variance of 10% in any individual appraisal at fair market value shall not be considered willful neglect of the county appraiser's duty to achieve fair market value." Implementation of this provision would provide valuable relief to taxpayers faced with appealing relatively insignificant changes in valuation. It also would reduce the cost of administering the appraisal process to counties by eliminating appeals of such changes.

Second, SB 567 would provide counties with the option of eliminating the expense, aggravation and confusion connected with sending and receiving valuation notices if there has been no change in appraised valuation. Interestingly, county appraisal personnel often refer to these notices as "valuation change notices," yet they must be sent to all property owners regardless of whether a change in valuation has occurred. This part of the bill would relieve the county of the expense and work of sending notices to taxpayers that have no material value to the taxpayer. Taxpayers who have not experienced a change in appraised value would then avoid the confusion that sometimes accompanies this notice and the valuation appeal process.

CONCLUSION

The main purpose of this proposal is to spark discussion about common sense ways in which our current system of property appraisal and valuation can be improved and made to work better for all Kansas taxpayers and the local governments supported by the property tax. It is certainly not a panacea, but it represents a good faith effort by the League to advance ideas that can make a difference. We welcome comments on it by members of the Committee and other conferees. Moreover, if this proposal does not meet with favor, we strongly urge any critics to come forward with other proposals that are intended to address the same objective. We pledge to work with them on their ideas as well.

ıty	1991 TOTAL ASSESSED VALUATION	1992 TOTAL ASSESSED VALUATION	1992 Base Adjusted for Classification	1993 TOTAL ASSESSED VALUATION*	1994 TOTAL ASSESSED VALUATION*	93-94 actual Change In Ass Value	93-94 actual Pct Change In Ass Value
Allen	$53,747,285	$53,773,265	$53,501,071	$54,472,190	**$55,172,567**	$700,377	1.29%
Anderson	37,301,497	37,708,720	37,810,871	$37,878,932	**$40,210,603**	$2,331,671	6.16%
Atchison	58,704,444	59,915,029	59,120,383	$59,877,020	**$61,825,429**	$1,948,409	3.25%
Barber	56,771,256	54,035,797	53,609,183	$51,251,433	**$51,273,128**	$21,695	0.04%
Barton	150,854,907	144,619,724	141,923,842	$140,021,488	**$134,875,657**	($5,145,831)	-3.68%
Bourbon	51,266,910	51,673,457	50,256,669	$50,475,317	**$51,262,658**	$787,341	1.56%
Brown	50,001,334	50,055,096	49,513,025	$50,439,018	**$52,369,160**	$1,930,142	3.83%
Butler	219,361,615	218,076,574	211,913,010	$229,485,533	**$239,899,704**	$10,414,171	4.54%
Chase	21,975,363	21,950,370	22,144,704	$22,281,891	**$22,996,437**	$714,546	3.21%
Chautauqua	21,386,575	21,607,356	21,689,332	$22,013,714	**$20,932,231**	($1,081,483)	-4.91%
Cherokee	73,521,889	75,534,501	75,392,666	$82,202,427	**$86,169,715**	$3,967,288	4.83%
Cheyenne	28,299,640	27,493,225	27,008,142	$26,607,119	**$27,442,655**	$835,536	3.14%
Clark	30,743,337	28,887,707	29,244,960	$30,314,486	**$30,997,826**	$683,340	2.25%
Clay	40,294,223	40,353,571	39,773,201	$40,743,388	**$41,898,498**	$1,155,110	2.84%
Cloud	44,130,884	43,777,597	43,734,330	$44,433,553	**$45,883,783**	$1,450,230	3.26%
Coffey	544,769,428	537,388,537	590,403,574	$579,676,805	**$583,812,085**	$4,135,280	0.71%
Comanche	27,200,366	25,171,509	25,013,476	$26,720,446	**$26,107,429**	($613,017)	-2.29%
Cowley	143,067,820	144,272,896	142,310,657	$145,065,372	**$149,852,192**	$4,786,820	3.30%
Crawford	103,414,216	105,483,521	102,836,281	$107,744,847	**$120,664,900**	$12,920,053	11.99%
Decatur	27,089,131	26,546,444	25,990,238	$25,630,238	**$25,794,377**	$164,139	0.64%
Dickinson	80,867,206	80,784,312	79,724,257	$79,192,103	**$85,695,790**	$6,503,687	8.21%
Doniphan	33,626,207	34,947,213	34,111,697	$35,745,597	**$36,568,834**	$823,237	2.30%
Douglas	363,039,968	374,876,043	362,055,049	$399,405,807	**$430,072,716**	$30,666,909	7.68%
Edwards	36,102,534	34,957,770	34,818,418	$34,786,157	**$35,087,072**	$300,915	0.87%
Elk	17,915,045	17,543,316	17,602,289	$18,194,146	**$18,810,066**	$615,920	3.39%
Ellis	149,579,187	142,095,703	136,939,025	$140,147,338	**$132,298,557**	($7,848,781)	-5.60%
Ellsworth	41,212,758	56,068,859	53,592,879	$57,185,442	**$56,561,311**	($624,131)	-1.09%
Finney	282,771,905	284,044,243	279,975,337	$275,543,142	**$313,847,934**	$38,304,792	13.90%
Ford	152,185,056	150,269,654	145,252,954	$144,628,738	**$150,342,986**	$5,714,248	3.95%
Franklin	81,545,675	83,871,500	82,796,924	$84,084,297	**$91,263,910**	$7,179,613	8.54%
Geary	86,118,017	87,853,285	84,112,554	$86,509,506	**$91,368,599**	$4,859,093	5.62%
Gove	34,490,126	32,282,146	31,610,759	$31,193,491	**$29,620,547**	($1,572,944)	-5.04%
Graham	38,731,123	36,945,819	36,475,436	$34,830,347	**$29,412,409**	($5,417,938)	-15.56%
Grant	256,378,677	250,273,314	241,850,142	$294,681,977	**$325,613,877**	$30,931,900	10.50%
Gray	45,697,351	44,203,640	43,264,726	$42,652,571	**$43,684,793**	$1,032,222	2.42%
Greeley	27,564,628	27,544,957	27,003,985	$27,299,485	**$27,843,851**	$544,366	1.99%
Greenwood	43,920,878	43,174,535	43,597,539	$45,112,622	**$45,379,469**	$266,847	0.59%
Hamilton	42,334,847	41,382,562	40,437,782	$44,091,522	**$48,986,405**	$4,894,883	11.10%
Harper	53,808,819	49,090,182	48,483,494	$46,258,143	**$46,098,285**	($159,858)	-0.35%
H	123,625,115	126,029,397	122,494,174	$125,664,783	**$132,516,849**	$6,852,066	5.45%
H.	116,405,144	114,477,189	111,032,934	$128,639,635	**$135,863,181**	$7,223,546	5.62%

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ıty	1991 TOTAL ASSESSED VALUATION	1992 TOTAL ASSESSED VALUATION	1992 Base Adjusted for Classification	1993 TOTAL ASSESSED VALUATION*	1994 TOTAL ASSESSED VALUATION*	93–94 actual Change in Ass Value	93–94 actual Pct Change in Ass Value
Hodgeman	26,354,738	25,255,419	24,807,344	$24,333,541	**$21,796,975**	($2,536,566)	−10.42%
Jackson	39,111,556	41,255,009	40,823,317	$43,323,434	**$45,836,938**	$2,513,504	5.80%
Jefferson	61,262,156	63,432,710	62,789,248	$64,166,320	**$69,537,504**	$5,371,184	8.37%
Jewell	26,511,090	26,371,682	26,352,250	$25,958,078	**$26,199,596**	$241,518	0.93%
Johnson	2,725,876,105	2,718,930,065	2,573,929,116	$2,809,495,863	**$2,914,118,856**	$104,622,993	3.72%
Kearny	185,166,017	178,172,609	173,368,439	$193,955,096	**$227,070,282**	$33,115,186	17.07%
Kingman	73,133,670	68,850,777	71,103,030	$68,671,365	**$68,819,940**	$148,575	0.22%
Kiowa	50,434,580	49,678,128	50,025,716	$50,610,981	**$51,076,893**	$465,912	0.92%
Labette	70,873,102	71,554,040	71,322,571	$71,559,940	**$73,336,125**	$1,776,185	2.48%
Lane	26,874,291	25,991,268	25,234,796	$23,347,215	**$21,908,300**	($1,438,915)	−6.16%
Leavenworth	200,109,991	201,996,455	195,241,801	$209,608,192	**$213,327,939**	$3,719,747	1.77%
Lincoln	22,837,469	23,718,380	23,804,927	$22,406,408	**$23,097,509**	$691,101	3.08%
Linn	130,051,403	132,099,219	144,690,599	$145,381,960	**$146,068,655**	$686,695	0.47%
Logan	25,648,089	26,646,060	26,150,767	$25,307,820	**$25,385,032**	$77,212	0.31%
Lyon	125,822,541	127,525,613	123,653,226	$127,698,683	**$136,281,518**	$8,582,835	6.72%
Marion	57,945,116	58,604,671	57,452,487	$57,496,799	**$61,130,320**	$3,633,521	6.32%
Marshall	53,254,422	53,623,009	52,972,838	$54,320,058	**$57,284,512**	$2,964,454	5.46%
McPherson	156,099,568	158,557,311	155,489,049	$159,103,680	**$167,255,997**	$8,152,317	5.12%
Meade	65,142,089	58,280,884	70,255,446	$68,164,300	**$70,620,770**	$2,456,470	3.60%
Miami	96,259,171	99,328,794	99,012,068	$102,940,472	**$126,127,326**	$23,186,854	22.52%
Mitchell	34,513,234	33,689,574	32,923,297	$32,547,011	**$34,910,066**	$2,363,055	7.26%
Montgomery	144,880,393	140,677,289	140,426,213	$139,557,902	**$143,653,415**	$4,095,513	2.93%
Morris	33,162,774	34,038,218	33,846,027	$34,971,507	**$35,356,829**	$385,322	1.10%
Morton	117,398,779	107,065,955	106,912,147	$126,468,284	**$145,183,368**	$18,715,084	14.80%
Nemaha	50,520,932	50,531,757	49,512,224	$52,396,030	**$54,637,760**	$2,241,730	4.28%
Neosho	54,990,617	55,451,798	54,230,084	$55,139,111	**$57,774,644**	$2,635,533	4.78%
Ness	52,073,105	48,239,285	47,211,395	$46,948,199	**$38,680,499**	($8,267,700)	−17.61%
Norton	27,692,965	27,429,605	27,186,206	$27,032,961	**$27,363,680**	$330,719	1.22%
Osage	56,568,119	58,691,011	57,792,850	$58,597,045	**$62,378,786**	$3,781,741	6.45%
Osborne	26,977,283	25,905,264	25,696,995	$24,725,108	**$25,199,246**	$474,138	1.92%
Ottawa	32,424,747	32,958,568	33,027,579	$32,457,714	**$33,804,115**	$1,346,401	4.15%
Pawnee	49,416,530	47,657,957	46,899,661	$46,414,435	**$46,404,913**	($9,522)	−0.02%
Phillips	41,055,639	39,321,038	38,391,451	$38,906,110	**$36,534,471**	($2,371,639)	−6.10%
Pottawatomie	265,895,381	272,543,324	298,565,249	$296,913,421	**$296,020,874**	($892,547)	−0.30%
Pratt	70,756,590	69,251,841	72,807,440	$71,715,356	**$73,602,087**	$1,886,731	2.63%
Rawlins	29,737,339	30,301,712	29,974,130	$27,231,063	**$26,605,442**	($625,621)	−2.30%
Reno	292,494,591	288,457,151	279,317,670	$280,772,079	**$298,370,742**	$17,598,663	6.27%
Republic	35,255,592	34,262,621	33,840,200	$34,224,171	**$35,221,263**	$997,092	2.91%
Rice	71,974,602	70,591,496	73,958,793	$71,925,322	**$70,795,580**	($1,129,742)	−1.57%
Ri'	169,197,934	170,909,170	162,971,639	$172,258,988	**$183,745,144**	$11,486,156	6.67%
R	53,379,959	48,884,787	48,016,066	$46,210,082	**$38,511,131**	($7,698,951)	−16.66%

nty	1991 TOTAL ASSESSED VALUATION	1992 TOTAL ASSESSED VALUATION	1992 Base Adjusted for Classification	1993 TOTAL ASSESSED VALUATION*	1994 TOTAL ASSESSED VALUATION*	93-94 actual Change in Ass Value	93-94 actual Pct Change in Ass Value
Rush	32,428,920	32,297,962	31,771,751	$32,395,883	**$31,087,430**	($1,308,453)	-4.04%
Russell	65,584,750	61,381,838	60,063,824	$58,509,597	**$52,105,488**	($6,404,109)	-10.95%
Saline	223,370,139	225,165,760	217,072,614	$229,746,512	**$249,974,715**	$20,228,203	8.80%
Scott	42,047,503	42,872,800	42,302,902	$41,485,478	**$44,135,677**	$2,650,199	6.39%
Sedgwick	1,962,204,160	2,017,959,768	1,942,796,385	$2,007,037,441	**$2,056,213,698**	$49,176,257	2.45%
Seward	164,837,172	164,089,484	156,979,267	$177,214,112	**$183,574,625**	$6,360,513	3.59%
Shawnee	814,050,185	791,728,327	761,826,779	$760,451,786	**$792,375,460**	$31,923,674	4.20%
Sheridan	28,326,995	28,745,809	28,429,247	$27,083,383	**$26,926,719**	($156,664)	-0.58%
Sherman	46,776,656	43,672,805	42,490,581	$42,679,288	**$44,653,440**	$1,974,152	4.63%
Smith	28,407,237	28,119,431	27,795,441	$28,079,540	**$28,493,432**	$413,892	1.47%
Stafford	60,893,413	57,082,269	56,518,961	$53,735,286	**$48,889,472**	($4,845,814)	-9.02%
Stanton	67,314,426	63,694,111	61,720,940	$83,645,395	**$99,210,898**	$15,565,503	18.61%
Stevens	296,336,776	269,373,980	261,529,006	$295,946,056	**$341,445,646**	$45,499,590	15.37%
Sumner	109,984,949	109,942,668	108,249,826	$106,777,217	**$109,423,868**	$2,646,651	2.48%
Thomas	60,853,522	59,709,631	58,500,571	$57,448,075	**$60,057,990**	$2,609,915	4.54%
Trego	31,778,936	30,416,148	30,012,084	$28,892,516	**$27,513,163**	($1,379,353)	-4.77%
Wabaunsee	32,718,469	33,840,565	33,748,123	$35,369,567	**$35,438,413**	$68,846	0.19%
Wallace	21,371,755	21,550,391	21,259,968	$19,682,099	**$20,344,578**	$662,479	3.37%
Washington	41,199,836	41,719,288	41,963,199	$42,718,140	**$43,852,321**	$1,134,181	2.66%
Wichita	26,142,607	25,399,450	24,662,041	$23,794,495	**$24,279,014**	$484,519	2.04%
Wilson	40,735,210	41,168,390	40,983,267	$41,807,256	**$42,761,141**	$953,885	2.28%
Woodson	23,372,430	23,542,412	23,435,310	$23,801,225	**$24,296,272**	$495,047	2.08%
Wyandotte	588,886,058	609,535,759	580,731,367	$583,341,498	**$598,774,298**	$15,432,800	2.65%
State Total	$14,630,578,759	$14,600,781,105	$14,277,251,774	$14,870,086,015	**$15,473,241,275**	$603,155,260	4.06%

* Includes impact of New Classification Amendment, estimated to reduce assessed valuation by $324 million on the 1992 base.

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TO WILLIE MARTIN

FROM: JERRY FRANTZ

DATE: 2/5/96

SUBJECT: L OF KM - BILLS TO MODIFY PROPERTY VALUATION PROCESS

"To insert a proviso that if the appraised market value of the property has increased less that 5% over the prior year, the appraised market value for purposes of assessment under this section shall not be adjusted by the county appraiser" (K.S.A 1995 supp. 79-1439)

This makes good sense to me, as long as everyone is aware that it will be 10% the next year. Increases of 5% plus per year are only taking place in the east part of the state, around Kansas City, and some high growth subdivisions in other active counties. The key here is for when the a neighborhood goes up more than 5% the county appraiser must not wait; he/she must raise the values in that neighborhood or they will be giving the taxpayers a double, 12% plus, increase the second year (or 18% plus the .third year, and so on).

"to provide that the county appraiser shall notify each taxpayer in the county annually only if the valuation or classification of the property has changed from the prior year". K.S.A Supp 79-1460

This is a wonderful idea, it make absolute sense. It will cut down on hearings and reduce the stress that many taxpayers feel every time they hear from the Appraiser's office (the government). We support it 100%.

Thanks

Jerry Frantz

Sen. Assess + Tax
Feb 6, 1996
attach 4-1

KANSAS COUNTY APPRAISERS ASSOCIATION

P.O. Box 1714
Topeka, Kansas 66601

To: Senate Assessment and Taxation Committee
From: Larry Clark, CAE
Subject: Senate Bill 567
Date: February 6, 1996

My name is Larry Clark and I am appearing on behalf of the Kansas County Appraisers Association in opposition to passage of Senate Bill 567.

The Appraisers Association supports the basic concept embodied in this proposed change: that is that appraised values should not be changed unless there are substantial reasons to do so. In fact, several counties have had very good luck implementing a policy very close to this and still remaining in compliance.

What we oppose is the strict numeric measure in this proposed amendment. Our job as appraisers is governed as much, if not more, by the requirement to appraise uniformly and equally as it is to appraise at market value. Whereas a single property appraiser is taught to appraise one property at a time with little regard for the value of surrounding parcels, the mass appraiser must pay as much attention to surrounding values as that of the parcel being currently valued. Using mass appraisal techniques, the county appraiser can identify and conform to market trends over a broad range of property. That requires the ability to adjust individual values to conform to that trend as local market and property characteristics dictate. To require a strict adherence to an arbitrary number will require a local appraiser to increase the value of a parcel that shows an increase of 5.01% and roll the previous value of a parcel that shows an increase of 4.99% when they should be treated the same.

What we would propose is that each model area be analyzed for its conformity with compliance standards. When those standards are breached or it appears that they will be as of the appraisal date, the appraiser should adjust the model and revalue that area. Otherwise, the values would be allowed to roll over from the prior year for the entire model. Individual parcel adjustments will conform to the trend of the model accept insofar as its characteristics differ significantly from surrounding parcels. The emphasis will be placed upon both market value and equity.

Sen. Assess + Tax
Feb 6, 1996
attach 5-1

Johnson County
Kansas

Office of the County Appraiser

To: Senate Assessment and Taxation Committee
From: Paul A. Welcome, CAE, Johnson County Appraiser
Subject: **Senate Bill No. 567**
Date: February 6, ~~1997~~6

Thank you for allowing me to testify on the proposed bill. My name is Paul Welcome and I am the Johnson County Appraiser and I am opposed to the proposed legislation.

This is one of many bills focusing on the reappraisal of property conducted by the County Appraisers throughout the state. The legislature continues to modify the system you placed in service. The major reason I am opposed to this bill is the inequity within the neighborhoods. I will try to illustrate the problems and the public policy implications.

We have two houses located next door with different physical features. The market value estimate increases by 4.99% while the next door neighbor increases by 5.01%. Under this proposed system the appraiser would increase one while the other would be frozen. The answer we would be required to give is the legislature allows those under 5% to be frozen while you are being increased. I believe this would be difficult public policy for the average citizen to understand.

I believe the intent of the legislation is to limit annual value increases. If you don't want us to change values, I would propose several alternatives.

In 1990 you froze the 1989 values. This move was not challenged in the courts and you have taken this action before.

The second alternative is the market approach system. The legislature has in place a way to accomplish this task without changing or propose changes that may be unconstitutional. Currently the statutes allow the county appraiser to be in compliance with a ratio of 90% to 110% of market. The public will let you know if you are over 100%. If the county is statistically within this range the current values would be carried forward to the next year. If, however, the county is not within the range, the county would reappraise only the geographical area within that model. In small parcel count counties this may be county wide while metropolitan counties would be portions of the county. If you would insert adequate legislation, the Property Valuation Division would not insist the county change values annually. I have attached a copy of some proposed legislation.

We have started this system and for 1996 the number of areas to be revalued drops from 30 to 5 areas or approximately 20% of the parcels may receive an increase or decrease in valuations. The appraiser would still value new improvements no matter where they are located in the county.

A:\SB567.WPD

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Sen. Assess + Tax
Feb 6, 1996
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