Approved: Feb. 22, 2000
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson Wagle at 9:00 a.m. on February 2, 2000, in Room 519-S of the Capitol.

All members were present except: Rep. Wilk - excused
Rep. Sharp - excused
Rep. Edmonds - excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue

Conferees appearing before the committee: Representative Sharon Schwartz
Representative Gayle Mollenkamp
Joe Lieber, Kansas Cooperative Council
Brett W. Myers, Kansas Wheat Growers Assoc.
Jere White, Kansas Grain Sorghum Producers, Assoc.
Mark Taddiken, Kansas Soybean Association
David Govert, Twenty First Century Alliance
Kent Symns, American White Wheat Producers Assoc.
Mark Beck, Dir., Property Valuation Division

Representative Vickery made a motion that was seconded by Representative Campbell for the introduction of a bill that would allow his counties to be granted the authority for an increase in sales tax, a portion which would go through a public election for the purpose of road construction. The motion carried on a voice vote.

Chairperson Wagle moved and Representative Campbell seconded that a bill relating to property taxes on oil and gas wells be made into a Committee bill. The motion carried on a voice vote.

HB 2617 - Income tax credit for investment in certain agricultural cooperatives.

The Chair then introduced Representative Sharon Schwartz who spoke as a proponent for **HB 2617**. (Attachments 1, 2 and 3).

Shirley Sicilian of the Department of Revenue explained the workings of **HB 2617**.

Asked if this would be limited to Kansans only, Ms Sicilian said that in the balloon amendment, the intent was that this be the case. She read from the balloon amendment for (4). She said that "eligible person" meant being a resident of Kansas.

Speaking next as proponents for **HB 2617** were:
Joe Lieber of the Kansas Coop Council who pointed out some of the concerns of his organization. (Attachment 4);
Brett Myers of the Kansas Assoc. of Wheat Growers Association. (Attachment 5);
Jere White of the Kansas Grain Sorghum Producers. (Attachment 6;
Mark Taddiken of the Kansas Soybean Association. (Attachment 7).
David Govert of Twenty First-Century Alliance. (Attachment 8) and
Kent Symns of the American White Wheat Producers Association.(Attachment 9).

Allie Divine of the Kansas Livestock Association handed out written testimony in support of **HB 2617**. (Attachment 10).

The hearing regarding **HB 2617** was concluded.

HB 2715 - Valuation of pasture and range land for property tax purposes.

Representative Gayle Mollenkamp testified in support of **HB 2617**. (Attachment 11).

He explained that all this bill does is clarify KSA-79-1476 which is the re-appraisal law.

Representative Osborne asked what the income was on the grassland over the last two years and what the increase was in taxes on that same land.

Representative Mollenkamp said that in his particular area in the last six or eight years the average rental income on grassland that has water and not too much adverse conditions, averages from seven to nine dollars.

The Chair invited Representative Mollenkamp to sit with the Taxation Committee for the rest of the meeting, to help with any questions that might be presented.

Mark Beck, Director of the Property Valuation Division, spoke in support of **HB2715**, (Attachments 12, 13 and 14).

Allie Divine of the Kansas Livestock Association spoke in support of **HB 2715**. (Attachment 15.

Speaking as an opponent to **HB 2715** was Robert Kline, President of the Chautauqua County Farm Bureau. (Attachment 16).

Mark Beck handed out copies of a letter he'd sent to all County Appraisers on April 27, 1998, regarding agricultural land valuations. (Attachment 17).

The meeting was adjourned at 10:50 a.m. The next meeting is scheduled for Thursday, February 3, 2000.

SHARON SCHWARTZ
REPRESENTATIVE, 106TH DISTRICT
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RILEY, AND WASHINGTON COUNTIES
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STATE OF KANSAS

TOPEKA

HOUSE OF
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STATE CAPITOL
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COMMITTEE ASSIGNMENTS
VICE-CHAIR: HOUSE AGRICULTURE
MEMBER: HOUSE APPROPRIATIONS
HOUSE AGRICULTURE & NATURAL RESOURCES BUDGET
HOUSE ENVIRONMENT

MADAM CHAIRWOMEN AND COMMITTEE MEMBERS

House Bill 2617 was introduced during the Special Committee on Agriculture to provide Kansas Agriculture producers incentives to use grain or livestock and pool capital to invest in technology and increase the scales of economics through closed co-operatives or new generation cooperatives (NGC). HB 2617 provides a tax credit of 20% of the investment in stock but could not exceed $1000. The tax credit is allowed to be carried forward for 4 years if the credit exceeds the tax liability.

A NGC or closed cooperative is a cooperative in which the members or users are both:
(1) Customers who have a contractual right and obligation to deliver a specified quantity and quality of product as specified in a marketing agreement.
(2) Owners are required to purchase shares of equity stock as specified in the stock subscription agreement, which conveys the right to deliver a specified quantity of product consistent with the marketing agreement. This allows the opportunity to add value to agricultural products (such as wheat) by processing it into products (flour, than to bread or pasta) desired by consumers.

Traditional co-operative systems have no delivery obligations,, usually are not identity preserved, and usually are purchased at the market price. NGC(new generation co-operatives) obligate the owner to deliver a designated quantity. The grain or product is usually identity preserved, and priced by a contract.

The closed systems assume that producers can share in further-processing profits. Closed co-operatives or NGC have become fashionable as commodity producers look for ways to counter integration. Several examples of existing systems would be, 21st Century Alliance, a Manhattan, Kansas, diversified closed co-op involving 750 farmers in eight states that include two dairies, a New Mexico flour mill and a Kansas pinto bean processing plant. Another popular example is U.S. Premium Beef, which is associated with Farmland National Beef, a major beef processor with plants in Liberal and Dodge City. The aforementioned co-ops tie commodities to processing.

The proposed tax credits will provide incentives for Agriculture producers to invest in cooperative systems and share in further-processing profits. In other words, give Kansas producers a chance to compete with the "big boys".

Thank you for the opportunity to appear in support of HB 2617.

House Taxation
Date 2/2/00
Attachment # 1

House Taxation
Date 2/3/00
Attachment # 2

HOUSE BILL No. 2617

By Special Committee on Agriculture

1-12

AN ACT relating to income taxation; providing a credit therefrom for certain investments in certain agricultural cooperatives.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) As used in this section:

(1) "Agricultural cooperative" means any corporation which is organized pursuant to the provisions of K.S.A. 17-1601 *et seq.*, and amendments thereto, and which engages in the activity of developing and promoting the processing and marketing of agricultural commodities grown, made or manufactured in this state through marketing contracts entered into pursuant to K.S.A. 17-1616, and amendments thereto;[and]

(2) "direct investment" means the payment of money or the transfer of any form of economic value, whether tangible or intangible, other than money in exchange for stock.

(b) For all taxable years commencing after December 31, 1998, there shall be allowed a credit against the tax liability of an [individual, family farm corporation as defined under K.S.A. 17-5903 and amendments thereto or limited liability agricultural company as defined under K.S.A. 17-5903 and amendments thereto] imposed under the Kansas income tax act in an amount equal to a direct investment in an agricultural cooperative. The credit allowed by this subsection [in any taxable year to a taxpayer] shall not exceed [$500, or] the amount of tax imposed under the Kansas income tax act reduced by the sum of any other credits allowable pursuant to law[, whichever amount is less]. If the amount of such tax credit exceeds the [taxpayer's] income tax liability for any such taxable year, such excess amount may be carried over for deduction from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability, except that no such excess amount shall be carried over for deduction after the fourth taxable year succeeding the taxable year in which the direct investment was made.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

; and(3) "eligible person" means a resident individual or a resident family farm corporation, resident limited agricultural partnership or resident limited liability agricultural company, as such phrases are defined by K.S.A. 17-5903, and amendments thereto.

eligible person

$1,000 or 20% of the amount of such investment, whichever amount is less, but for any taxable year shall not exceed

eligible person's

If an eligible person is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company.

Proposed Amendments 2-2-2000

HOUSE BILL No. 2617

By Special Committee on Agriculture

1-12

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(2) ``direct investment" means the payment of money or the transfer of any form of economic value, whether tangible or intangible, other than money in exchange for stock. *;and*

(3) " eligible person" means a resident individual or a resident family farm corporation, resident limited agricultural partnership or resident limited liability agricultural company, authorized farm corporation, family trust, and authorized trusts as such phrases are defined by K.S.S. 17-5903, and amendments thereto.

(b) For all taxable years commencing after December 31, 1998, there shall be allowed a credit against the tax liability of an ~~individual, family farm corporation as defined under K.S.A. 17-5903 and amendments thereto or limited liability agricultural company as defined under K.S.A. 17-5903 and amendments thereto~~ *eligible person* imposed under the Kansas income tax act in an amount equal to a direct investment in an agricultural cooperative. The credit allowed by this subsection ~~in any taxable year to a taxpayer~~ shall not exceed ~~\$500, or~~ *\$1,000 or 20% of the amount of such investment, whichever amount is less, but for any taxable year shall not exceed* the amount of tax imposed under the Kansas income tax act reduced by the sum of any other credits allowable pursuant to law, ~~whichever amount is less~~. If the amount of such tax credit exceeds the ~~taxpayer's~~ *eligible person's* income tax liability for any such taxable year, such excess amount may be carried over for deduction from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability, except that no such excess amount shall be carried over for deduction after the fourth taxable year succeeding the taxable year in which the direct investment was made. *If an eligible person is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this subsection shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company.*

Sec. 2. This act shall take effect and be in force from ~~and~~ after its publication in the statute book.

House Taxation
Date 2/2/00
Attachment # 3

Testimony on HB 2617 - House Taxation Committee

February 2, 2000

Prepared by Joe Lieber, Kansas Cooperative Council

Madam Chair and members of the Committee, I'm Joe Lieber, Executive Vice President of the Kansas Cooperative Council. The Council has a membership of over 200 cooperative businesses who have a combined membership of nearly 200,000 Kansans. Approximately 130 of our members are farm/supply cooperatives.

The Kansas Cooperative Council supports the concept of HB 2617 because it gives Kansas farmers and ranchers an opportunity to help themselves by creating added value cooperatives. This added value should enhance the prices they get from what they produce. A similar bill, HB 2481, was introduced in 1997, but because of some technical problems it did not get out of committee.

The amendments offered for HB 2617 have improved it, but we still have some concerns. We are not sure what the term "economic value" means on line 21. If a producer comes up with a great idea on how to establish an added value cooperative, would they be eligible for a tax credit?

We are not sure of the intention of the bill when it comes to our current traditional cooperatives. We assume that a producer can not invest in one of these cooperatives and get a tax credit, but we're not sure the bill prevents that.

Is it possible that a traditional cooperative that wants to get into added value could issue preferred stock for that profit center?

One major concern that we believe this committee should be aware of is that not all added value cooperatives are successful. Last August we helped sponsor an added value conference at Pittsburg State. Other sponsors included USDA, The Kansas Department of Commerce and Housing, and the Arthur Capper Cooperative Center at Kansas State University. The seminar included producers and managers that had started added value cooperatives. Many of the presentors made sure that those in attendance realized that they are not all successful.

Will HB 2617 encourage Kansas producers and ranchers to invest in "high-risk" cooperatives? We don't know! But what do they have to lose if they only invest $500 or $1,000?

Members of the Committee, as we stated earlier, we support the concept of HB 2617, and if some of these concerns can be resolved, we feel it will be a welcome tool to help the producer and ranchers of Kansas.

I will be happy to try to answer any questions.

House Taxation
Date 2/2/00
Attachment # 4

KANSAS ASSOCIATION of WHEAT GROWERS

P.O. Box 1266 • Manhattan, KS 66505-1266 • (785) 587-0007 • FAX (785) 587-0003

TO: House Committee on Taxation
From: Brett W. Myers, Executive Vice-President
Date: February 2, 2000
Subject: HB-2617

Madam Chair Wagle, members of the committee, my name is Brett Myers and I am the Executive Vice-President of the Kansas Association of Wheat Growers. Our association represents approximately 3000 wheat producers scattered through out the state. I am here on behalf of our organization to testify in favor of HB-2617.

House Bill 2617, as written, allows an eligible producer (person) to obtain a tax credit for the investment in certain agricultural cooperatives, and we feel that this will benefit producers in Kansas in many ways.

First, we feel that this incentive to invest in agricultural cooperatives will give producers the opportunity to give more value to the bulk commodities that they produce. Even with planted wheat acres at their lowest since 1971, commodity prices are at historical lows. Producers have to find ways to add value to their products.

This tax credit will give producers ownership in something further up the food chain. Even though the last few years have financially been good to most Kansans, agriculture has not been so lucky. By being able to share in the profits of these coop's, producers will be able to share in the prosperity and wean themselves away from federal government programs.

By being able to be a part of agriculture cooperatives, producers have a chance to invest in a value added product that is maybe different than what they are able to produce due to changing markets, trends or environmental conditions.

Last, we hope that a tax credit for investment in certain agricultural cooperatives may encourage businesses to establish in the state of Kansas due to the incentives in this bill.

Thank you for allowing me the opportunity to testify today in favor of HB-2617. On behalf of the Kansas wheat growers, we urge you to pass this bill favorably

Kansas Grain Sorghum Producers Association

Kansas Corn Growers Association

TESTIMONY

TO: House Taxation Committee
FROM: Jere White, Executive Director
DATE: 2 February 2000
SUBJECT: H.B. 2617

The Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association appear before this committee today to stand in support of H.B. 2617.

Low farm gate prices the past few years have certainly signaled to Kansas farmers that business as usual won't work. The flexibility of the so-called "Freedom to Farm" 1996 Federal Farm Bill also brought forth the need for production agriculture to identify new opportunities. These new opportunities included diversifying the income on many farms and ranches as the direction in future agricultural policy indicated less safety net to go along with the "freedom". One of the best opportunities that may exist for Kansas producers lies with taking themselves beyond merely producing a generic unprocessed commodity. In short, getting closer to the consumer by adding value to their commodity. The return on investment to farming, even in good years, pales when compared to the returns common to the food industry.

I have brought an example today of a very new snack food that is undergoing various consumer trials and market research. It is unique in that the top two ingredients are grain sorghum and corn syrup. Farmers in Kansas are generally receiving somewhere around three cents a pound for their grain sorghum; and grain sorghum is the bulk of this snack food. The total net weight of the contents in this package is five ounces. At most there is about a penny's worth of grain. Of course there is some volume of corn syrup and other lesser ingredients. But in any event, the farm gate values of all of them would not likely exceed a few more cents. Retail price is ninety-nine cents. We know that the packaging, distribution, research and retailing all have costs and profits associated with them. We want to move Kansas farmers into these areas of opportunity as

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House Taxation
Date 2/2/00
Attachment # 6

well. Farmers elsewhere have done this in many different ways. It is hard to think of cranberries without thinking about Ocean Spray. Ocean Spray is a closed farmer cooperative that constantly develops new products. Their farmer members have added value and positioned themselves close to the consumer...and close to the profits.

If this is so simple, then why are we here today asking for tax credits as an incentive. Quite frankly any new business venture carries with it tremendous risk. Some will succeed and many will fail. Most people, including farmers and ranchers, will tend to do what they do best. In this case...farm. And while the Kansas Corn Growers Association teamed up with the wheat growers a few years back in forming the 21st Century Alliance to look for value-added business opportunities, we know that the number of farmers actually stepping up to invest is relatively small. The tendency among producers in a financial squeeze is to try to produce more, more volume and more efficiency...kind of a Sam Walton approach. Unfortunately in rural Kansas, that tends to pit neighbor against neighbor. Someone might win, but most assuredly others will lose.

By supporting this bill, we can recognize that there is value in looking at these issues in a different light. A cap of $1,000 or 20%, whichever is less, means that the incentive will be there for small investors. If these credits are taken than there will be new businesses on our tax role and hopefully new income as well. It will at least give farmers a new incentive to think and act a little differently when facing tomorrows' financial challenges. Actually, we believe that H.B. 2617 should be looked at as an investment by the state in facing its' future financial challenges as well. Thank you.

KANSAS SOYBEAN ASSOCIATION

Kansas Soybean Association
2930 S.W. Wanamaker Drive
Topeka, Kansas 66614
Phone (785) 271-1030 or (800) 328-7390
E-mail: ksbean@inlandnet.net

Good morning Madame Chair and members of the House Taxation Committee I'm Mark Taddiken, vice president of the Kansas Soybean Association. I certainly appreciate this opportunity to appear before the committee and speak in favor of House Bill 2617, allowing tax credits for value-added agricultural ventures.

I farm in Clay County near Clifton, and this bill is very dear to my heart. As a farmer, I realize the importance of adding value to the commodities I grow. In the final outcome, investing in value-added ventures in the form of agricultural commodities will increase the demand for those commodities, and it will add to my bottom line. The Kansas Soybean Association's voting delegates also realize the importance of investing in value added agricultural commodities as they passed a resolution calling for this measure during our annual meeting.

Farmers need some assistance to encourage them to invest in value added agri-business ventures. That assistance can be easily provided in the form of tax credits. Briefly, I would like to highlight four benefits of this bill.

- Adding value to agricultural products grown in Kansas is an opportunity for Kansas farmers to prosper in today's market place.

- There are realistic opportunities for new business ventures for producers working together to add value to their products.

- Funding for the initial capital is one of the major hurdles for these start-up ventures.

- There is funding available if we can encourage producers to invest in value-added agricultural ventures, by offering incentives such as tax credits.

Thank you for your time, and I would be pleased to answer any questions from the committee.

Hse Tax
2/2/00
Attach. 7

21ST CENTURY "Farmers With Vision"

ALLIANCE

Testimony for the Kansas House of Representatives, Committee on Taxation

Chairperson: Representative Susan Wagle

House Bill 2617

By: David Govert, Kingman Kansas

Wednesday, February 2, 2000

Chairperson Wagle and Members of the Committee: My name is David Govert. I am a farmer and rancher from Kingman County Kansas and a member of the Twenty First-Century Alliance. I appreciate the opportunity to appear before you today to offer my support and the support of the Twenty-First Century Alliance to this bill establishing a tax credit for agriculture producers who invest in a membership in a cooperative.

The Twenty-First Century Alliance is an organization of approximately 750 producers, primarily from Kansas, which was formed in January 1996 to create profitable value added business opportunities for our members. The past four years the Alliance has started five new generation Kansas cooperatives. 375 members are adding value to their Kansas wheat by owning a flourmill located in New Mexico. 100 members own stock in 1500 cow commercial dairy at Linn Kansas. Another 130 members own stock in a 2800 cow commercial dairy near Tribune Kansas. 60 producer members own membership and delivery rights for pinto beans in a cooperative located in Sharon Springs Kansas. The Alliance has also started and agriculture fiber procurement cooperative which has over 200 members. I am currently the Chairman of this cooperative, called Golden Forest Ag Fibers.

The impact of these new cooperative businesses is not only felt by the farmer but also by the rural communities which are the site of the businesses. The Alliance-member owned cooperatives have already created 50 new jobs in rural Kansas and another 13 in rural New Mexico.

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Date 2/2/00
Attachment # 8

s a farmer, a member, and a leader in the "farmer owned value added cooperative" movement across this region, I fully support the concept of the bill before you.

As you are well aware, the Kansas farmer is struggling with competing in the traditional commodity system of modern agriculture. In fact, without significant intervention and direct support by the federal government through federal farm programs, the Kansas farm economy would be in a complete crisis.

According to the 1998 Kansas Farm Management Association, a Kansas State University farm analysis association, in their 1998 annual summary of 2139 farms, **the average government payment was $26,504 or 158% of their average net farm income** of $16,778. In the long term, Kansas farmers must create opportunities for themselves to reduce reliance on government programs for survival of the family farm.

These well documented facts illustrate the necessity of the farmers who survive in the 21st Century to be creative, progressive and proactive in their approach to adding value beyond the farm gate to the commodities they produce. The average return on investment in food processing as an industry since 1980, according to Business Week Magazine has been 17% while production agriculture has averaged 2-3% return on investment.

Developing positive incentives for farmers to invest in their futures as "food" producers, not just growers of a raw commodity are a welcome initiative by this legislative body. The farmers willing to take risks beyond the farm gate will use this incentive to improve their bottom lines and their futures as agriculture producers in Kansas. I would be glad to respond to any questions you may have.

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Testimony
To
Kansas House of Representatives
Taxation Committee
February 2, 2000

In support of Tax Credits for Investment in Cooperatives:

When value is added to Kansas farm production, benefits result. If value is added to this production in Kansas, Kansans benefit. If this value is added while producers still own their production, benefits are maximized. Studies have shown that the economic multiplier for value added to wheat by milling it into flour in a *major city* is about 3.0, indicating that the added dollars circulate through the economy an average of three times as laborers spend wages and truckers buy fuel, etc. etc. When those dollars are instead added at *the farm gate*, the multiplier jumps to 7.0+ as farmers buy fertilizer, machinery, and other inputs from local businesses and these companies in turn pay expenses, and all of the previously mentioned money is spent as well. Unfortunately, if the production we are discussing has left Kansas as raw commodity, for Illinois or Texas, or worse yet, overseas, the benefits accrue to people far away from Kansas.

A while back I was privileged to hear Don Senechal of the respected Boston consulting firm of Senechal, Jorgenson, and Hale, discuss the big picture agricultural capital situation in the U.S. He reported in round figures, that recent *ag production investment* in the U.S. totals about $800 Billion and returns 1-1.5 %, depending on weather and markets [KSU Farm Management figures support this rate of return]. By contrast, *first processor investment* totals about $200 Billion and returns 15-17%. Mr., Senechal observed that common sense indicates that the producer segment should divest production interests and invest in processor businesses; but at the same time, he acknowledged that this shift might not be compatible with tradition or other ties to land or farming activities. He pointed out that producer owned cooperatives that add value to production by processing, manufacturing, and marketing operations are a very viable vehicle for producers to shift their focus

American White Wheat Producers Association supports the bill under consideration here today. Our coop works closely with our producer owners, and we appreciate how difficult it is in the economic climate they operate in today, for them to come up with funds to invest in anything. Even the bare necessities are now often a real strain. This bill if it becomes law will provide an incentive for viable operations to invest in value adding cooperatives; an opportunity for them to proactively change their destiny.

Our association urges this committee to consider the enhancement to the entire Kansas economy that will result when significant numbers of producers buy into opportunities that can pump greater returns into rural Kansas. To the extent that producers utilize this credit if it is made available, any tax revenues temporarily lost to the credit will be regenerated many many times over. Thank you for your attention today.

Presented by Kent Symns, American White Wheat Producers Assoc

House Taxation
Date 2/2/00
Attachment # 9

KANSAS LIVESTOCK ASSOCIATION

Since 1894

February 2, 2000

Testimony of the Kansas Livestock Association

To: House Committee on Taxation

From: Allie Devine

Re: HB 2715

The Kansas Livestock Association (KLA) is a non-profit trade association representing all segments of livestock production. KLA currently has approximately 7,000 members located throughout the state.

KLA supports the concepts contained in HB 2715. Throughout the past five years KLA has participated on the Secretary of Revenue's Use Value Advisory Committee. The advisory committee was formed to review the use value appraisal system and update the data used to compute values. The committee has reviewed at length a number of items dealing with the three types of agricultural land in Kansas-irrigated cropland, dry land cropland, and pastureland.

It is our understanding that the bill has two main purposes: (1) to remove the use of soil classification in the valuation of pastureland; and, (2) return discretionary use of "adverse influences" to county appraisers. We support the intent of this bill.

Kansas law provides that agricultural lands be valued for tax purposes based upon the "agricultural income or productivity attributable to the inherent capabilities of such land in its current usage under a degree of management reflecting median production levels". In other words, agricultural land is valued based upon its inherent ability to produce income under normal management. K.S. A 79-1476 further defines how the valuation of pastureland should be completed. The statute directs the director of property valuation to value pastureland based upon the "net rental income normally received by the landlord..." (See HB 2715 page 2 line 26) Current law further defines how the net rental income is to be calculated. Net rental income is calculated by taking the gross income and subtracting expense amounts.

To calculate gross income of pastureland today, the property valuation division contracts with various sources to survey landowners to determine what rental rates they receive. In addition, the division evaluates the land based upon its natural features such as terrain, and type of grass to determine how many animals it will feed. This is referred to as the "stocking rate." This bill would eliminate the use of the "stocking rate" in the

House Taxation
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valuation of the property. From the information we have reviewed, it appears that completely eliminating this factor could unintentionally cause some parcels to increase in value and others to decrease.

This bill would greatly simplify one aspect of the current valuation process. However, to assure that unique characteristics and changing economics are reflected in the valuation process, we recommend that the department outline specifically how rental rate surveys will be conducted. It is important that data collected for valuation is gathered from all counties, not just crop reporting districts. The data needs to be verified with actual producers in each county. Removing the stocking rate variable, without collecting and verifying actual rental data, could cause parcels varying considerably from the district "norm" to be over or under valued. Field data collection and verification are absolutely essential to assuring accuracy in the valuation process.

The second portion of this bill allows county or district appraisers to apply "adverse influences" to valuations. We strongly support the return of this authority to the local appraisers. We recognize that K.S.A. 79-1476 outlines a process for *mass* appraisal of agricultural lands. However, even in a mass appraisal system, there must be flexibility for the county appraisers to make adjustments to values based upon unique characteristics of property. Weather, management practices, erosion, or invasive species can change the environment or value of a pasture over time. County appraisers need the flexibility to adjust for those changes.

In addition, we suggest that the legislature consider increasing the director's discretionary capitalization rate limit to 4%. Current law allows the director the discretion to increase the rate up to 2%. In the past five years, the agricultural community has experienced record high and record low prices. Allowing the director this discretion would allow for some leveling of the taxes paid by producers. This would provide meaningful relief to agricultural taxpayers.

We also suggest that language be added to this bill to create a position within the division of property valuation to manage the agricultural use value appraisal system. The minimum qualifications for the position should include the highest level of training in general appraisal work and extensive experience in agricultural use value appraisal. We envision that the position would be unclassified, appointed by the Governor, and subject to Senate confirmation. Given the amount of land in agricultural use in the state, it is critical that an agricultural appraisal expert oversee this system. This is not simply a mathematical process. It is an appraisal process. Appraisals this sophisticated need the highest level of professional appraiser to complete the work.

Thank you for your time and consideration.

STATE OF KANSAS

GAYLE MOLLENKAMP
REPRESENTATIVE, 118TH DISTRICT
LOGAN, GOVE, TREGO, WALLACE
AND PARTS OF GRAHAM, ROOKS AND
WICHITA COUNTIES
RR 1, BOX 14
QUINTER, KANSAS 67752

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIR: AGRICULTURE & NATIONAL RSOURCES
BUDGET COMMITTEE
MEMBER: APPROPRIATIONS
MEMBER: AGRICULTURE

Testimony before the House Taxation Committee,
February 2, 2000, Room 519-S
Regarding HB 2715

I come before you today to testify in favor of HB 2715. All the bill does is clarify KSA 79-1476, which is the reappraisal law. The Law set the guidelines for applying the use-value method of appraising agriculture land.

The purpose of the change was to tax agriculture land on what it produces instead of what it would sell for. Eight year average production figures are used in the formula to arrive at the assessed value of the land. That formula is: production times the average price less production costs. Each year the current year figures are added and the eighth year figure is dropped from the formula. Unless a change of use is encountered, there should be no large spikes up or down in any given year with use-value appraisal system.

In 1997 range and grass land values increased from 40 to 60 percent. Under use-value this should not be possible, but it happened. Researching the problem, I discovered that two things were the major causes of the large increases in range and grassland values in 1997.

One was the Department changed the value of some soil classes, and, second, the Department removed the ability of the county or district appraiser to apply adverse conditions on a parcel-by-parcel basis. A large number of ranchers appealed their values on range and grassland at the county level. They were denied help at that level on the grounds it came from the State Valuation Department. Many of the ranchers took their case to the State Board Of Tax Appeals. In December Of 1999 the ranchers finally received their notices from the State Board Of Tax Appeals. Appeal Denied on the grounds the law was followed. WAS IT?

This is the section of the law that sets aside range and grass land from agriculture land. The share of net income from land in the various land classes within each county or homogeneous region, which is normally received by the

Over, Please

House Taxation
Date 2/2/00
Attachment # 10-1

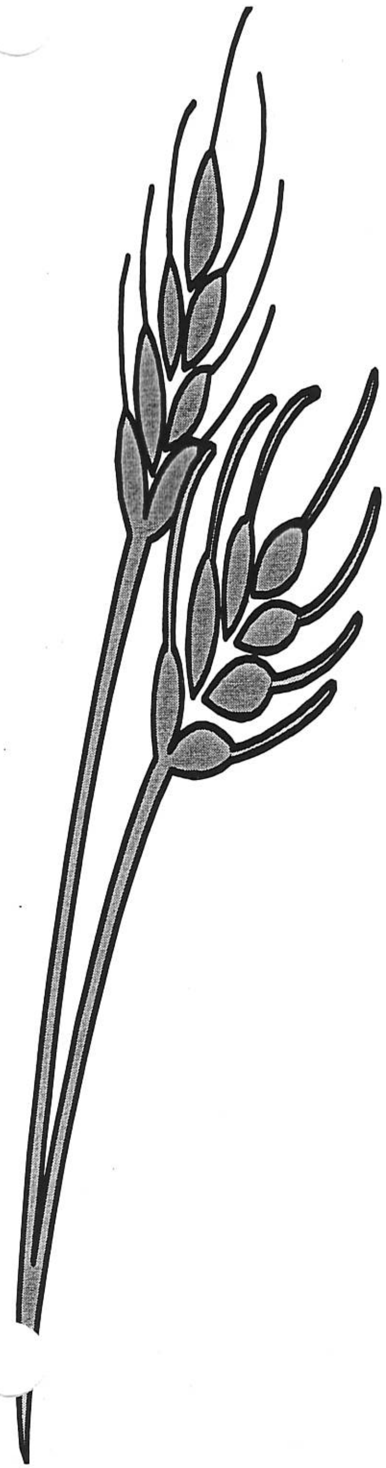
landlord, shall be used as the basis for determining agricultural income for all land devoted to agricultural use EXCEPT PASTURE AND RANGEAND. The net income normally received by the landlord from such land shall be determined by deducting expenses normally incurred by the landlord from the share of gross income normally received by the landlord. The net rental income normally received by the landlord from pasture or rangeland within each county or homogeneous region shall be used as the basis for determining agricultural income from such land. The new language prohibits the Department from using any other method other than average rental rates set out in 79-1476 to value grass and rangeland.

The second reason for sudden increase in grass and rangeland values was removing the ability of the local or district appraiser to apply adverse conditions factors to parcels. According to an Attorney General's opinion (# 89-63) the Department does not have authority to remove this authority. The new language in the amendment would restore the local or district appraiser's authority to address adverse conditions on a parcel by parcel basis.

HB 2715 strengthens existing law and when followed by the Department should remove the possibility of sharp value increases in a single year for grass and rangeland appraisals. I support the bill. Thanks for allowing me to appear before you this morning. I will stand for questions.

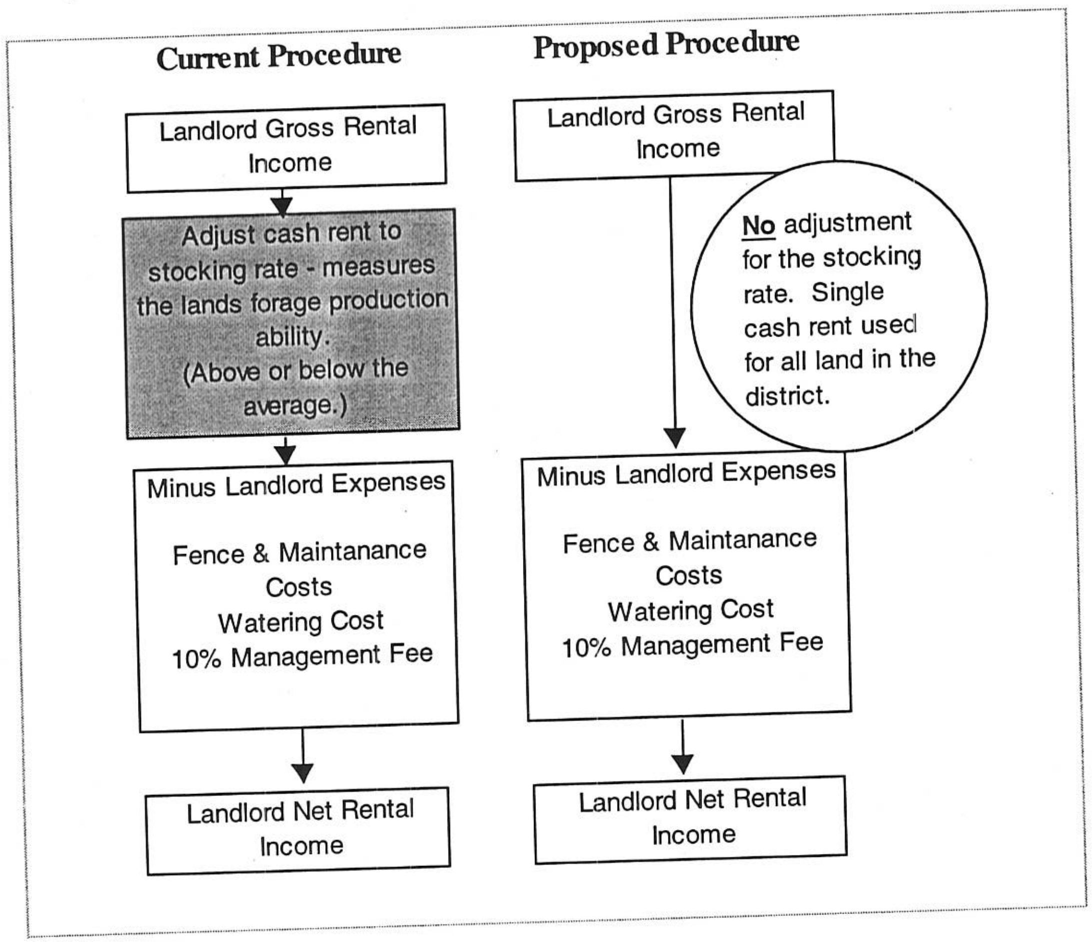
Representative Gayle Mollenkamp

Attach. 11-2



HB 2715

Proposed Procedure Change
(No Adjustment for Land Productivity)



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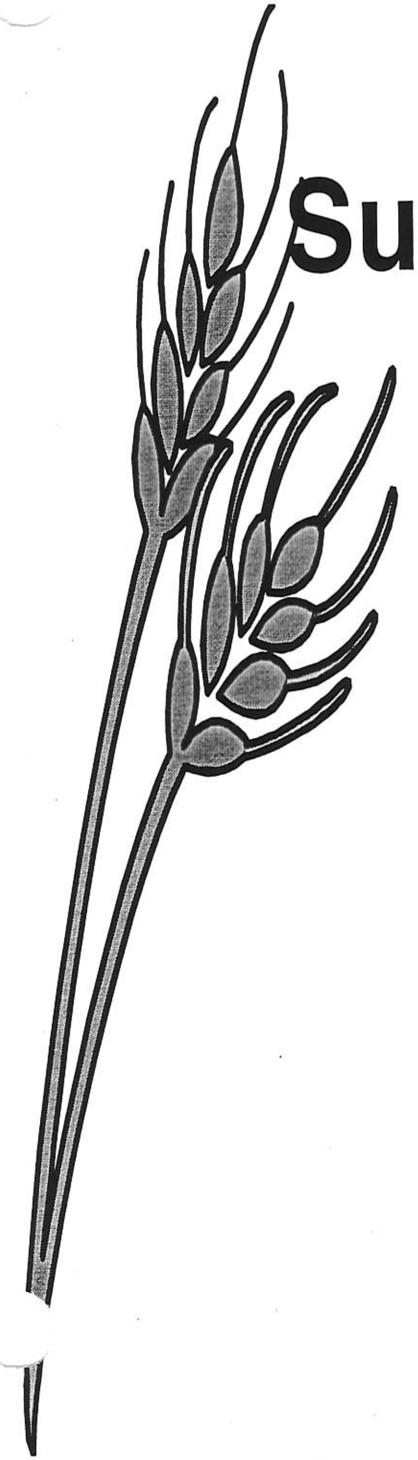
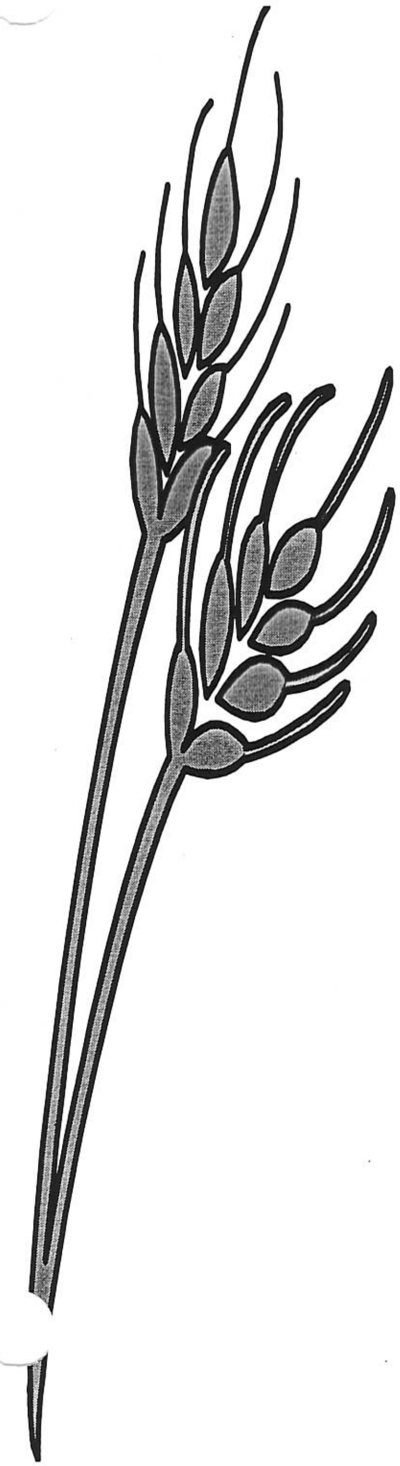
12-8



Summary of Procedure Change

- Land productivity would not be a factor.
- The poorest grassland would be valued the same as the best grassland.
- The acres below the average productivity will go up in value and the acres above the average will go down.
- In general the Western part of the valuation district will go up and the Eastern part will go down.

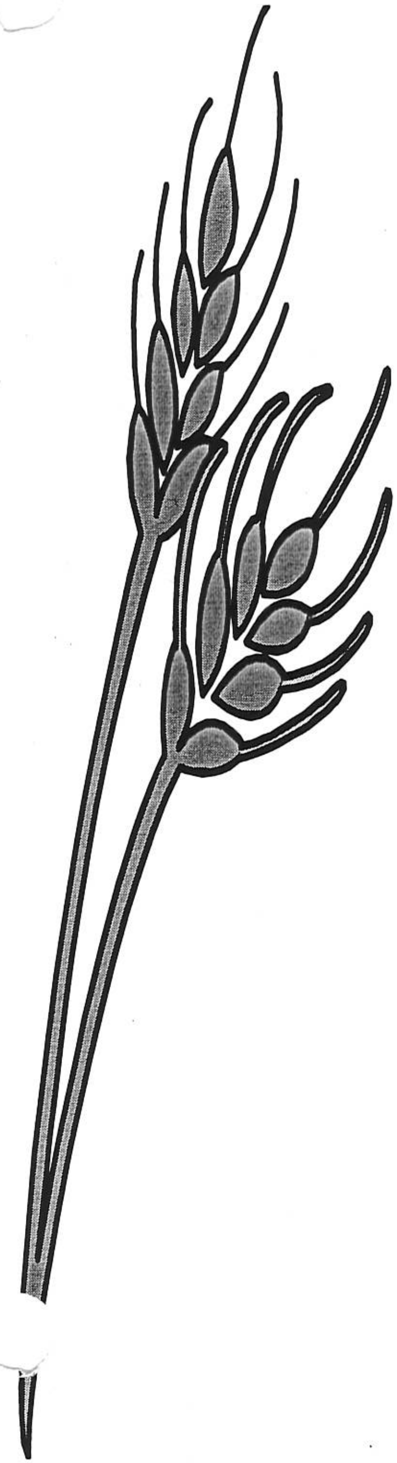


Example in Crop Reporting District 20

- Approximately 1,134,206 grass acres would go up $ 3 per acre and about 490,738 grass acres would go down $ 7 per acre.
- Counties that would go down - Trego and Ness.
- Counties that would go up - Gove, Greeley, Lane, Logan, Scott, Wallace and Wichita.

12-3

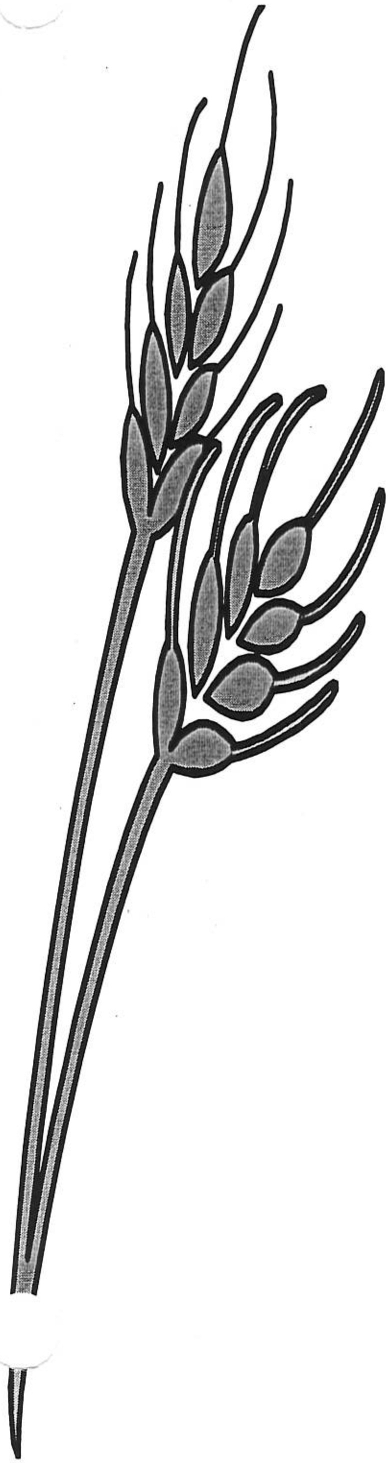
12-4



Example in Crop Reporting District 30

- Approximately 1,165,946 grass acres would go up $ 4.50 per acre and about 804,940 grass acres would go down $ 5.80 per acre.
- Counties that would go down - Clark, Ford, Hodgeman and Morton.
- Counties that would go up - Finney, Gray, Hamilton, Haskell, Kearny, Meade, Seward, Stanton and Stevens.

12-5

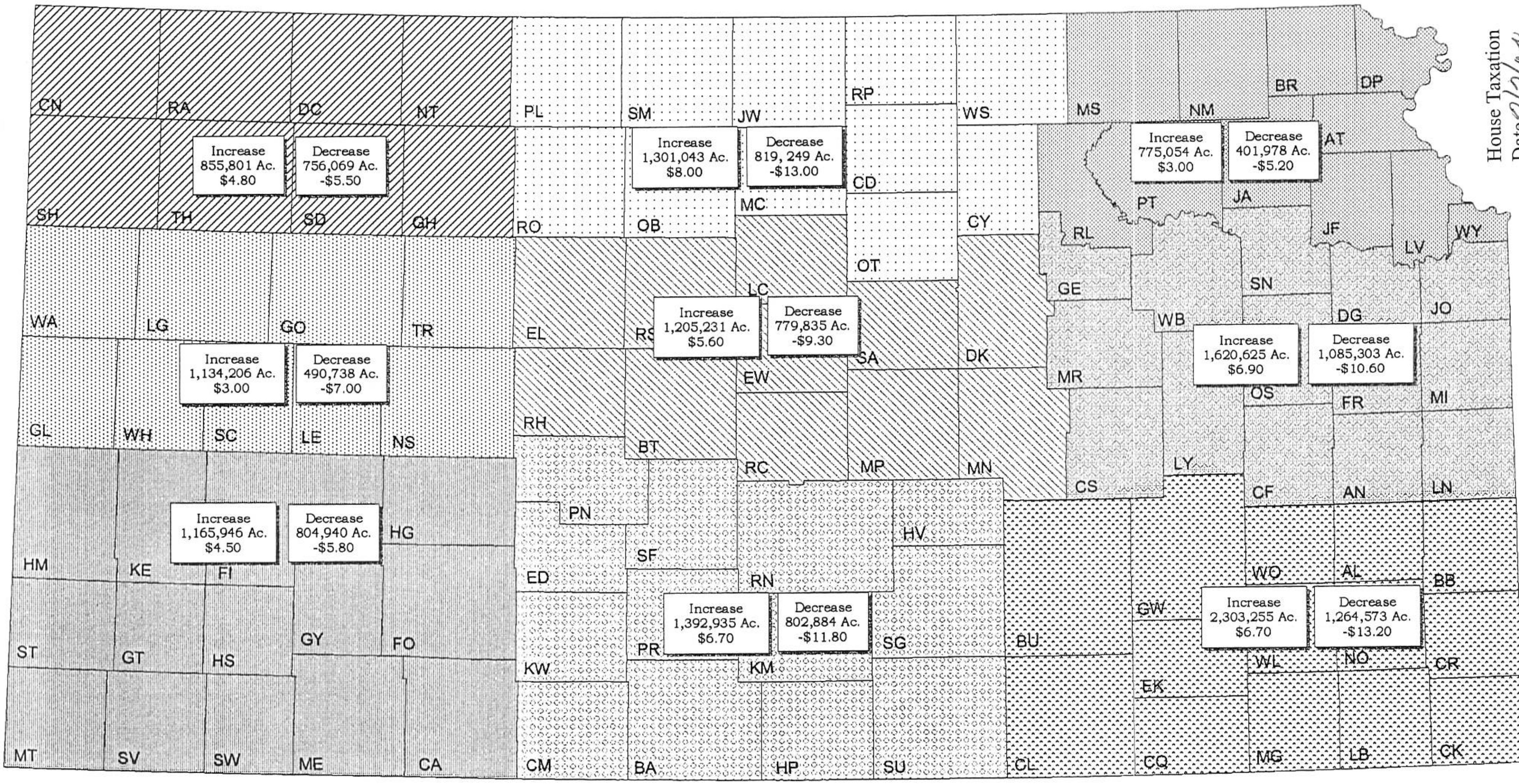


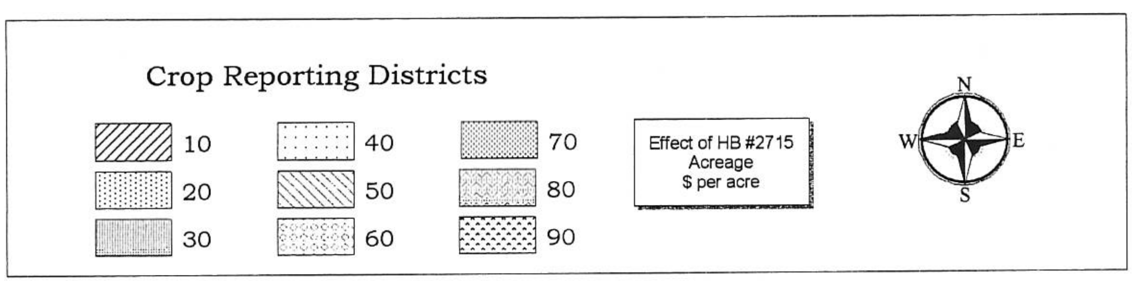
District Changes

	CRD 10		CRD 40		CRD 70	
Acres	855,801	756,069	1,301,043	819,249	775,054	401,978
Change	$4.80	-$5.50	$8.00	-$13.00	$3.00	-$5.20
	CRD 20		**CRD 50**		**CRD 80**	
Acres	1,134,206	490,738	1,205,231	779,835	1,620,625	1,085,303
Change	$3.00	-$7.00	$5.60	-$9.30	$6.90	-$10.60
	CRD 30		**CRD 60**		**CRD 90**	
Acres	1,165,946	804,940	1,392,935	802,884	2,303,255	1,264,573
Change	$4.50	-$5.80	$6.70	-$11.80	$6.70	-$13.20

KANSAS AGRICULTURAL USE VALUE MAP

Average Value Change Per Acre of Native Pasture per HB #2715





Department of Revenue
Property Valuation Division

February 1, 2000
Map #AG00-002

House Taxation
Date 2/2/00
Attachment # 13

HB 2715

Native Grass Land Comparison Using Single Cash Rent

Grouped by Crop Reporting District - Sorted by $ Per Acre Change in Value

CRD	County	2000 Wt Average LNI	2000 LNI with Single Cash Rent	2000 Wt Average Value	2000 Value using Single Cash Rent	Dollar Per Acre Change	Percent Change	Native Grass Acres	2000 County Grass Value	2000 County Grass Land Value with Change
10	Cheyenne	4.13	5.32	29	37	$8	28%	252,382	7,319,081	9,338,138
10	Rawlins	4.72	5.32	31	35	$4	13%	278,871	8,645,001	9,760,485
10	Sheridan	4.87	5.32	32	35	$3	9%	196,547	6,289,509	6,879,151
10	Sherman	4.85	5.32	33	36	$3	9%	128,001	4,224,040	4,608,043
10	Decatur	5.48	5.32	36	35	-$1	-3%	221,643	7,979,152	7,757,509
10	Thomas	5.88	5.32	39	35	-$4	-10%	89,938	3,507,570	3,147,820
10	Graham	6.52	5.32	42	34	-$8	-19%	222,653	9,351,424	7,570,200
10	Norton	6.51	5.32	43	35	-$8	-19%	221,835	9,538,908	7,764,227
20	Scott	3.93	4.75	27	33	$6	22%	65,045	1,756,204	2,146,471
20	Logan	4.14	4.75	28	32	$4	14%	294,296	8,240,290	9,417,475
20	Wallace	4.22	4.75	29	32	$3	10%	249,395	7,232,452	7,980,637
20	Wichita	4.24	4.75	28	31	$3	11%	73,782	2,065,883	2,287,227
20	Gove	4.46	4.75	30	32	$2	7%	287,197	8,615,895	9,190,288
20	Greeley	4.44	4.75	30	32	$2	7%	37,430	1,122,898	1,197,758
20	Lane	4.34	4.75	28	30	$2	7%	127,062	3,557,742	3,811,867
20	Ness	5.83	4.75	39	32	-$7	-18%	245,592	9,578,097	7,858,952
20	Trego	5.87	4.75	39	32	-$7	-18%	245,146	9,560,687	7,844,667
30	Kearny	3.03	4.18	22	31	$9	41%	150,372	3,308,185	4,661,534
30	Seward	3.23	4.18	22	29	$7	32%	123,295	2,712,495	3,575,561
30	Hamilton	3.40	4.18	23	28	$5	22%	176,745	4,065,139	4,948,864
30	Haskell	3.42	4.18	25	30	$5	20%	20,845	521,123	625,347
30	Meade	3.63	4.18	25	29	$4	16%	276,242	6,906,053	8,011,021
30	Stevens	3.66	4.18	27	31	$4	15%	84,028	2,268,743	2,604,853
30	Finney	3.92	4.18	27	29	$2	7%	174,262	4,705,063	5,053,586
30	Gray	3.86	4.18	26	28	$2	8%	64,036	1,664,923	1,792,994
30	Stanton	3.98	4.18	28	30	$2	7%	44,113	1,235,158	1,323,384
30	Grant	4.17	4.18	30	30	$0	0%	52,009	1,560,264	1,560,264
30	Morton	4.43	4.18	32	30	-$2	-6%	40,105	1,283,352	1,203,142
30	Clark	5.07	4.18	33	27	-$6	-18%	422,745	13,950,597	11,414,125
30	Ford	5.08	4.18	33	27	-$6	-18%	138,178	4,559,858	3,730,793
30	Hodgeman	5.12	4.18	32	26	-$6	-19%	203,912	6,525,192	5,301,718

House Taxation
Date 2/2/00
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HB 2715

Native Grass Land Comparison Using Single Cash Rent

Grouped by Crop Reporting District - Sorted by $ Per Acre Change in Value

CRD	County	2000 Wt Average LNI	2000 LNI with Single Cash Rent	2000 Wt Average Value	2000 Value using Single Cash Rent	Dollar Per Acre Change	Percent Change	Native Grass Acres	2000 County Grass Value	2000 County Grass Land Value with Change
40	Osborne	6.73	8.64	45	57	$12	27%	257,776	11,599,904	14,693,212
40	Rooks	6.87	8.64	45	57	$12	27%	255,730	11,507,832	14,576,587
40	Phillips	7.27	8.64	48	57	$9	19%	255,769	12,276,927	14,578,851
40	Smith	7.32	8.64	49	58	$9	18%	220,285	10,793,980	12,776,547
40	Jewell	8.61	8.64	56	56	$0	0%	199,160	11,152,979	11,152,979
40	Mitchell	8.60	8.64	57	57	$0	0%	112,323	6,402,420	6,402,420
40	Cloud	10.14	8.64	64	54	-$10	-16%	143,546	9,186,975	7,751,510
40	Ottawa	10.15	8.64	67	57	-$10	-15%	198,073	13,270,904	11,290,172
40	Republic	10.83	8.64	72	57	-$15	-21%	112,664	8,111,786	6,421,831
40	Washington	10.98	8.64	72	57	-$15	-21%	232,400	16,732,774	13,246,779
40	Clay	11.12	8.64	72	56	-$16	-22%	132,566	9,544,752	7,423,696
50	Ellis	6.81	8.26	47	57	$10	21%	279,189	13,121,875	15,913,763
50	Russell	7.03	8.26	46	54	$8	17%	282,286	12,985,162	15,243,452
50	Rush	7.28	8.26	48	54	$6	13%	108,445	5,205,368	5,856,039
50	Barton	7.58	8.26	50	54	$4	8%	108,477	5,423,842	5,857,749
50	Lincoln	7.99	8.26	51	53	$2	4%	202,901	10,347,963	10,753,765
50	Ellsworth	8.12	8.26	54	55	$1	2%	223,933	12,092,380	12,316,313
50	Saline	9.17	8.26	66	60	-$6	-9%	162,111	10,699,318	9,726,653
50	McPherson	9.38	8.26	64	56	-$8	-13%	129,354	8,278,671	7,243,837
50	Rice	9.58	8.26	63	55	-$8	-13%	107,841	6,793,999	5,931,269
50	Dickinson	9.83	8.26	68	57	-$11	-16%	151,835	10,324,807	8,654,618
50	Marion	9.99	8.26	69	57	-$12	-17%	228,694	15,779,863	13,035,539
60	Kiowa	6.49	7.78	44	53	$9	20%	209,872	9,234,378	11,123,228
60	Barber	6.57	7.78	44	52	$8	18%	490,789	21,594,725	25,521,038
60	Comanche	6.62	7.78	44	51	$7	16%	335,532	14,763,401	17,112,124
60	Pratt	6.88	7.78	45	51	$6	13%	88,559	3,985,162	4,516,517
60	Edwards	7.13	7.78	47	52	$5	11%	84,469	3,970,055	4,392,402
60	Pawnee	7.14	7.78	47	51	$4	9%	66,642	3,132,188	3,398,757
60	Stafford	7.66	7.78	51	51	$0	0%	117,071	5,970,641	5,970,641
60	Kingman	8.80	7.78	60	53	-$7	-12%	215,981	12,958,846	11,446,981
60	Harper	9.47	7.78	63	52	-$11	-17%	151,788	9,562,644	7,892,976
60	Harvey	9.90	7.78	67	53	-$14	-21%	50,200	3,363,391	2,660,593
60	Reno	9.86	7.78	65	51	-$14	-22%	177,804	11,557,291	9,068,028
60	Sedgwick	10.12	7.78	68	53	-$15	-22%	92,348	6,279,652	4,894,434
60	Sumner	9.99	7.78	65	50	-$15	-23%	114,763	7,459,615	5,738,165

HB 2715

Native Grass Land Comparison Using Single Cash Rent

Grouped by Crop Reporting District - Sorted by $ Per Acre Change in Value

CRD	County	2000 Wt Average LNI	2000 LNI with Single Cash Rent	2000 Wt Average Value	2000 Value using Single Cash Rent	Dollar Per Acre Change	Percent Change	Native Grass Acres	2000 County Grass Value	2000 County Grass Land Value with Change
70	Wyandotte	5.62	8.07	37	53	$16	43%	13,109	485,042	694,789
70	Doniphan	6.79	8.07	45	54	$9	20%	85	3,843	4,612
70	Riley	6.65	8.07	46	55	$9	20%	161,812	7,443,375	8,899,687
70	Leavenworth	7.14	8.07	50	56	$6	12%	73,885	3,694,271	4,137,583
70	Atchison	7.84	8.07	54	55	$1	2%	1,566	84,559	86,125
70	Marshall	7.94	8.07	53	54	$1	2%	184,898	9,799,611	9,984,509
70	Pottawatomie	8.09	8.07	58	58	$0	0%	339,697	19,702,414	19,702,414
70	Jackson	8.47	8.07	57	55	-$2	-4%	167,127	9,526,265	9,192,010
70	Jefferson	8.91	8.07	59	54	-$5	-8%	75,878	4,476,820	4,097,428
70	Brown	9.26	8.07	62	54	-$8	-13%	54,167	3,358,373	2,925,034
70	Nemaha	9.37	8.07	64	55	-$9	-14%	104,805	6,707,494	5,764,252
80	Chase	10.00	11.57	67	78	$11	16%	416,239	27,888,022	32,466,653
80	Geary	10.13	11.57	71	81	$10	14%	143,299	10,174,194	11,607,179
80	Morris	10.56	11.57	72	79	$7	10%	283,066	20,380,779	22,362,244
80	Wabaunsee	10.82	11.57	73	79	$6	8%	368,724	26,916,878	29,129,224
80	Shawnee	11.01	11.57	73	77	$4	5%	111,053	8,106,848	8,551,059
80	Lyon	11.36	11.57	77	79	$2	3%	298,244	22,964,762	23,561,249
80	Coffey	12.38	11.57	91	85	-$6	-7%	191,346	17,412,521	16,264,442
80	Osage	12.74	11.57	88	80	-$8	-9%	217,325	19,124,623	17,386,021
80	Douglas	13.14	11.57	89	79	-$10	-11%	107,825	9,596,408	8,518,160
80	Johnson	13.10	11.57	86	76	-$10	-12%	23,075	1,984,488	1,753,733
80	Anderson	13.36	11.57	89	77	-$12	-13%	184,044	16,379,955	14,171,422
80	Linn	13.28	11.57	95	83	-$12	-13%	128,575	12,214,644	10,671,742
80	Miami	13.32	11.57	90	78	-$12	-13%	81,031	7,292,809	6,320,434
80	Franklin	14.05	11.57	96	79	-$17	-18%	152,081	14,599,737	12,014,367
90	Cowley	9.13	11.06	60	72	$12	20%	424,188	25,451,254	30,541,505
90	Butler	10.10	11.06	67	74	$7	10%	575,195	38,538,057	42,564,421
90	Chautauqua	10.02	11.06	66	73	$7	11%	347,879	22,959,994	25,395,145
90	Elk	10.45	11.06	69	73	$4	6%	341,201	23,542,852	24,907,655
90	Greenwood	10.44	11.06	68	72	$4	6%	614,793	41,805,952	44,265,126
90	Wilson	12.00	11.06	80	74	-$6	-8%	175,707	14,056,522	13,002,283
90	Montgomery	12.17	11.06	79	72	-$7	-9%	193,651	15,298,444	13,942,886
90	Woodson	12.49	11.06	85	75	-$10	-12%	198,706	16,890,006	14,902,946
90	Bourbon	13.07	11.06	86	73	-$13	-15%	183,759	15,803,274	13,414,407
90	Cherokee	13.37	11.06	95	78	-$17	-18%	73,723	7,003,688	5,750,396
90	Labette	13.51	11.06	91	74	-$17	-19%	103,844	9,449,764	7,684,423
90	Neosho	13.74	11.06	90	72	-$18	-20%	129,265	11,633,823	9,307,058
90	Allen	14.37	11.06	96	74	-$22	-23%	124,465	11,948,659	9,210,425
90	Crawford	14.19	11.06	99	77	-$22	-22%	81,454	8,063,958	6,271,967
	105						0%	18,959,666	1,052,082,424	1,050,378,581
								$ per acre	55.49	55.40

14-3

KANSAS LIVESTOCK ASSOCIATION

Since 1894

February 2, 2000

Kansas Livestock Association Testimony

To: The House Committee on Taxation

From: Allie Devine

Re: HB 2617

The Kansas Livestock Association is a non-profit trade association representing nearly 7,000 members. Our membership includes all aspects of the livestock industry in Kansas.

The KLA supports HB 2617. This bill offers tax credits for individuals, and family farm corporations that directly invest in agricultural cooperatives. KLA supports an individual's right to associate and form alliances with all types of entities. This is bill offers an additional incentive for an individual or family farm corporation to invest in their future.

The KLA supports this type of tax incentive to assist Kansas agriculture. Thank you for your time and consideration.

House Taxation
Date 2/2/00
Attachment # 13

6031 SW 37th Street Topeka, KS 66614-5129 (785) 273-5115 Fax (785) 273-3399 E-mail: kla@kla.org

The change to KSA made in this proposal may benefit some area of the State, but by no means will it benefit all areas. In my area where the stocking rates, as determined by range site, are conservative. The results will mean the pastureland tax will increase.

Did the 1993 court rule that a sub class may not be valued differently then the rest of the class of property? By this proposal could tame and native grass in the same pasture have the same value? It would seem so if the tame and native portions were in the same pasture. There does not seem to be a difference between types of pasture, if the same person rented the pasture at one price. Forty acres of tame and forty acres of native owned by the same person and rented then to the same person for one price would have the same value. All pasture is not created equal.

Can the State of Kansas afford to once again reappraise agricultural land?

Sincerely
[illegible]

House Taxation
Date 2/2/00
Attachment # 16

STATE OF KANSAS
Bill Graves, Governor

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

DEPARTMENT OF REVENUE
John D. LaFaver, Secretary

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

Division of Property Valuation

April 27, 1998

To: All County Appraisers

From: Mark S. Beck

Subject: Agricultural Land Valuations

Our mutual assignment is to assure that all agricultural property is valued fairly, accurately and uniformly throughout the state. The agricultural use valuation committee, comprised of agricultural producers, legislators, county appraisers, a Kansas State University representative, and myself have worked for nearly three years in creating a valuation structure that satisfies these overall objectives and meets the requirements of the court order we are operating under.

As we implemented the final major piece of this structure, the incorporation of detailed soil types to reflect individual parcel productivity, it became clear that there were some parcels in counties that would experience significant valuation increases. A contributing factor to some of these increases is the previous adjustments to valuations made on the basis of "adverse influences." These adjustments were apparently an attempt to properly recognize unique factors affecting a parcel's value that were not contemplated by the overall formula.

The present formula more comprehensively takes into account what had been "adverse influences." Accordingly, we need to be sure that agricultural land values are not now adjusted twice for the same factor. At this point in time, we have generally identified four adverse influences that may not be adequately considered within the present agricultural use valuation formula. It is possible that others exist as well. Please advise us if you believe you have discovered factors that impact productivity that are not accounted for in the formula, and we will research the matter further and take appropriate action, where necessary.

House Taxation
Date 2/2/00
Attachment # 17-1

Following is a list of adverse influences that our research indicates may not be sufficiently accounted for in the current agricultural use valuation formula, and general guidelines as to how these influences shall be addressed. More specific information will be provided at a later date. As other adverse influences are discovered, they too, will be addressed. At this point, we must allow the process to be dynamic and responsive in order to continue to improve it.

1. **Canopy Cover**

   a. County appraiser views parcel;
   b. County appraiser delineates area impacted on map;
   c. County appraiser determines appropriate reduction from actual inspection and makes the appropriate reduction:

      1. 0-25% cover = No reduction
      2. 25-50% cover = 20% reduction
      3. 50-75% cover = 30% reduction
      4. 75-100% cover = 50% reduction

   d. County appraiser establishes adverse influence file for parcel.

2. **Salinity and Alkalinity**

   a. County appraiser requests that taxpayer provide soil analysis from crop consulting service;
   b. County appraiser delineates area impacted on map;
   c. County appraiser reduces value as indicated by report;
   d. County appraiser establishes adverse influence file for parcel;
   e. County appraiser notifies local NRCS office of change.

3. **Water Table Fluctuation**

   a. County appraiser delineates area impacted on map;
   b. County appraiser contacts local NRCS office, as stated in May 2, 1997, agreement memorandum, and request verification;
   c. County appraiser contacts PVD for assistance;
   d. PVD provides temporary influence amount until NRCS review is complete;
   e. County appraiser establishes adverse influence file for parcel.

4. **Newly Constructed Drainage and Flood Control Areas.**

a. County appraiser views parcel;
b. County appraiser delineates area impacted on map;
c. County appraiser contacts PVD for assistance;
d. PVD contacts responsible agency and provides adverse influence amount.
e. County appraiser establishes adverse influence file for parcel.

I am confident that by working closely with each other, we can assure that individual concerns are resolved fairly and that agricultural use valuations based upon productivity are applied uniformly across the state, as required by law.

STA OF KANSAS
Bill , Governor

DEPARTMENT OF REVEN
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Division of Property Valuation

MEMORANDUM

TO: All County Appraisers

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

DATE: June 30th, 1998

SUBJECT: Efficiency of Non-center Pivot Sprinkler Systems

This memo is in response to an inquiry as to the efficiency of water application for several types of sprinkler systems in comparison to the efficiency of a center pivot system. The systems being questioned are big gun, towline, traveling gun, fixed gun, slide-roll and side-move.

In their publication *Kansas Irrigation Guide*, NRCS provides efficiency ratings for various irrigation systems. Based on the efficiency rating associated with each non-pivot system it is apparent that the systems in question more closely resemble the efficiency of a flood irrigation system. Thus, it is our recommendation to apply the water ratio table for flood irrigation when you encounter a non-center pivot sprinkler system. In the future we will modify the headings on the two tables to reflect this change.

The adjustments that will need to be made at the county level are; (1)-the system type will be noted in CAMA on-line as **F** for flood (this is so the associated flood water ratio adjustment is applied) (2)-please use **NP** in the CAMA influence code field (3)-the actual sprinkler system type should be listed in the 351 Note Field (4)-additionally the notes should be carried on the agricultural use maps.

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Division of Property Valuation

MEMORANDUM

TO:	All County Appraisers
FROM:	Mark S. Beck Director, Division of Property Valuation
DATE:	June 30th, 1998
SUBJECT:	Identification of non-productive (waste) land within the agricultural classification

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Since the adoption of the soil rating for plant growth index there are still some questions concerning the identification of waste land within the agricultural classification. The potential exists for finding waste areas in all use types, including pasture, dry crop, and irrigated land. Although waste areas may have a substantial value for another purpose, the concept is whether or not this ground can produce an income from an agricultural use for a typical landlord. Quite often this concept is not totally clear. If in doubt use your best judgment, keeping in mind uniformity within the county and across county lines. Some obvious areas of waste lands are included in the following list. Keep in mind these are for land classified as agricultural. **If the land is not used for agricultural purposes it should not be classified as agricultural.**

1. Blowouts in sandy pasture where there is no vegetation.
2. Stream beds where there is no vegetation.
3. Habitual wet spots (ponding) in cultivated land where there is no production.
4. Non-production due to alkalinity, salinity and calcium carbonate.
5. Creeks and streams in non-irrigated or irrigated cropland.
6. Gullies or waterways in cropland that cannot be crossed with machinery.
7. Heavily wooded areas (double or triple canopy) that are unfit for grazing.
8. Abandoned rock quarries or borrow pits.
9. Spoil areas from mine shafts or pits.
10. Strip mine pits.
11. Excessive rock outcrops (not accounted for in the soil description).

The above list assumes that the areas have not been considered within the soil description. Based on the results of a survey we recommend adjustments be made to areas a minimum of three acres in size. These areas shall be mapped at the appropriate scale and a file maintained for each parcel that contains areas of waste land. I am certain that this list is not all inclusive. If you have areas of concern, please contact the ag use section at the division and we will attempt to coordinate the application of waste values between counties. These areas will continue to carry a value of $10.00 per acre.

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Division of Property Valuation

MEMORANDUM

TO: All County Appraisers

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

DATE: June 30th, 1998

SUBJECT: Adjustments for Occurrences of Salinity and Alkalinity

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The following table (on the back of this sheet) is based on the recommendation of a soil scientist and is designed to correct the reduced productivity of the areas identified as being affected by salinity or alkalinity. Only specifically identified areas where the salinity / alkalinity is hindering the normal cropping practice can be adjusted. Those areas will need to be delineated on your agricultural use maps.

The landowner will need to obtain laboratory data showing the Sodium Absorption Ratio (SAR) or Electrical Conductivity (EC). Either the SAR or the EC value, but not both for the same soil layer. The soil layer with the largest percentage reduction should be used to adjust the identified area.

The landowner must obtain laboratory data for the 0-8 inches, 8-24 inches, and the 24-40 inches layers as a minimum. All three soil layers are required before a reduction can be considered. These analysis can be obtained from the K-State soil testing lab, Servi-Tech, and other laboratories.

Based on responses from our recent phone survey, we are recommending the affected area be a minimum of three acres in order to receive an adjustment. If the parcel is irrigated do not adjust below the corresponding dryland value. Additionally, the dryland value cannot drop below $10.00 / acre.

Electrical Conductivity (EC) Test

Electrical Conductivity (EC) Results	Percent Reduction	Percent Good For CAMA Entry
0.00-3.9	None	
4.0-4.9	5	95
5.0-5.9	15	85
6.0-7.9	25	75
8.0-10.9	30	70
11.0-12.9	35	65
13.0-13.9	45	55
14.0-14.9	55	45
15.0->	65	35

Sodium Absorption Ratio (SAR) Test

Sodium Absorption Ratio (SAR) Results	Percent Reduction	Percent Good For CAMA Entry
0.00-3.9	None	
4.0-4.9	5	95
5.0-5.9	10	90
6.0-6.9	15	85
7.0-7.9	20	80
8.0-10.9	25	75
11.0-14.9	30	70
15.0-17.9	35	65
18.0-21.9	40	60
22.0-24.9	45	55
25.0-26.9	50	50
27.0-27.9	55	45
28.0-29.9	60	40
30.0->	65	35

STATE OF KANSAS
Bill Graves, Governor

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DEPARTMENT OF REVENUE
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Division of Property Valuation

MEMORANDUM

TO: All County Appraisers

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

DATE: October 26, 1998

SUBJECT: Adjustments for Frequent Flooding.

The soil rating methodology currently in place accommodates most soil characteristics found in Kansas. One area however, that needs further consideration is frequent flooding. The Natural Resource Conservation Service (NRCS) does adjust for frequent flooding in the Soil Rating for Plant Growth (SRPG) index. Those soils can be identified by the description "frequently flooded" or "channeled" in the soil name. These soils do not need further adjustments*. All other soils the county identifies as frequently flooded as defined in this memo will need to be adjusted. We are currently working with NRCS and KSU to design an adjustment that will be based on actual yield reductions. Until that procedure is completed and implemented the following guideline is in effect.

PROCEDURE:

1. Delineate the ag use maps those acres which can be identified as high risk for flooding. Three sources that may help you verify those acres:
    a. Flood plain maps from FEMA (most counties will have these).
    b. Federal Crop Insurance maps showing high risk flooding areas or areas of AAA risk. If these are available (not available for all counties) they can be obtained at a local insurance agency that is providing Multi Peril Crop Insurance.

.erative that for the sake of fairness and uniformity, all affected properties receive the adjustment.

Remember also, that with either option, when the director of property valuation orders a change in the value of the taxpayer's property, the taxpayer has the right to pay his or her taxes under protest notwithstanding the fact that the taxpayer may have previously appealed the current year's value. See subsection (b) of K.S.A. 79-2005.