

Approved: 2-14-00
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on February 9, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Shirley Sicilian, Kansas Department of Revenue
Senator Robert Tyson
Neil Elkins
George Pretz
Eric Drews
Karl Peterjohn, Kansas Taxpayers Network
Gerald Frantz, Sedgwick County Appraiser
Freda Culver

Others attending: See attached list.

The minutes of the February 7, 2000, meeting were approved.

Senator Langworthy called upon Shirley Sicilian, Kansas Department of Revenue, to present information on gasoline sales on Indian reservations which was requested at the hearing on **SB 409** (concerning the incidence of and liability for certain excise taxes). Ms. Sicilian distributed copies of data regarding tax exempt sales of motor fuel to American Indian tribes and briefly discussed the figures. (Attachment 1)

SB 395--Property taxation; providing a uniform basis of valuation

Senator Robert Tyson, author of **SB 395**, testified in support. He explained that the purpose of the bill is to provide a break for property owners from upward spiraling property tax increases. **SB 395** would freeze all future reappraisals at the 2000 fair market value beginning on December 31, 1999. Senator Tyson noted that the bill would help many older citizens living on a small fixed income and experiencing an ever increasing property tax payment each year. He noted that there would be no fiscal note for Fiscal Year 2001 and called attention to information attached to his written testimony regarding the fiscal note for the out years. (Attachment 2)

Senator Lee began a discussion of how the bill would affect agricultural land appraisals. In Senator Tyson's opinion, the bill would not affect agricultural land because it only affects the land that the county appraiser appraises. Senator Lee reasoned that eventually it would affect agricultural land because agricultural reappraisals will continue to go up while all other property valuations are capped, and the result will be a gradual shift of the tax burden to agricultural landowners. Senator Tyson commented that he does not expect a permanent freeze on property reappraisals. He said the intent of the bill is to put a temporary stop to the "runaway train" of increased property taxation based on inflated property valuations. He suggested that one solution to the problem would be keeping the value of the property where it is until it is sold.

Neil Elkins, a resident of Miami County, testified in support of **SB 395**. In 1991, he retired, and he and his wife bought a small retirement home located on forty acres of native grassland. He noted that the property was appraised in 1994 for a market value of \$100,780. By 1998, the market value had increased to \$121,800. Taxes paid in 1991 were \$1,201, but by 1999 taxes had increased to \$1,598.14. He estimated that, at that rate, the appraised value in 20 years will be \$255,172, and the property taxes will be approximately \$3,712. He pointed out that, although his house is depreciating as a result of normal aging, the value of the property and the property taxes will continue to increase under the current reappraisal methodology. They will be required continually to pay taxes on an inflated value. The term "market value" has no meaning in their case because their property is not on the market and they plan to remain in their home. He believes that passage of the bill would provide relief to persons on fixed incomes with constantly increasing property taxes. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE Room 519-S, Statehouse, at 11:10 a.m. on February 9, 2000.

George Pretz, a dairy farmer from Miami County, testified in support of **SB 395**. He noted that he has farmed for 50 years and has no intention of selling the house he has lived in for those years unless property tax increases force him to sell. He and his wife are 70 years old and would like to retire. However, with the continuing raising valuation of their home, it would be difficult. He believes that freezing property tax reappraisals until a better solution to increasing taxes is found would allow them to retire on a fixed income and continue to live in their existing home. Mr. Pretz called attention to statistics attached to his written testimony regarding taxation of his land for the last ten years. He pointed out that, although he has appealed reappraisals, the tax has increased 375 percent in the past ten years. (Attachment 4)

Eric Drews, a professional engineer residing of Miami County, followed with further testimony in support of **SB 395**. He and his wife built a home in 1995 at a cost of \$113,000. In 1996, the tax appraisal was \$117,00. By 1999, the tax appraisal had increased to \$129,999. He noted that in the three-year period the appraised value increased over two times the rate of inflation. He believes that many people will lose their homes if this upward valuation continues; therefore, he supports a freeze on property tax valuations at the 2000 level. (Attachment 5) In addition, Mr. Drews commented that, as a professional practicing engineer, his goal is to improve residential construction in rural communities. The trend he has seen when people come to him to design quality homes is that they can afford to build the home but they cannot afford the taxes. Therefore, the quality of homes is often sacrificed, and the structures which are built are unsafe. He believes the bill is a step to give power back to the people to control government spending and taxation.

Karl Peterjohn, Kansas Taxpayers Network, gave final testimony in support of **SB 395**. He characterized property reappraisals as unlegislated property tax hikes in the sense that no elected official has cast a vote or taken any action to raise taxes or to impose a new tax. He noted that this places taxpayers in an unpleasant and common financial squeeze and that the appeals process is viewed by most laymen as a legal labyrinth. He maintained that the bill would provide time for working out a more detailed way of stopping these automatic property tax hikes. In conclusion, he emphasized that property taxation is the only way taxpayers are taxed on the anticipated but unrealized increase in value of an asset. (Attachment 6)

To illustrate the plight of the elderly living on a fixed income, Mr. Peterjohn introduced a resident of Cherokee County, Freda Culver, who lives in a 40-year-old home. He explained that last year the appraised value on her home went up 50 percent, based on a comparison with new homes in her area. He agrees with Ms. Culver's belief that people are being taxed out of their homes.

Gerald Frantz, Sedgwick County Appraiser, testified in opposition to **SB 395**. He pointed out that different properties and neighborhoods appreciate and depreciate at different rates, and a valuation freeze guarantees that different properties and neighborhoods will be appraised at different levels or ratios of market value. He maintained that any legislation that limits or restricts the assignment of fair market value for any class of properties is in direct conflict with the constitutional requirement for a uniform and equal basis of valuation. To illustrate his point, he discussed three examples of property taxation in three different neighborhoods. (Attachment 7)

Freda Culver informed the Committee that she is 70 years old and lives on a 200 acre farm in a 40 year-old home, and her taxes were increased by \$318 when she paid her 1998 taxes. She said the justification the county gave for the increase was, when her home was compared to homes in a nearby new housing development, its value increased. She decided to put her home on the market; however, two different realtors told her that putting one acre of ground on the market would be a waste of time because the buyer would need to be given a right-of-way, and a home which is part of a group of farm buildings would not be marketable. In conclusion, she observed that we have three choices in this lifetime—to pay taxes over which we have no control, to pay medical bills, and to choose where to be buried. She believes the choice creates a dilemma for many persons living on a fixed income. With this, the hearing on **SB 395** was concluded.

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

The next meeting is scheduled for February 10, 2000.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: February 9, 2000

NAME	REPRESENTING
Karl Peterjohn	Ks Taxpayers Network
NEIL ELKINS	SELF
MARLENE ELKINS	SELF
George Bretz	SELF
ERIC DREWS	SELF
ORVILLE COLE	SEN TYSON
Lilune Cole	Sen. Tyson Office
Robert Tyson	Senator
Alex Kobyanitz	Ks. Academy of Science
Maria Hess	Hein & Wier Cadd.
Don McKee	KLA
Maria Hess	Sedgwick County
Stan Parsons	KGE
Maria Howan	SC.
GERALD FRANTZ	SEDGWICK COUNTY
Rich McKee	KLA
Don Seifert	City of Olathe
Kelley Kuetala	City of Overland Park
Erik Sartorius	Johnson Co. Board of Realtors

George Petersen

Janet Stubbs

Robt J. Fusz

Ks taxpayers Network

Ks. Bldg. IND. ASSN.

SBC

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: February 9, 2000

NAME	REPRESENTING
Christy Caldwell	Tosca Chamber of Commerce
Wanda Sue Smith	KIMHA
Marlee Beethwell	KCCF
Freda Lubner	Taxpayer

Sales of Motor Fuel* to American Indian Tribes, by Calendar Year

Tribe	CY1998		CY1999			
	Gallons	Tax	Gallons	Growth	Tax	Growth
Exempt Sales**:						
Iowa Tribe of Kansas and Nebraska	192,526	\$34,655	330,538	71.7%	\$62,609	80.7%
Kickapoo	1,298,840	\$234,833	1,722,813	32.6%	\$330,832	40.9%
Sac & Fox Nation of Missouri in Kansas and Nebraska	2,034,845	\$369,166	4,470,518	119.7%	\$875,282	137.1%
TOTAL EXEMPT	3,526,211	\$638,654	6,523,869	85.0%	\$1,268,724	98.7%
Sales not Exempt:						
Prairie Band of Potawatomi (Estimated)***	672,621	\$121,072	1,200,000	78.4%	\$227,298	87.7%
TOTAL ALL TRIBES	4,198,832	\$759,725	7,723,869	84.0%	\$1,496,022	96.9%

Notes: * Figures include both gasoline and diesel fuel.

** Exempt sales include both sales to tribal members and nonmembers.

*** Sales to the Potawatomi would be expected to at least double if sales were exempt from tax. Estimate based on assumption of current consumption at approximately 100,000 gallons per month.

Prepared by: Office of Policy and Research, Kansas Department of Revenue

Filename: P:\Taxes\Motor Fuel\2000\[SalestoKSTribes.xls]Sheet2

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Senate Assessment + Taxation
 2-9-00
 Attachment 1



TOPEKA

KANSAS SENATE

ROBERT TYSON

SENATOR, TWELFTH DISTRICT

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COUNTIES

ANDERSON, BOURBON,
FRANKLIN, LINN & MIAMI

COMMITTEE ASSIGNMENTS

MEMBER: AGRICULTURE
ENERGY AND NATURAL RESOURCES
TRANSPORTATION AND TOURISM
JOINT COMMITTEE ON PENSIONS,
INVESTMENTS & BENEFITS

TESTIMONY

February 9, 2000

before the SENATE ASSESSMENT AND TAXATION COMMITTEE

SB 395

Chairperson Langworthy and members of the committee, I appreciate the opportunity to come here and speak in favor of Senate Bill 395. The purpose of this bill is to provide a break for property owners from the upward spiraling property tax increases we see today.

SB 395 states that for all taxable years commencing after December 31, 1999 the uniform basis of valuation for all property subject to taxation shall be the fair market value, as defined by K.S.A. 79-503a, for property as if determined for tax year 2000. This would freeze all future reappraisals to the 2000 value. According to Legislative Research there would be no fiscal note for FY2001 when the budget is tight. The accompanying sheet gives the fiscal note for the out years.

This is simply a constitutional freeze of appraised property values. There are many older citizens of Kansas who are hunkered down in the cool darkness trying to stay in their own homes. They are living on a small fixed income and experiencing an ever-increasing property tax payment each year. In fact, many pay more in property tax and insurance than their original mortgage payment was 40 years ago when they bought their homes.

We need to halt this automatic tax increase on inflation and take the time to devise a better plan; a better way to tax the property of our homeowners in Kansas.

Thank you for your time.

*Senate Assessment & Taxation
2-9-00
Attachment 2*

S.B. 395 School Finance Property Tax Model

20 mills assumed permanent

Assume that freezing real estate values at year 2000 levels limits growth in overall tax base, before \$20k exemption, to 1 percent per year

Calendar Year	Current Assessed Value	Proposed Exemptions	Proposed Assessed Value	Current Mills	Proposed Mills
1994	\$15,502,087,375		\$15,502,087,375	35.0	35.0
1995	16,194,057,543		16,194,057,543	35.0	35.0
1996	16,703,505,399		16,703,505,399	35.0	35.0
1997	16,267,106,394		16,267,106,394	27.0	27.0
1998	16,965,505,048		16,965,505,048	20.0	20.0
1999	17,655,000,000		17,655,000,000	20.0	20.0
2000	18,407,000,000		18,407,000,000	20.0	20.0
2001	19,083,000,000	510,000,000	18,573,000,000	20.0	20.0
2002	19,783,990,000	1,042,950,000	18,741,040,000	20.0	20.0
2003	20,510,844,650	1,599,704,250	18,911,140,400	20.0	20.0
2004	21,264,469,213	2,181,147,409	19,083,321,804	20.0	20.0
2005	22,045,800,635	2,788,195,613	19,257,605,022	20.0	20.0
2006	22,855,808,657	3,421,797,585	19,434,011,072	20.0	20.0

Fiscal Year	Current Law Property Tax	Proposal Property Tax			Total Fiscal Note
1996	\$526,919,633	\$526,919,633			
1997	565,976,272	565,976,272			
1998	487,137,854	487,137,854			
1999	371,485,590	371,485,590			
2000	340,659,939	340,659,939			
2001	354,911,600	354,911,600	--	--	--
2002	368,754,000	362,736,000	--	--	(6,018,000)-
2003	382,298,482	366,013,672	--	--	(16,284,810)-
2004	396,343,089	369,331,569	--	--	(27,011,520) -
2005	410,905,325	372,690,092	--	--	(38,215,233)-

No fiscal note in FY 2001

Valuation freeze kicks in Calendar year FY 2001

**Testimony before the Senate
Assessment and Taxation Committee
On SB 395
February 9, 2000**

By Neil and Marlene Elkins
Retired, Paola, KS

My wife Marlene and I are Kansans by choice, having decided to live in Miami County after retirement from a combined 51 years of active military service. In 1991 we bought forty acres of mostly native grass with a small but comfortable house to be our retirement home. Our records for the years before 1994 have been misplaced. The property was appraised in 1994 for a market value of \$100,780, an assessed valuation of \$12,180 and taxes paid were \$1,201.

Market value increased from \$100,780 in 1994 to \$121,800 in 1998 (the last year that data was provided) for an average annual increase of 5.21 percent. The assessed value in 1999 is \$16,044, an increase of 31.72 percent for an average increase of 6.34 percent per year. The taxes increased in 1999 to \$1598.14 for an overall increase of 33.07 percent from 1994 to 1999, an average increase of 6.61 percent. At this rate, in twenty years the projected appraised value of our property will be \$255,172, the assessed value will be \$36,403, and the property taxes at a level of about \$3712 per year.

Meanwhile, the house is depreciating as a result of normal wear and tear and natural aging. The roof, the cedar siding, and some windows will soon need to be replaced. In spite of these problems, under the current re-appraisal methodology the "value" of the property and the property taxes have and will continue to increase. Yet the value to us is no greater than it was when we bought it. It is, in fact, arguably less because of the problems I have outlined above. In my opinion, in our case the term "market value" has no meaning since our property is not on the market. The increased appraised valuation of property is of no value to the owners who want to remain in their homes; it can only be realized when the property is sold and until then cannot be spent to pay taxes.

It seems to me that reappraisal with the resulting tax increases is a form of "taxation on inflation", or perhaps a tax on "potential capital gains resulting from inflation". In other words, when our neighbors sell their property at a price greater than what they paid for it, much of that gain is the result of inflation. That inflated selling price results in our property being appraised at a market value that is higher than what we paid for it. This increased "market value" then reflects a potential capital gain resulting from inflation and has no relation in fact to the value of the property to us as we continue to live in it. Yet we are required to continually pay taxes on an inflated value.

*Senate Assessment + Taxation
2-9-00
Attachment 3*

I believe that we can do better and that something along the lines of or derived from California's Proposition 13 of several years ago should be considered. I remember that that proposition passed against a great hue and cry that its passage would result in devastation to the government services throughout the state. When I last talked with my brother in law who lives there, he assured me that there is still plenty of government in the state of California!

As I remember, the proposition established that property would be reappraised (or reassessed) only when the property changed ownership. That way, us old codgers could afford to continue to live in our homes while property "values" soared around us (when surrounding properties were bought and sold) without being taxed out of our homes. While writing tax code is beyond my expertise, I believe that it can be drafted in a way that would preclude abuse. An example might be to establish that the suspension from reappraisal would be effective only when the home was occupied by the owner and not rented out or used for commercial purposes.

I thank you for the opportunity to address this committee and urge you to favorably consider this bill. Passage will provide relief to those of us who are on fixed incomes with constantly increasing taxes until a more equitable taxing mechanism can be devised.

Attachment: Market value, assessed value, tax data, and Inflation Rate with 20-year projections

**Testimony before the Senate
Assessment and Taxation Committee
On SB 395
February 9, 2000**

Neil and Marlene Elkins
Retired, Paola, KS

Year	Appraised Market Value	% Increase	Assessed Value	% Increase	Taxes	% Increase	Inflation Rate*
1994	\$100,780		\$12,180		\$1,201		
1995	\$106,180	5.36%	\$12,801	5.10%	\$1,312	9.20%	2.54%
1996	\$115,350	8.64%	\$13,829	8.03%	\$1,412	7.69%	3.32%
1997	\$120,130	4.14%	\$14,376	3.96%	\$1,382	-2.16%	1.70%
1998	\$121,800	1.39%	\$14,582	1.43%	\$1,466	6.10%	1.61%
1999	N/A	N/A	\$16,044	10.03%	\$1,598	9.00%	2.68%
Increase from 1994 through 1999:							
	\$21,020	20.86%	\$3,864	31.72%	\$397	33.07%	11.85%
Average annual increase 1994-1999:							
	\$5,255	5.21%	\$773	6.34%	\$79	6.61%	2.37%
Projected through next 20 years:							
	\$255,172	109.50%	\$36,403	126.90%	\$3,712	132.26%	47.40%

Records before 1994 are not available.

*Inflation Rate from Global Financial Data (www.globalfindata.com)

**Testimony before the Senate
Assessment and Taxation Committee
On SB 395
February 9, 2000**

By George Pretz
Farmer, Osawatomie, Ks

My wife Pauline & I have farmed 50 years and all of our property is located within a one-mile radius in Miami County. We have raised three sons, two of which have joined the farming operation after graduating from Kansas State University. Frank graduated in 1973 and George C. in 1977. None of the Pretz' have sold the houses they started with and have no intention of selling as long as they continue to operate the dairy farm. That is unless the property tax increases force Pauline & I to sell.

The farm supporting our families is a registered Holstein dairy operation. We are milking 100 cows and farming nearly 1000 acres.

Pauline & I are 70 years old and we are wanting to retire. We are ready to turn over the farm to our sons but its real difficult with the continual raising valuation on our homes and the continual raising property taxes we are required to pay.

On the attached sheets I have listed our homes and the acre or two of ground surrounding the home which is considered the home site. Several of these have averaged over a 30% per year increase in appraised value. If we could freeze our property tax reappraisals until a better solution to increasing taxes if found we could retire in our existing home which we have lived in for so long. I ask you to seriously consider this bill which will help us all especially many of those who are our age and living on a fixed income.

*Senate Assessment & Taxation
2-9-00
Attachment 4*

OWNERS: Frank & Gayle Pretz
 97 Acres - Zoned Agriculture
 House built in 1945

COMMENTS: Aluminum siding added 1990, front porch enclosed and
 small room built on northside.
 Located in Maris de Cygne flood area. Water ofttimes
 get in basement.

<u>YEAR</u>	<u>HOME ASSESSED VALUE</u>	<u>HOMESITE ONLY</u>	<u>TOTAL</u>	<u>DIFFERENCE FROM PREVIOUS YEAR</u>
1989	17800	800	18600	
1990	22250	800	23050	Remodeling +4450
1991	24220	1250	25470	
1992	24220	1250	25470	moratorium
1993	44380	1250	45630	+20160
1994	49480	3700	53180	+ 7550
1995	49250	4450	53700	+ 520
1996	<u>VALUATION NOTICE</u>			
	69750	8950	78700	+25000
1996	<u>INFORMAL MEETING - no change</u>			
1996	<u>FORMAL APPEAL - no change</u>			
1996	<u>SBOTA HEARING - changed</u>			
	59320	8950	68270	+14570
1997	41630	9500	51130	-17140
	County said they made a mistake lowering it.			
1998	71170	10300	81470	+30340
1999	<u>VALUATION NOTICE</u>			
	76700	11440	88250	+ 6780
1999	<u>INFORMAL HEARING - no change</u>			
1999	<u>SBOTA HEARING - 12/07/99 - no decision to date</u>			
Increase since 1989	58900	10750	69650	

374% increase in 10 Years

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Frank & Gayle Pretz
 58 Acres - Zoned Agriculture
 House over 100 years old

COMMENTS:

In flood plain
 Termite damage
 No rural water
 Dead End Road

<u>YEAR</u>	<u>HOUSE ASSESSED VALUE</u>	<u>HOMESITE ONLY</u>	<u>TOTAL</u>	<u>DIFFERENCE FROM PREVIOUS YEAR</u>
1991	6250	1000	7250	
1992	6250	1000	7250	moratorium
1993	6250	1000	7250	moratorium
1994	7210	4200	11410	+4160
1995	<u>VALUATION NOTICE</u>			
	13390	4560	17950	+6540
1995	<u>INFORMAL MEETING</u> - changed because of condition, desirability and utility ratings.			
	9440	4560	14000	+2590
1996	Total assessed F.R. value remained same because of 1995 Informal meeting: Note county lowered house - raised homesite.			
1996	5600	8400	14000	
1997	11460	8910	20370	+6370
1998	<u>VALUATION NOTICE</u>			
	15500	9700	25200	+4830
	Equalization results-flood factors applied per Director of Property Valuation 10/6/98.			
	<u>SBOTA - Changed FR dwelling</u>			
1998	14690	9700	24390	-810
1999	<u>VALUATION NOTICE</u>			
	14350	10850	25200	
	Note: 1999 County raised total F.R. to same county 1998 figure before SBOTA 1998 ruling. County raised homesite 1150 - lowered house 1150.			
1999	<u>INFORMAL MEETING</u> - no change			
1999	<u>SBOTA HEARING</u> - 12/07/99 - no decision to date			
Increase since 1991	8100	9850	17950	

248% increase in 8 yrs

OWNERS: George W. & Pauline Pretz

155 acres Zoned Agriculture

House built 1950 - On concrete slab - 4 room & porch

Homesite .50 acres

COMMENTS:

Driveway circles around house to reach dairy barn - the house cannot be sold off from dairy operation.

Water meter used for dairy and home.

Septic tank used for dairy and home.

Gas used for dairy and home

Electricity used for dairy and home.

How can they compare this house to another house that could be separated from the farm operation?

<u>YEAR</u>	<u>HOUSE ASSESSED VALUE</u>	<u>HOMESITE ONLY</u>	<u>TOTAL</u>	<u>DIFFERENCE FROM PREVIOUS YEAR</u>
1989	14800	800	15600	
1990	14800	800	15600	
1991	16340	1250	17590	
1992	16340	1250	17590	moratorium
1993	16340	1250	17590	moratorium
1994	16450	3700	20150	+4560
1995	19930	6450	26380	+6230
1996	<u>VALUATION NOTICE</u>			
	19360	9050	28410	+2030
1996	<u>INFORMAL MEETING - no change</u>			
1996	<u>FORMAL APPEAL - no change</u>			
1996	<u>SBOTA HEARING - change</u>			
	The house was being used for office and bunkhouse - SBOTA changed to A.R..			
1997	<u>VALUATION NOTICE</u>			
	13520	40	13520	A.R.
	Hired man began living in house - County, after consulting SBOTA, changed back to F.R..			
1997	17920	9100	27020	
1998	16670	10350	27020	
1999	<u>VALUATION NOTICE</u>			
	26400	10600	37000	+9980
1999	<u>INFORMAL MEETING - no change</u>			
1999	<u>SBOTA HEARING - December 7, 199 - no decision to date</u>			
<u>Increase</u>	<u>11600</u>	<u>9800</u>	<u>21400</u>	

137% increase 10 YRS

George C. & Marjorie Pretz

4.4 Acres - Zoned Agriculture

House Built in 1975. Homesite 1.5 acres

COMMENTS:

The house + 4.4 acres was purchased March 1, 1994 for \$90,000.. This included 2 portable sheds, TV satellite system, Fireplace inserts, Washer & Dryer, Cook Stove and Refrigerator.

<u>YEAR</u>	<u>HOUSE ASSESSED VALUE</u>	<u>HOMESITE ONLY</u>	<u>TOTAL</u>	<u>DIFFERENCE FROM PREVIOUS YEAR</u>
1992	65000.	3980	68980	
1993	65000.	3980	68980	
1994	<u>VALUATION NOTICE</u>			
	94000	10000	104000	+35020
1994	<u>INFORMAL MEETING - no change</u>			
1994	<u>FORMAL APPEAL - changed</u>			
	70430	10000	80430	+11450
1995	<u>VALUATION NOTICE</u>			
	92530	9150	101680	+21250
1995	<u>INFORMAL MEETING no change</u>			
1995	<u>FORMAL APPEAL no change</u>			
1995	<u>SBOTA HEARING - changed</u>			
	85550	9150	94700	+14270
1996	<u>VALUATION NOTICE</u>			
	91990	10310	102300	+ 7600
1996	<u>FORMAL APPEAL - no change</u>			
1996	<u>INFORMAL MEETING - no change</u>			
1996	<u>SBOTA HEARING - changed</u>			
	84390	10310	94700	
1997	Total assessed value remained same because SBOTA 1996 hearing. <u>Note county lowered house-raised homesite.</u>			
1997	83920	10780	94700	
1998	<u>VALUATION NOTICE</u>			
	102850	12450	115300	+20600
1999	<u>VALUATION NOTICE - APPEALED SBOTA HEARING -12/07/99-no decision</u>			
	112100	12400	124500	+ 9200
<u>Increase</u>	<u>47100</u>	<u>8420</u>	<u>55520</u>	

since 1992

8 1/2% increase in 7 YRS

February 9, 2000

Testimony to Senate Assessment and Taxation Committee on SB 395

From: Eric Drews, P.E.

29592 Pleasant Valley Rd.

Paola, KS 66071

In 1995 my wife and I built our home in Miami County at an approximate cost of \$113,000. The first full year tax appraisal in 1996 was \$117,000. By 1999 the valuation for tax purposes had increased to \$129,000. No improvements or changes were added to the property between the '96 and '99 appraisals. Yet, in this 3 year period my appraised value increased over two times the rate of inflation.

The continuing upward spiral of assessed values for tax purposes are wiping out all past tax decreases at the state level and many such appraisals have little relationship to actual values of property. The fact that one home in an area sells for X dollars does not mean that all other similar homes in the area can be sold at the same price.

Many people are on fixed incomes and will lose their homes if this upward valuation continues year after year. I strongly urge you to consider favorably this bill proposed by Senator Tyson to freeze property tax valuations at the 2000 level. I thank you for letting me speak before this committee today.

Senate Assessment & Taxation
2-9-00
Attachment 5

KANSAS TAXPAYERS NETWORK

P.O. Box 20050
Wichita, KS 67208
9 Feb. 2000

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S.B. 395 TESTIMONY TO THE SENATE ASSESSMENT & TAXATION COMMITTEE

By Karl Peterjohn, Executive Director

My name is Karl Peterjohn, I am the executive director of KTN and I dread March 1. If the county appraisers are following state law, re-appraisal notices should be mailed to all homes, farms, and business property in all 105 Kansas counties. At that time unhappy taxpayers begin the struggle to contest this unlegislated property tax hike.

This is unlegislated in the sense that no elected official has cast a vote or taken any action to raise taxes or to impose a new tax. So now there are two ways that property taxes can be raised, first by the affirmative action of several different elected bodies (cities, counties, townships, schools, the state, and special taxing districts) and by the actions of the unelected county appraisers. This is a two sided pincer movement, if I may use a military term, which places many taxpayers in an unpleasant and common financial squeeze.

Taxpayers have contacted KTN to seek help in trying to stop this tax hike and I can only refer them to the appeals process which is viewed by most laymen as a legal labyrinth.

So today I am here as a proponent on behalf of S.B. 395.

I am sure this committee will hear opposition expressed by governmental bodies who are counting on the automatic stream of tax revenue to continue. The same concerns were expressed when federal indexing of the income tax occurred almost 20 years ago.

Senator Tyson's proposal would statutorily freeze existing appraisals for one year and force an examination of this problem so a permanent resolution can be implemented. This freeze would provide time for working out a more detailed way of stopping these automatic property tax hikes.

Looking at the longer term a proposal which has strong merit would automatically roll back local units' mill levies to reflect the increases in appraised value within each tax district. This was enacted into law several decades ago in Ohio. Ohio requires voter approval of property and sales tax hikes. Voter approval of tax hikes is also required in our neighboring states: Colorado, Missouri, and Oklahoma.

During the last year interest rates have been rising nationally. If the market valuation process for tax appraisals is truly working, we should see some significant reductions in many parts of this state. Frankly, I don't think it will happen despite the fact that rising interest rates plays a major role in determining the value of taxable property.

Property taxation is the only time you are taxed on the anticipated but unrealized increase in value of an asset. The income tax at least waits until you sell your property before the tax is imposed. So we now triple tax an increase in value: annually with the property tax and with the state and federal capital gains tax.

Senate Assessment & Taxation

2-9-00

Attachment 6



SEDGWICK COUNTY, KANSAS

OFFICE OF THE APPRAISER

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE

**FROM: GERALD C. FRANTZ
SEDGWICK COUNTY APPRAISER**

DATE: FEBRUARY 9, 2000

SUBJECT: TESTIMONY IN OPOSITION TO S.B. 395

The Constitution of the State of Kansas, Section 1, Article 11 states, "*...the legislature shall provide for a uniform and equal basis of valuation and rate of taxation of all property subject to taxation*".

Appraisal uniformity relates to fair and equitable treatment of individual properties. According to the International Association of Assessing Officers, "Property Appraisal and Assessment Administration" (pg. 516):

Uniformity requires, first, that properties be appraised equitably within groups or categories (use class, neighborhood and so forth) and, second, that each of these groups be appraised at the same level, or ratio, of market value. That is, appraisal uniformity requires equity within groups and between groups.

The proposed legislation freezes all property values at a base year, 2000. Given that different properties and neighborhoods appreciate and depreciate at different rates, **a valuation freeze guarantees that different properties and neighborhoods will be appraised at different levels or ratios of market value.**

Any legislation that limits or restricts the assignment of fair market value for any property or class of properties, is in direct conflict with the constitutional requirement for a "uniform and equal basis of valuation".

Plainview:

Annual appreciation rate – 0% (these properties are selling for approximately the same price that they did 10 years ago.)

Median market value - \$16,100

Assume a mill rate of \$115 per \$1,000 of assessed value

<i>Year</i>	<i>Median Market Value</i>	<i>Median Appraised Value</i>	<i>Appraisal Ratio</i>	<i>Property Tax</i>	<i>Effective Tax Rate</i>
2000	\$16,000	\$16,100	100%	\$213	1.33%
2001	\$16,000	\$16,100	100%	\$213	1.33%
2002	\$16,000	\$16,100	100%	\$213	1.33%
2003	\$16,000	\$16,100	100%	\$213	1.33%
2004	\$16,000	\$16,100	100%	\$213	1.33%
2005	\$16,000	\$16,100	100%	\$213	1.33%
2006	\$16,000	\$16,100	100%	\$213	1.33%
2007	\$16,000	\$16,100	100%	\$213	1.33%
2008	\$16,000	\$16,100	100%	\$213	1.33%
2009	\$16,000	\$16,100	100%	\$213	1.33%

- Appraisal ratio is the relationship between market value and the appraised value of the property (appraised value/market value)
- Effective tax rate is the relationship between the property tax and the market value of the property (property tax/market value).

Westlink:

Annual appreciation rate – 3% (these properties have appreciated at a rate of approximately 3% per year over the past 10 years.)

Median market value - \$82,000

Assume a mill rate of \$115 per \$1,000 of assessed value

<i>Year</i>	<i>Median Market Value</i>	<i>Median Appraised Value</i>	<i>Appraisal Ratio</i>	<i>Property Tax</i>	<i>Effective Tax Rate</i>
2000	\$82,000	\$82,000	100%	\$1,085	1.33%
2001	\$84,460	\$82,000	97%	\$1,085	1.28%
2002	\$86,990	\$82,000	94%	\$1,085	1.25%
2003	\$89,600	\$82,000	92%	\$1,085	1.21%
2004	\$92,290	\$82,000	89%	\$1,085	1.18%
2005	\$95,060	\$82,000	86%	\$1,085	1.14%
2006	\$97,910	\$82,000	84%	\$1,085	1.11%
2007	\$100,850	\$82,000	81%	\$1,085	1.08%
2008	\$103,880	\$82,000	79%	\$1,085	1.04%
2009	\$107,000	\$82,000	77%	\$1,085	1.01%

- Appraisal ratio is the relationship between market value and the appraised value of the property (appraised value/market value)
- Effective tax rate is the relationship between the property tax and the market value of the property (property tax/market value).

Oakwood Valley Estates:

Annual appreciation rate – 6% (these properties have appreciated at a rate of approximately 6% per year over the past 10 years.)

Median market value - \$162,300

Assume a mill rate of \$115 per \$1,000 of assessed value

<i>Year</i>	<i>Median Market Value</i>	<i>Median Appraised Value</i>	<i>Appraisal Ratio</i>	<i>Property Tax</i>	<i>Effective Tax Rate</i>
2000	\$162,300	\$162,300	100%	\$2,146	1.33%
2001	\$172,040	\$162,300	94%	\$2,146	1.25%
2002	\$182,360	\$162,300	89%	\$2,146	1.17%
2003	\$193,300	\$162,300	84%	\$2,146	1.11%
2004	\$204,900	\$162,300	79%	\$2,146	1.05%
2005	\$217,190	\$162,300	75%	\$2,146	1.01%
2006	\$230,220	\$162,300	70%	\$2,146	0.93%
2007	\$244,030	\$162,300	67%	\$2,146	0.88%
2008	\$258,670	\$162,300	63%	\$2,146	0.83%
2009	\$274,190	\$162,300	59%	\$2,146	0.78%

- Appraisal ratio is the relationship between market value and the appraised value of the property (appraised value/market value)
- Effective tax rate is the relationship between the property tax and the market value of the property (property tax/market value).