

Approved: 4-10-98
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 March 27, 1998, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Lee,
Senator Bond, Senator Donovan, Senator Goodwin,
Senator Karr, Senator Praeger, Senator Steffes 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: Bill Dvorak, AT & T
Mike Murray, Sprint
Shirley Sicilian, Kansas Department of Revenue
Dan Hermes, Office of the Governor
Rick Chalker, Hallmark Cards
Chris McKenzie, League of Kansas Municipalities
Rod Broberg, Kansas County Appraisers Association
Paul Welcome, Johnson County Appraiser

Others attending: See attached list

The minutes of March 26 were approved.

HB 3016--Treatment of sales of prepaid telephone calling cards.

Bill Dvorak, AT&T, testified in support of **HB 3016** which would change the current sales tax policy for prepaid telephone calling cards, a new product offered by the telecommunications industry for individual service. Under current law, the sales tax for prepaid calling cards is applied based on usage regardless of where the card is purchased. The bill provides that sales tax be collected and remitted by the retailer on the amount paid by the consumer at the point of sale. Mr. Dvorak contended that taxing cards at the point of sale would be easier for both the retailer and the taxing authority. (Attachment 1)

Mike Murray, Sprint, followed with further testimony in support of **HB 3016**. Mr. Murray said the current taxation approach for telephone calling cards is a net loser for the state, and it requires costly and complicated record keeping systems for long distance companies which sell the cards, calculate the usage taxes, and remit them to various states. He also pointed out that prepaid cards are collectible, and many people simply buy them for that purpose; therefore, no sales tax is currently collected on the sale of the card. (Attachment 2)

Shirley Sicilian, Kansas Department of Revenue, questioned the provision in **HB 3016** dealing with the payment of sales tax for authorization numbers. Because authorization number sales will not take place at a vendor's place of business and there is no item shipped, tax will apply if the customer's billing address is in Kansas, even if the calls are later made from another state. She felt the collection of sales tax by the state of Kansas for provision of a service based on the billing location would be challenged. Ms. Sicilian was also unclear as to the fiscal impact for authorization numbers because the fiscal note on the bill focused on prepaid calling cards.

In response to Ms. Sicilian, Mr. Dvorak said prepaid authorization numbers were included in **HB 3016** because they are part of prepaid telephone service. He explained that usually a card is issued with authorization numbers; however, some vendors do not issue a card. He explained further that there is no difference between a consumer actually using a number off a card or using a number given over the telephone. If both prepaid cards and prepaid authorization numbers were not included in the bill, there would be a legal problem because both forms of prepaid telephone services would not be taxed in the same way. Putting

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on March 27, 1998.

prepaid authorization numbers in the bill insures that prepaid service, regardless of how it is done, is taxed the same.

Senator Langworthy suggested that Ms. Sicilian meet with Mr. Murray and Mr. Dvorak to discuss a possible amendment. All parties were in agreement to do so and to report to the committee at the next meeting. With this, the hearing on HB 3016 was closed.

HB 2602--Establishment of the Kansas tax appeals commission.

Dan Hermes, Office of the Governor, testified in support of HB 2602. He noted that the interim committee forwarded this measure to the Legislature at the request of Governor Graves. The bill would restructure the state's tax appeal system (BOTA) in an effort to make the appeals process more approachable and predictable. Mr. Hermes discussed the five major components of HB 2602. He noted that several significant changes were made in both the House Taxation Committee and on the House floor. The Governor supports the bill as amended by the House committee, but there had not been sufficient time to review all the House floor amendments. (Attachment 3)

Rick Chalker, Hallmark Cards, testified in support of HB 2602 on behalf of the Kansas Tax Coalition, which consists of more than 40 organizations and companies doing business in Kansas. He believed that HB 2602 appropriately and carefully addresses an expensive, cumbersome, and all-too-frequently taxpayer unfriendly relationship when it comes to tax appeals. He felt the bill would strengthen the relationship between taxpayers and their government and enhance the state's tax policy and its administration. (Attachment 4)

Chris McKenzie, League of Kansas Municipalities, testified in support of HB 2602. He reported on the findings of an Ad Hoc Task Force on Tax Abatements on which he participated. The purpose of the task force was to suggest possible statutory amendments which would address the growing concern that the rules under which proposed exemptions were being judged by BOTA were undergoing significant change after a period of considerable predictability and stability. HB 2602 incorporates a number of the recommendations made by the task force. (Attachment 5)

Rod Broberg, Kansas County Appraisers Association, is neutral on the change in the tax appeals process contained in HB 2602. However, he has some concerns regarding Section 32 and Section 33 of the bill with regard to language concerning computer assisted mass appraisal (CAMA). He does not believe the two provisions would have any positive effect on the appraisal system currently in place, therefore, suggests that Sections 32 and 33 be deleted. (Attachment 6)

Paul Welcome, Johnson County Appraiser, testified in opposition to HB 2602, raising the same concerns as Mr. Broberg regarding the CAMA system. He suggested several specific deletions. (Attachment 7)

There being no further time, the hearing on HB 2602 was continued to March 30.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for March 30, 1998.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: March 27, 1998

NAME	REPRESENTING
Rick Chalker	Hallmark Cards / Ks Tax Conf. 10/22
Patricia Clark	11
George Petersen	Ks taxpayers network
MARK A. BURGHART	WESTERN ASSN.
Tom Brown	Missouri Commission
Chris McKenzie	League of Kansas Municipalities
Whitney Damron	KS Bar Assn.
Natalie Rederi	KCC
Cheryl Caldwell	Lopeks C of C
Ashley Sherard	Overland Park Chamber
Tom Brown	Comm. Property Assoc. of KS.
Julie Hein	Hein & Weir
Judy Molen	Ks. Assn. of Co. Tre.
Rod Broberg	Kansas County Appraisers Assoc.
Mike Beam	KS LYSTK. ASSN.
Michelle Miller	Johnson County
Paul Welton	Johnson County
Rita Marchel	BOTA



William A. Dvorak
Assistant Tax Director
External Tax Policy

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**TESTIMONY ON BEHALF OF AT&T
BEFORE THE SENATE ASSESSMENT & TAXATION COMMITTEE
HOUSE BILL 3016
MARCH 27, 1998**

Madame Chairman and members of the committee:

My name is William Dvorak and I am an Assistant Tax Director for AT&T's External Tax Policy organization. I am here today to ask for your consideration and approval of House Bill 3016 that would change the current sales tax policy for prepaid telephone calling cards.

A popular new product that is being offered by the telecommunications industry is a form of prepaid telephone service commonly referred to as a prepaid calling card. It is used for individual service and usually takes the form of a plastic or paper card sold in convenience stores and other retail outlets. Prepaid calling cards work on the basis that the user has paid in advance for a certain amount of phone time and can use it at his or her convenience.

In order to use a prepaid calling card, a user must call an 800 number, enter an authorization code and a "PIN" (Personal Identification Number). The customer will be told how much time or money is left on the card and will be given a warning when one minute is left on the card. Retail cards are usually sold in minutes or units in standard denominations of 10, 15, 20, 30, 60, 90 and 120 and can be used anywhere in the continental United States for either domestic or international calls.

There are several tax issues involved with the sale and use of prepaid calling cards, principally, whether the cards should be taxed based on usage of the service or at the point-of-sale. Along with that basic issue are the underlying problems of determining the proper tax basis, the type of tax that applies, which party should collect and remit the tax and the tax jurisdiction to which the tax should be remitted.

Under current Kansas law, the sales tax for prepaid calling cards is applied based on usage regardless of where the card is purchased. AT&T proposes that the sales tax should be collected and remitted by the retailer on the amount paid by the consumer at the

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Attachment 1*

point-of-sale. In advocating point-of-sale taxation, AT&T is not refuting the current method of taxation at the time of usage since the telephone service is the true object of the purchase; rather the cards should be taxed in a manner similar to tangible personal property at the point-of-sale for administrative ease.

Collecting sales tax on the retail sales price of the cards at the point-of-sale is easier for both the retailer and the taxing authority. The sale of prepaid calling cards would be treated as the sale of any other item of taxable property in the retailer's inventory. A sales tax on the retail price at the point-of-sale of the card also avoids the problems associated with determining where the cards are being used, an onerous record keeping burden. The retailer would have all the necessary information to impose the proper tax – the retail price of the card, the location of the sale and the applicable rate. This method will also simplify the audit process for tax authorities; in many cases it would otherwise be impossible to accurately track, record and tax prepaid calling cards calls.

Taxing the cards at the point-of-sale provides a better revenue option for taxing jurisdictions. A sales tax on the retail price of the card at the point-of-sale insures that tax revenue will be generated regardless of whether the card is used, or when and where the card is used. Even if the card is never used, or is used out of the state in which it was purchased, the taxing jurisdiction will still collect sales tax. Alternatively, if the tax were based on usage of the card, there would be less tax revenue generated if any or all of the value of the card is not used or expired.

Currently, thirteen states and the District of Columbia tax prepaid calling cards on the retail sales price at the point-of-sale. Legislation is under consideration by 9 other states to tax prepaid calling cards in a similar manner. This trend towards simpler and more efficient tax collection and administration is a reasonable alternative to all of the compliance issues involved with taxing the underlying telecommunication services.

AT&T respectfully requests your approval of House Bill 3016. Thank you for the opportunity to address this issue and I am available to answer any questions you may have.



Before the Senate Assessment and Taxation Committee
Friday, March 27, 1998
Michael R. Murray, Director of Governmental Affairs, Sprint
HB 3016. Point-of-Sale Prepaid Calling Card Sales Tax

Madam Chairman and Members of the Committee:

My name is Mike Murray, Director of Governmental Affairs for Sprint. We are seeking your support for House Bill 3016 which enacts a sales tax at the point-of-sale on prepaid long distance calling cards. Also representing Sprint today at this hearing is Mark Beshears, Assistant Vice President, Sprint Tax Department.

Under current law, such prepaid calling cards are taxed on a usage basis. Regardless of where the card is purchased, it is taxed where it is used. Wherever the call is originated, that is the jurisdiction which receives the usage sales tax.

We believe this approach is a net loser for the State of Kansas. And, it requires costly and complicated recordkeeping systems for long distance companies which sell such cards, calculate the usage taxes, and remit them to various states.

If you purchase a prepaid card in Kansas and use it to call someone in another state, the issuer of the card keeps track of the length of the call, and then computes the tax due the State of Kansas for that call.

However, if you use the card out -of-state, Kansas receives no revenue. The tax is calculated for the appropriate state's usage tax and the money is sent there.

There are some reasons Kansas fails to collect revenues from the sale of prepaid calling cards. Prepaid cards are collectible. Many people simply buy them for that purpose. No sales tax is collected on the sale of the card. Also, many persons who purchase prepaid cards do not use the full amount of time on the card. And, if it's not used, it's not taxed.

Moving to a point-of-sale tax policy on prepaid cards will reduce or end two forms of double taxation. One occurs when long distance calls are made in a usage tax state on a prepaid card purchased in a point-of-sale state. The consumer pays twice.

The other occurs today in Kansas when stores collect the sales tax on the purchase of a prepaid card even though such cards are not subject to the sales tax. The consumer then pays a usage tax when the card is used to make long distance calls.

The prepaid calling card business is relatively new. As it relates to the method of taxation of such cards, the trend is to adopt the point-of-sale approach as have at least 13 eleven states plus the District of Columbia. And that includes our neighbors of Missouri and Iowa.

We believe this bill is good for consumers, for the industry, and for the State of Kansas and we respectfully ask for your support. Thank you for your consideration, and we would be pleased to respond to questions.

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OFFICE OF THE GOVERNOR

LEGISLATIVE TESTIMONY

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

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

DATE: March 27, 1998

SUBJECT: Kansas Tax Appeals Commission

Madam Chairman and members of the committee, thank you for the opportunity to testify on HB 2602. As you are aware the interim committee forwarded this measure to the legislature at the request of Governor Graves. This bill will restructure the state's tax appeal system in an effort to make the appeals process more approachable and predictable. The process to develop this proposal was a collaborative effort between many interested individuals. Special thanks in developing the proposal needs to go to members of the Kansas Tax Coalition — a group representing both small and large businesses in the state — legislative leaders, local economic development professionals, members of the current board and local government representatives.

This proposal can best be presented in five major components:

- A small claims process would provide for a user-friendly, accessible process for taxpayers with smaller disputes. Contracted regional hearing officers would be available during the property valuation appeal period with increased ability to hear appeals in a timely, informal manner.
- A five-member Tax Appeals Commission would be established to hear appeals from the small claims hearing officers and direct appeals from larger, more complex disputes from non-residential property taxpayers and non-property tax appeals.
- Conduct of the commission would be governed by rules of judicial conduct and the commissioners would be bound by judicial precedent when rendering decisions.

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Attachment 3

- An executive director would be established. Addition of this position would be used to assist in timely rendering of decisions, modernizing the administration of the agency and publication of important rulings to clarify the position of the commission on various aspects of Kansas tax law. This position would also be responsible for the day-to-day management of the agency.
- The state's role in review of economic development abatements of property taxes would be revised to assist local governments and provide greater consistency.

The House made several significant changes to the bill in both committee and on the House floor. The Governor is in strong support of the product as amended by the House. I would be happy to visit with members of the committee about the bill to develop a product that we can all agree will lead to major advancements in tax administration policy for the state.

Thank you for your time and attention to this important step in continuing to improve the tax administration process in Kansas. I would be happy to answer any questions.

Good morning, Sen. Langworthy and members of the committee.

My name is Rick Chalker. I am division vice president of tax for Hallmark Cards in Kansas City. Prior to joining Hallmark I was with the accounting firm of Ernst & Young for 32 years and specialized in taxation.

I am pleased to be here today to testify in support of the Kansas Tax Appeals Reform legislation, House Bill 2602. I would like to make a brief statement on behalf of the Kansas Tax Coalition, and then I will answer your questions.

I am testifying today on behalf of more than 40 organizations and companies doing business in Kansas, both large and small, who have joined together to support meaningful reform to Kansas tax policy and its administration. A list of coalition members is attached to my written testimony.

Our group supports Gov. Bill Graves' Tax Appeals Reform Act. It represents the efforts of his office, legislators, the Department of Revenue, members of the Board of Tax Appeals, local governments and coalition members during the past nine months. We believe that the fundamental changes to the Board of Tax Appeals contained in this bill appropriately and carefully address what the coalition considers to be, at times, an expensive, cumbersome and all-too-frequently taxpayer unfriendly relationship when it comes to tax appeals in our state.

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Attachment 4

With that background, I will highlight our principal objectives. They are: to increase the qualifications for Commissioners in order to accommodate the increased complexity in sales, income and property tax cases; to enhance the consistency of the opinions issued by the Kansas Tax Appeals Commission; and to shorten the time period and decrease taxpayer expense involved in processing appeals, particularly small dollar appeals, through the creation of a Small Claims Division.

The new Kansas Tax Appeals Commission will be a five-member body, appointed by the governor and subject to confirmation by the Senate. The commission will be composed of three attorneys with active practice experience. The remaining two members, as amended by the House, will be Kansas residents, who are selected based on their training and experience to fulfill a commissioner's responsibilities. Commissioners will be subject to the Kansas Supreme Court Code of Judicial Conduct and will be statutorily required to adhere to appellate court precedent.

The commission's opinions will be published and available to the public in the same manner as appellate court decisions. This information will be useful to taxpayers contemplating whether to pursue an appeal.

A Small Claims Division is also created within the Kansas Tax Appeals Commission. Appeals will be heard by hearing officers retained by the Executive Director. This division will have jurisdiction over cases where the amount of tax involved for any year is \$20,000 or the valuation of property is \$3 million or less. A hearing before this division must be conducted within 60 days after the appeal is filed and a decision rendered within 30 days of the hearing.

Local county hearing officers or panels in property tax appeals would be optional. In lieu of appealing to the hearing officer or hearing panel, a taxpayer may instead elect to appeal directly to the Small Claims Division or regular division of the Kansas Tax Appeals Commission (except agricultural use property).

We support this act because it reduces the time and expense involved in the appeals process for taxpayers, streamlines the appeals process and raises the qualifications of commissioners through their adherence to the judicial code. The act also provides taxpayer access to all opinions of the Kansas Tax Appeals Commission and provides consistency in rulings. It will strengthen the relationship between taxpayers and their government. These changes will further enhance the state's tax policy and its administration. We encourage your support of House Bill 2602, the Kansas Tax Appeals Reform Act.

KANSAS TAX COALITION MEMBERSHIP

Arthur Anderson & Company
Boeing
Burlington Northern Santa Fe
Cargill
Coleman
Colgate
Commercial Properties Association of Kansas
ConAgra, Inc.
COST - Committee On State Taxation
Deloitte Touche
Dillons
Ernst & Young
General Motors
Grant Thornton
Greater Kansas City Chamber of Commerce
Hallmark Cards Inc.
Hills Pet Nutrition
KANEB
Kansas Aggregate Producers Association
Kansas Chamber of Commerce & Industry
Kansas City Power & Light
Kansas Contractors Association, Inc.
Kansas Grain and Feed Association
Kansas Petroleum Council
Kansas Railroads
Kansas Ready Mixed Concrete Association
KIOGA
Koch Industries, Inc.
Learjet, Inc.
McGraw Fertilizer, Inc.
Mid America Lumbermens Association
Overland Park Chamber of Commerce
Phillips Petroleum Company
Proctor & Gamble
Raytheon Aircraft
Rent-A-Center
Sprint
Tax Executives Institute
Texaco, Inc.
Topeka Chamber of Commerce
VASTAR
Western Resources
Western Retail Implement & Hardware
Wichita Independent Business Association
Wichita Area Chamber of Commerce
Williams Companies
Yellow Corporation



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (785) 354-9565 FAX (785) 354-4186

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE
FROM: Chris McKenzie, Executive Director
DATE: March 27, 1998
SUBJECT: Support for HB 2602

I appear today on behalf of the 530 member cities of the League in support of HB 2602. Last year Charles Warren, the former President of Kansas, Inc., convened an Ad Hoc Task Force on Tax Abatements on which I participated along with representatives of KCCI, the City of Wichita, various chambers of commerce and economic development organizations, and legal counsel who specialize in industrial revenue bond and constitutional economic development exemptions. The purpose of the Task Force was to suggest possible statutory amendments which would address the growing concern that the rules under which proposed exemptions were being judged by BOTAs were undergoing significant change after a period of considerable predictability and stability. The Task Force developed a final report which was submitted to the Special Committee on Assessment and Taxation as well as the Joint Committee on Economic Development.

The Ad Hoc Task Force recommended a number of changes, including clarifying that when an application for an industrial revenue bond exemption or a constitutional economic development exemption was filed with BOTAs that BOTAs would confine its review to whether the exemption application complied with the procedural requirements found in state law for cost-benefit studies, public hearings, etc. The Task Force further recommended that the procedural requirements be enhanced to require certain additional findings concerning the legal eligibility of the property for an exemption. The intent of the Task Force's recommendation was to make the city or county the final decision maker on the legal eligibility and advisability of the proposed project while preserving BOTAs' role in reviewing the adequacy of the decision process for compatibility with state law. HB 2602 was the Governor's and Special Committee's response to those recommendations. It incorporates a number of the Task Force's recommendations and changed others.

1. Legal Eligibility and Hearings. Under HB 2600 the Kansas Tax Appeals Commission (KTAC) retains the ability to question the legal eligibility of a proposed economic development exemption (and any other exemption for that matter), but in order to do so it must schedule it for hearing within 30 days of the date of the receipt of the exemption request (see p. 13, lines 8-17). Further, if the request is set for hearing and denied, it requires that the decision be published so other applicants can receive notice of the Board's decision and reasoning (p. 13, lines 27-28). This has been one of the greatest areas of frustration for applicants as the rules concerning legal eligibility appear to have undergone change over the last two years.

2. Additional Local Findings Required. HB 2602 also amends K.S.A. 79-251 by providing that in addition to conducting a cost-benefit study, monitoring compliance by the business with the exemption, and conducting a public hearing, the local governing body shall adopt a resolution containing the following factual findings (see page 23, lines 7-24):

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- Legal Eligibility. The property is legally eligible for the constitutional exemption.
- Definition of Manufacturing. If the property is to be used for manufacturing, that it meets the definition in (c)(2), which (with the exception of the House Committee amendment in lines 15-16) is drawn directly from K.S.A. 79-201m, defining the manufacturers which are eligible for that section's exemption of merchants and manufacturers inventory from personal property tax. The absence of such a definition has given rise to disputes between BOTAs and local governing bodies which can hopefully be avoided by this definition.
- Prevention of Piracy. Finally, in order to prevent piracy of companies from another city or county, that the secretary of commerce and housing has approved the exemption prior to qualifying for the exemption. This would replace the confusing provisions of K.S.A. 79-252 which are repealed with the bill.

3. Rehearing Period Extended. Section 29 of the bill contains an amendment to the administrative procedure act to allow for a 30 day period in which to apply for a rehearing with KTAC if an application for exemption is denied by KTAC. The current 15 day rule is so restrictive that many applications that are denied are not asked to be reconsidered. I would note that BOTAs has recently implemented an informal process that allows applicants to supplement application packages that may be missing pieces, and this change has been most welcome and appreciated. This statutory change gives 15 days of additional formal "breathing room."

4. Technical Assistance. Finally, the bill directs KTAC to provide sufficient assistance and information to allow a taxpayer to properly prepare a request for exemption. Although this has been the policy of some BOTAs administrations, we feel it is desirable to restate it in the law.

CONCLUSION

HB 2602 makes some extremely helpful changes in the laws governing the granting of economic development exemptions, and its provisions restructuring the Board of Tax Appeals compliment these changes. The League endorses the policy changes in HB 2602, although we would prefer that local elected governing bodies and not an appointed body make decisions concerning the legal eligibility of properties for economic development exemptions. We feel that HB 2602 represents an improvement over current policy since it should lead to more consistent tax exemption decision making at the state level.

Thank you.

TO: Senate Assessment and Taxation Committee
FROM: Rod Broberg, KCAA
RE: HB 2602
DATE: March 27, 1998

I am Rod Broberg and I appreciate the opportunity to appear today on behalf of the Kansas County Appraisers Association. I appear today in reference to HB 2602 which makes many changes in the tax appeals process. The Kansas County Appraisers Association is neutral on this issue and we feel that most of the changes outlined in this legislation will not greatly affect the way in which we develop and defend our appraisals.

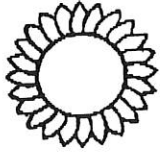
There are two sections however that were recently amended onto this bill about which we have concern. The first is section 32. This section amends 79-503a, which defines "fair market value". The new added language appears to set limits on when a CAMA (Computer Assisted Mass Appraisal) generated value would be acceptable. The first question that comes to my mind is acceptable to whom? The entire context of this legislation deals with the Kansas Tax Commission. However, 79-503a defines fair market value for ad valorem appraisal at all levels. Who would judge if an explanation of the appraisal process is "clear and concise. If the value generated by the appraisal system provided by the state is not acceptable, then what value is acceptable and what form must it take. The possibilities for interpretation of this language are wide ranging, and will serve only to make the appraisal process more complicated and ambiguous.

The second section about which we have concern is section 33. This section amends 79-504 which defines the CAMA generated appraisals as written appraisals for the purpose of mass appraisal in Kansas. The new section simply deletes this provision. The deleted language was originally added to the statute to recognize that it would be impractical if not impossible for practitioners of mass appraisal to provide written fee type reports on all properties appraised every year. One can only wonder what purpose would be served by deleting this provision now.

As I stated above, I do not believe that these two provisions would have any positive effect on the appraisal system we have in place today. For this reason, I would respectfully request that HB 2602 be amended to delete sections 32 and 33.

Thank you for your consideration.

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Attachment 4*



Johnson County
Kansas

Office of the County Appraiser

TO: Senate Assessment and Taxation Committee
 From: Paul A. Welcome, CAF, County Appraiser
 Subj: House Bill 2602
 Date: March 23, 1998

I would like to thank you for the opportunity to comment on this bill. The County is opposed to sections of the bill. Specifically, the points of our concern are as follows:

1. **Page 25 Line 27** The first issue is the elimination of KSA 79-504 and the area they recommended to be stricken from the law. This causes much concern about the Computer Assisted Mass Appraisal (CAMA) documentation as a written appraisal. By eliminating this portion of the statute, the Director of Property Valuation and Kansas Real Estate Appraisal Board (KREAB) could have differing opinions of a written appraisal. With this being removed from the statute, one could infer the appraisal done through the CAMA system is not a written appraisal. With the current statute it is clear the County Appraiser can state the appraisal is from CAMA, is a written appraisal, and is USPAP compliant with Jurisdiction Exception. The elimination of this portion of the statute could effectively void the CAMA system throughout the state of Kansas as an appraisal tool.

2. **Page 25 line 7** The amendment to KSA 79-503 (k) about providing information being clear and concise information is too ambiguous and could open the door for litigation. I believe the basic issue follows: Some individuals want the CAMA source code and they are not able to obtain the source code because of the license agreement with the vendor.

Appraisals produced by the computer assisted mass appraisal system prescribed or approved by the director of property valuation shall be acceptable when the following information is provided: (1) ~~Clear and concise information on how computer assisted mass appraisal generated the appraisal for taxpayers;~~

(2) whether the appraisal was based upon income, cost, or the market valuation appraisal process *or a correlation of more than one approach*; and

(3) provide comparable *sales for single family* residential properties as part of the written appraisal.

To provide the information needed would require a major rewriting of the system and would be very expensive.

Page 6 line 15 Section g This part of the statute changes the burden of proof for commercial, vacant and other classes of property. The burden of proof switch as written only applies to small claims Division and would transfer the burden of proof on commercial to the county appraiser. You now have the hearing officer panel with burden of proof on the tax payer with the exception of residential. The Tax Appeals Commission would remain under the current statutes which provide that the burden of proof on all but residential property is on the taxpayer. We would be

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oppose to switching the burden of proof and it would be very confusing to the taxpayer because the burden switches back and forth.

Page 19 line 9 (Informal Hearings) and **Page 15 line 42** (payment under protest)

We feel that if the taxpayer does not provide the information required at the informal conference the appeal should be dismissed.

Specifically provided by law. *Failure to supply the aforementioned information, the appeal will be dismissed at the informal hearing.*

Page 20 line 40

~~state board of tax appeals~~ *commission* as provided in K.S.A. 79-1609, and

This issue is to correct the title of the agency.