

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 12, 1997, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Lee, Senator Bond, Senator Goodwin, Senator Hardenburger, Senator Harris, Senator Karr, Senator Praeger, 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: Dan Hermes, Governor's Office
Linda Peterson, Marion County Commissioner
Mark Beck, Property Valuation Department
Gus Bogina, Board of Tax Appeals
Bill Hancock, Sedgwick County Commissioner

Others attending: See attached list

Senator Corbin, chairman of the subcommittee on **SB 108**, relating to collection of delinquent oil and gas property taxes, reported that the subcommittee decided that the bill needs more study. Therefore, it was their recommendation that an interim study be requested as the broad topic may not be an area of this committee's expertise.

SB 161--Relating to property taxation; concerning appeals from appraised valuation determinations.

Dan Hermes, Office of the Governor, testified in support of **SB 161**. He explained that the bill would eliminate the county hearing officer/panel level of appeal available to taxpayers who appeal their notice of value. The bill creates a regional hearing officer process under the Board of Tax Appeals (BOTA) to replace this appeal step. The change would improve the appeal process for taxpayers. (Attachment 1)

Senator Bond asked for clarification of the definition of a region. Mr. Hermes responded the determination of regions and their structure is left to the discretion of BOTA when it sets up the process through rules and regulations. He added that the bill requires that the hearing officers of the regions have knowledge of the area in which they work.

Linda Peterson, Marion County Commissioner and representing the Kansas County Commissioners, appeared in support of the basic concept of **SB 161** to shift the responsibility for hearing officers from the counties to BOTA for residential and less complicated commercial appeals. However, she raised a concern that the bill requires counties to pay interest on property tax refunds, but it does not impose a cut off time for payment of the interest as the property valuations taxes are appealed through the system. Potentially, the appeal could result in a long drawn out process, and counties would be required to pay a great deal of interest by the time the case is resolved. (Attachment 2)

Mark Beck, Director of the Property Valuation Department, reviewed **SB 161**. He said the majority of the structural work is left to BOTA; and, at this point, he was uncertain if BOTA had anticipated how this would be accomplished. He explained that the essential intent of the bill was to give taxpayers access to an intermediate appeal level on a statewide basis as currently only 36 counties have a hearing officer at the county level. The regional hearing officers would be familiar with their areas; therefore, they would be able to judge fairly. The educational requirements in the bill for regional hearing officers will be set up by BOTA rules and regulations. The bill was designed to improve taxpayers' perception that the current system does not work.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 12, 1997.

Mr. Beck surmised that, if the bill is passed, there will probably be an increase in appeals at first because it creates a new, reasonable avenue for taxpayers which is more accessible than the current system. He commented that a clear, simple avenue of appeal is a good way to "back door" equalization with regard to the mass appraisal issue.

Senator Corbin commented that perhaps the regional hearing procedure would speed up the appeal process. Thus, interest on property tax refunds would not accumulate for a long period of time as feared by county commissioners. He reasoned that, because the regional hearing procedure would be under the direction of BOTA, taxpayers would be immediately informed of the level at which they should start their appeal. Mr. Beck agreed with Senator Corbin and commented further that the intent of the bill was to provide a structure wherein there would be enough hearing officers available to actually sit down and talk to the taxpayer for a longer period of time and educate them. He noted that the larger, more complicated appeals will still go directly to BOTA, and the payment under protest procedure is untouched by **SB 161**.

Gus Bogina, Chairman of BOTA, concurred with the provisions of **SB 161** as proposed by the Governor. He believed that the regional hearing officer approach would allow more time to be spent to answer questions by taxpayers who appeal than is currently spent at the county level. He explained that all too often taxpayers do not realize the problems involved with the mass appraisal system, and the regional hearing officer would have time available to fully explain it to them. He said BOTA has not presently fully determined the method of determining regions for hearing officer panels. He tentatively believed that there would be a need for a traveling hearing officer for sparsely populated areas. Also being considered was employment of knowledgeable part-time persons with a proper educational background for two to three months. With regard to the interest cost to counties, Mr. Bogina stated that this problem is minor with residential valuations as the differences are small. Interest limits would be an important issue when dealing with appeals on commercial property such as large shopping malls where differences are large. Those appeals go directly to BOTA through attorneys and may continue for years.

Bill Hancock, Sedgwick County Commissioner, commented that many commissioners would agree that it is not pleasant to hear tax appeals. However, because of the number of changes made throughout the years, taxpayers are happy when they leave the hearing process in Sedgwick County. This was not the case a few years ago before Sedgwick County commissioners received training. A dramatic change occurred after commissioners received 40 hours of training in residential appraisals and 40 hours of training in commercial appraisals. The decisions made by the commissioners were better after the training, and the number of appeals reaching BOTA has greatly decreased. Commissioner Hancock felt the five commissioners on the Sedgwick County appeal panel understood the area more than any one else could, and they have been fair to taxpayers because of their familiarity with individual neighborhoods in the county. In Sedgwick County, the appeals process is nonadversarial, fifteen minutes are allowed for each hearing, and a decision is made before the taxpayer leaves. Commissioner Hancock stressed the importance of taxpayers being able to make their case in a familiar surrounding where they feel at home with the appeal board. He believed that the Sedgwick County appeal panel offers convenience and efficiency to taxpayers and has been extremely successful in its decisions. He urged the committee not to eliminate all hearing panels and proposed that an option to counties to hear appeals be included in the bill. He concluded by echoing Ms. Peterson's concern that the county would not have the ability to control the amount time the appeals are in process if the bill is passed.

Senator Bond requested that staff prepare a chart with information indicating current procedure in the 36 counties with appeal panels, what the procedure is for the balance of the counties, and what **SB 161** would do in terms of steps and kind of appeals.

There being no further time, Senator Langworthy announced that the fiscal note on the bill would be discussed at a future meeting when the bill is discussed further.

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

The next meeting is scheduled for February 13, 1997.

SENATE ASSESSMENT & TAXATION COMMITTEE
GUEST LIST

DATE: February 12, 1997

NAME	REPRESENTING
Dan Heames	GOVERNOR'S OFFICE
MARK BECK	KDOT
Jared Ohor	Johnson County Court
Cathy Mohr	KAC
Scott Peterson	KCCA
Willie Martin	Sedgwick County
Bill Hancock	Sedgwick County
Sabrina Wells	Budget Division
Jim Hele	B.L.E.
Tom Bruno	Attorney Assoc.
Ed SPIESS	Peterson Public Affairs
Cindy Harper	Shawnee County Clerk's Office
Diana Martin	In Co Clerk's Office
Bill HOGLE	GOV. COMM. COMMITTEE LAWRENCE CHAMBER OF COMMERCE
Sus Boggin	Chair BOTA
Amy R. Russell	BOTA staff attorney
Karen Francis	Ks. Assoc of REALTORS
Yenny Johnson	member of public

STATE OF KANSAS



BILL GRAVES, Governor
State Capitol, 2nd Floor
Topeka, Kansas 66612-1590

(913) 296-3232
1-800-748-4408
FAX: (913) 296-7973

OFFICE OF THE GOVERNOR

LEGISLATIVE TESTIMONY

TO: Chairperson Audrey Langworthy and Members of the Senate Committee on Assessment and Taxation

FROM: Dan Hermes, ^{DWH} Director of Governmental Affairs

DATE: February 12, 1997

BILL: Senate Bill Number 161

Regional Hearing Officers under the Direction of the Board of Tax Appeals

Members of the committee, thank you for the opportunity to appear again today in support of an important component of the Governor's legislative agenda. The bill in front of you would eliminate the county hearing officer/panel level of appeal available to taxpayers who appeal their notice of value in the spring. In place of this appeal step, the bill creates a regional hearing officer process under the Board of Tax Appeals for all residential properties and most other properties with values below \$500,000. Properties that do not fit these criteria would appeal directly to the State Board of Tax Appeals (BOTA). This change is recommended for three main reasons:

Impartiality. The change removes the appeal from the jurisdiction that establishes the value -- the county -- to a more neutral setting. This would assure the taxpayer with an unbiased, intermediate level of appeal at the regional level.

Taxpayer Information. The budget for FY 1998 for the regional hearing officers is structured to provide more time for the appeal compared to the time now devoted at the hearing officer/panel appeal. This should allow a greater explanation for taxpayers, in an informal setting, of the property tax administration process.

"Small Claims" Division. The bill would provide direct access to BOTA for larger commercial and agricultural appeals that are more complex. The formal current appeal structure is more suited to these purposes. For residential and smaller commercial appeals, a regional, less formal appeal process would be in place.

I would be happy to respond to any questions that you may have related to this legislation.

Senate Assessment & Taxation
2-12-97
Attachment 1

TESTIMONY

SB 161

by Linda Peterson, President
Kansas County Commissioner's Association
Kansas Association of Counties
February 12, 1997

I am Linda Peterson, Marion County Commissioner and President of the Kansas County Commissioners Association. I am here today to speak to you on SB 161.

The Kansas County Commissioners Association is in support of the basic concept of SB 161 to shift the responsibility for hearing officers from the counties to BOTA for residential and less complicated commercial appeals. The shift from the county to BOTA for these appeals will remove the perception that hearing officers who are employed by the county are not capable of rendering an unbiased opinion. It would allow taxpayers in all counties to have an intermediate level of appeal. Currently, only counties with over 10,000 parcels are required to have hearing officers.

We would raise one major concern with the bill, however. There are currently two bills before the legislature that would require counties to pay interest on property tax refunds. Neither bill imposes a cut off time for the payment of the interest as the property valuations taxes are appealed through the system. If the hearings were removed from the county, it would mean a loss of the county's control in resolving the appeal early on and potentially could result in a long drawn out appeals process which would require counties to pay a great deal of interest by the time the case is resolved. The Kansas Association of Counties has proposed in prior testimony that counties accept exposure for up to one year for interest on property tax refunds beginning on or after Dec. 21. This issue needs to be addressed or counties (and the balance of taxpayers in those counties) are left to absorb the financial burden of interest on refunds when an appealed valuation is removed to another level as proposed by SB 161.

I would be glad to answer any questions at this time.

*Senate Assessment & Taxation
2-12-97
Attachment 2*