

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 4, 1997, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Bond,
Senator Goodwin, Senator Hardenburger, Senator Harris,
Senator Karr, Senator Lee, Senator Praeger,
Senator Sallee and Senator Steineger.

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

Conferees appearing before the committee: Shirley Sicilian, Department of Revenue
Don Schnacke, Kansas Independent Oil and Gas Assn.
Mark Beck, Department of Revenue
Rod Broberg, Kansas County Appraisers Association
Chris McKinzie, League of Kansas Municipalities
Joyce Coker, Johnson County
Richard Rodewald

Others attending: See attached list

The minutes of the February 3 meeting were approved.

Senator Langworthy called attention to a bill previously heard, **SB 51**, concerning income tax credit for property tax levied against commercial and industrial machinery and equipment. She called upon Shirley Sicilian, Kansas Department of Revenue, to give an update on the fiscal impact of extending the bill to oil and gas machinery and equipment. Ms. Sicilian reported that the estimated fiscal impact for this inclusion would be \$1 million for property at the well site. With the assistance of Don Schnacke, Kansas Independent Oil and Gas Association, she explained that the estimate was based on data on two types of oil and gas machinery and equipment: (1) the prescribed equipment to operate wells and (2) itemized equipment which is incidental to the leases. Mr. Schnacke noted that the fiscal impact was based on data on all wells; however, about one-third of the wells are gas wells, which have much less equipment on them than oil wells. Thus, the fiscal impact of the inclusion may be less.

Senator Lee had questioned if equipment that was tagged and driven on the highway was included in the bill. Mark Beck, Kansas Department of Revenue, explained that the vehicles included may have an engine, steering wheel, and wheels; however, they are not classified as a motor vehicle but are essentially a piece of equipment that happens to be mobil in nature.

Senator Corbin moved to amend **SB 51** to include the oil industry's request for exemption, seconded by Senator Lee. The motion carried.

Senator Bond moved to amend **SB 51** on line 20 between (5) and (6) to change "of" to "or", seconded by Senator Steineger. The motion carried.

Staff explained a suggested amendment to include, as a matter of policy, the privilege tax paid by banks, savings and loan institutions, and insurance companies which do not pay income tax. Shirley Sicilian confirmed that the fiscal note on the bill included privilege taxes because it was based on ten percent of all property dollars.

Senator Corbin moved to insert the privilege tax in **SB 51**, seconded by Senator Hardenburger. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 4, 1997.

Senator Corbin moved to recommend **SB 51** favorable for passage as amended, seconded by Senator Praeger. The motion carried.

SB 107--Property taxation; concerning the format of notices of change in appraised valuations.

Rod Broberg, Kansas County Appraisers Association, testified in support of **SB 107**. He explained that the bill deals with the notification requirements on a yearly basis when the county appraisers arrive at new values for each parcel of real estate. Current law requires that all property owners be notified regardless of whether or not the value on the property has changed or not. Statewide, the value remains the same for an estimated twenty percent of the parcels. If these parcels were not to receive a notice, the counties could save as much as \$113,600 per year. (Attachment 1)

Chris McKenzie, League of Kansas Municipalities, testified further in support of **SB 107**. He believed the bill would bring about some minor, but valuable, changes in the way property taxpayers are notified about the appraised valuation of their property and would relieve hostility toward the property tax system in certain parts of the state. (Attachment 2)

Senator Bond questioned "if no news is good news or if no news is confusion." Mr. McKenzie acknowledged that this was a valid question and felt each county appraiser and county commission would be the best judges. He felt that the preference in some counties would be "no news"; however, in other counties no news would be viewed with suspicion. He emphasized, that the bill provides flexibility by providing more than one option.

Joyce Coker appeared on behalf of the Johnson County Board of Commissioners in support of **SB 107**. She submitted written testimony by Paul Welcome, Johnson County Appraiser, in support of the bill. His testimony reiterated the testimony of Mr. McKenzie and included information on the savings for Johnson County. (Attachment 3) With this, the hearing on **SB 107** was concluded.

SB 109--Property taxation; concerning the timing of actual viewing and inspection of real property.

Rod Broberg, Kansas County Appraisers Association, testified in support of **SB 109**. He explained that in many instances, a property has been physically inspected five to seven times since the beginning of the reappraisal data collection in 1986. The bill allows counties, upon approval of the Director of Property Valuation, to stretch their reinspection cycle to six years which would result in some cost savings to counties. Mr. Broberg explained that the bill speaks to the physical inspection of property wherein no valuation is made. (Attachment 4)

Mark Beck, Director of the Property Valuation Department, confirmed that counties would be carefully scrutinized for compliance with certain standards before granting permission. He added that currently county programs are reviewed on an ongoing basis, therefore, the bill does not involve significant change with regard to rules and regulations.

Joyce Cocker, Johnson County, spoke in support of **SB 109**. She called the committee's attention to written testimony in support of the bill submitted by Paul Welcome, Johnson County Appraiser. Mr. Welcome estimated a savings of \$180,000 over a two year period in Johnson County and indicated that Sedgwick County would save a similar amount. (Attachment 5)

Richard Rodewald, taxpayers lobbyist from Douglas County, stated that K.S.A. 79-503(a) provides that the sales ratio study alone cannot be used to raise property values. Other evidence must support an increase. He felt six years was a considerable amount of time when considering appreciation in property values in certain areas. He believed physical inspection of property was important as a matter of fair and equal taxation.

The hearing on **SB 109** was closed.

The meeting was adjourned at 11:59 a.m.

The next meeting is scheduled for February 5, 1997.

SENATE ASSESSMENT & TAXATION COMMITTEE
GUEST LIST

DATE: February 4, 1997

NAME	REPRESENTING
Tom Hatten	KDOR
SHIRLEY SICILIAN	KDOR
Rod Broberg	Ks. County Appraisers Assoc.
Judy Mohr	KAC
Paul P. Schmitt	KIOGA
Jan Freed	Sen. Stan Clark
Betsy Swanwick	League of KS Municipalities
Chris McKenzie	" " " "
Ashley Sherard	Overland Park Chamber
Rich McKee	KLA
Frank Noff	Self
Ed Spiess	Peterson Public Affairs
Sarah Davis	Girl Scout Councils of Kansas
RICHARD RODENAS	TAXPAYERS
Jamie R. Bell	Sen. Biggs/Gelstrap

TO: Senate Assessment and Taxation Committee
From: Rod Broberg, Kansas County Appraisers Association
RE: Senate Bill 107
DATE: February 4, 1997

I am Rod Broberg with the Kansas County Appraisers Association. I am appearing in support of Senate Bill 107.

Current law (79-1460) requires County Appraisers to notify the owner of each parcel of real estate of the value of his property each year. This notice must contain several pieces of information including the parcel number, the previous and current appraised and assessed values, the most recent sales ratio numbers, and an explanation of the taxpayers appeal rights and instructions for appealing. This is a large amount of information and therefore requires either a letter in an envelope, or a multi-part pre-printed mailer. Costs for this single function of reappraisal maintenance, including paper and postage but not labor, is estimated to cost approximately \$0.40 per parcel. For the estimated 1,420,000 parcels in the state, the total cost would be \$568,000.

The above stated scenario is necessary for the majority of the parcels in the state that receive a new value each year. In any given year, there are estimated to be as many as 20% of the parcels in the state whose value remains the same as the previous year. If these parcels were not to receive a notice, the counties could save as much as \$113,600 per year.

You may ask why would a parcel not change in value in a particular year? There are several reasons. One is that the sales analysis may show that for a particular neighborhood, the values are not changing, and the County Appraiser may opt not to change values in the entire neighborhood. Another is that ag use values do not change significantly and the per acre values provided by PVD remain the same. Lastly, a county may be under a reappraisal order from PVD or the Board of Tax Appeals, and may be ordered not to change values until the reappraisal is completed. Whatever the reason, this change in the statute could result in a savings of over \$100,000.

For those counties who think that notifying all taxpayers is good policy, SB 107 allows counties to opt for sending a postcard notice of no change as opposed to a full printed notice. While this option would provide more modest savings, it would allow a county policy option to fit its own needs.

Thank you for your consideration.

Senate Assessment + Taxation
2-4-97
Attachment 1



**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 *W*

DATE: February 4, 1997

SUBJECT: Support of SB 107

I appear today on behalf of the League of Kansas Municipalities in support of SB 107. In recent years officials of the League's member cities in certain parts of the state have raised concerns about the hostility toward the property tax system that is engendered by the annual notification of taxpayers of the appraised valuation of their property--even when there is an insignificant or no change in the appraised valuation. While it is an inaccurate conclusion, these notices at times give the appearance to certain taxpayers of a local government system which is incapable of dealing with material changes in valuation as opposed to minor changes.

SB 107 would bring about some minor, but valuable, changes in the way property taxpayers are notified about the appraised valuation of their property. The two alternatives provided in the bill will give counties real choices in how to deal with this matter, and provide some valuable relief to taxpayers as well.

RECOMMENDATION: We recommend approval of SB 107.

About the League of Kansas Municipalities

Established by municipal officials in 1910, the League of Kansas Municipalities is a voluntary, nonpartisan federation of over 500 Kansas cities. It operates as a public agency and is defined by state laws as an instrumentality of its member cities. The powers and duties of the League are prescribed by state law and in bylaws adopted by the voting delegates of its member cities. The primary mission of the League is to assist its member cities in strengthening local government in order to advance the general welfare and promote the quality of life of the people who live within our cities.

*Senate Assessment & Taxation
2-4-97
Attachment 2*

To: Senate Assessment and Taxation

From: Paul Welcome, Johnson County Appraiser *Paul*

Subj: Senate Bill 107: No notification or post card notification.

Date: February 4, 1997

My name is Paul Welcome and I am appearing on behalf of Johnson County, Kansas in support of Senate Bill 107.

No notification and/or post card option

As fiscal constraints continue to be placed on governmental entities, these two options would allow some flexibility to notify the owner of the property or skip notification if the value would remain the same. The post card option would allow the director to design an appropriate post card to be used by most counties. The option would save on postage and allow the resource to be used in other activities. Some counties could opt to have no notification to the citizens, if the value would not be increased. In addition, the Board of County Commissioners could opt to annually notify the citizens if they think this would be customer service friendly.

Most counties use mailers that cost \$0.50 for each one and this can be a significant cost for those counties using the mailers. Johnson County does not use a mailer and that cost cannot be computed in our fiscal note. For most counties this cost is substantial.

The fiscal note for Johnson County follows:

Postage savings for no notification

160,000 parcels with 25% no change is 40,000

40,000 envelopes @ \$.03	\$ 1,200
40,000 mailing cost @ \$.29	<u>\$ 11,600</u>
Total savings with 25% no change	\$ 12,800

160,000 parcels with 75% receiving no change in value

120,000 envelopes @ \$.03	\$ 4,600
120,000 mailing cost @ \$.25	<u>\$ 34,800</u>
Total	\$ 39,400

Post card savings option

Post card option:

40,000 no change @ \$.09	\$ 3,600
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Post card option:

120,000 no change @ \$.09	\$ 10,800
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*Senate Assessment + Taxation
2-4-97
Attachment 3*

TO: Senate Assessment and Taxation Committee
From: Rod Broberg, Kansas County Appraisers Association
RE: Senate Bill 109
DATE: February 4, 1997

I am Rod Broberg with the Kansas County Appraisers Association. I am appearing in support of Senate Bill 109.

Following the completion of the original data collection for reappraisal, counties, in 1997, will be completing the second four year inspection cycle as required by K.S.A. 79-1476. These inspections are in addition to inspections made when a property sells, when a building permit is issued, or when the County Appraiser knows or suspects that a property may have changed. It is not uncommon to find a property that has been inspected five, six, or seven times since the beginning of the reappraisal data collection in 1986.

Senate Bill 109 allows counties who can demonstrate to the Director of Property Valuation that their data meets certain standards, to stretch their reinspection cycle to six years. We feel that this would be advantageous for a couple of reasons. First it would provide some cost savings to counties that could be used to reduce the budget, or redirected into the analytical phases of reappraisal. Secondly, it would make the County Appraiser less obtrusive into the lives of property owners for no apparent reason to them. Most people feel that we are obtrusive enough when we are there for reasons of a sale or a building permit.

Thank You for your consideration.

Senate Assessment & Taxation
2-4-97
Attachment 4

To: Senate Assessment and Taxation

From: Paul Welcome, Johnson County Appraiser *PAW*

Subj: Senate Bill 109

Date: February 4, 1997

My name is Paul Welcome and I am appearing on behalf of Johnson County, Kansas in support of Senate Bill 109.

Reinspection cycle from four to six years

It is important for government at all levels to exercise fiscal restraint and avoid unnecessary expenditures of limited taxpayer resources. One of the ways we can do that in the area of appraisal maintenance is to extend the reinspection cycle in counties where the property characteristic data is accurate and adequately maintained. In counties where the market is active, many parcels are being reinspected through the sales verification process. In others, building permits draw field staff out to reinspect following room additions or other changes. In still others, parcels receive reinspection through the hearing and appeals process. County appraisal staff are receiving numerous complaints from property owners who know that their house has not "grown" since the last reinspection.

In addition, the property image requirement is tied to the reinspection cycle. Currently, the Johnson County cost for the images every four years is \$300,000. Being able to use the images for two additional years would allow for the county to save approximately \$25,000 per year or \$50,000 for the two years.

The fiscal note for Johnson County would be as follows:

Approximate cost are as follows:

2 staff time at \$30,000 per year @2 yrs	\$120,000
Mileage per year \$10,000 @ 2 years	10,000
Imaging systems \$25,000 per year @2 years	<u>50,000</u>
Total savings for two years	\$180,000

I believe a similar savings would be in Sedgwick County as well. Many other counties may qualify if Property Valuation Division approves the county's data information system.

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*Senate Assessment & Taxation
2-4-97
Attachment 5*