

Approved: 3-14-00
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 March 9, 2000, in Room 519-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Senator Steve Morris
Jamie Clover Adams, Secretary of Agriculture
Mark Beck, Property Valuation Division
Allie Devine, Kansas Livestock Association
Leslie Kaufman, Kansas Farm Bureau

Others attending: See attached list.

The minutes for the March 1, 2, and 7, 2000, meetings were approved.

SB 654—Property taxation; concerning the valuation of land devoted to agricultural use

Senator Steve Morris testified in support of **SB 654**. He explained that the provisions of the bill give the Director of the Division of Property Valuation additional flexibility in determining the capitalization rate (cap rate) used in determining values for agricultural land. He explained further that the flexibility is needed in order to moderate increases occurring statewide under the current system. Without this additional flexibility, significant increases will continue to occur. (Attachment 1)

Jamie Clover Adams, Secretary of Agriculture, testified in support of **SB 654**. She explained that **SB 654** would provide broad, short-term property tax relief to Kansas agriculture during tough economic times. It increases the cap rate for tax year 2000, declines for two years and then sunsets. She noted that agricultural land is valued based on its productivity. The formula for valuation operates on an eight-year rolling average, using eight years worth of data and a wide range of variables within each year's data. Because of the nature of data collection, the formula is always two years old. The rolling average was meant to smooth out the market cycle; however, with the situation agriculture faces today, the smoothing will not take effect until after the crisis has passed. To illustrate the lag problem, Ms. Adams referred to a chart included in her written testimony entitled, "Cash Receipts From Farm Marketings (millions)." She said **SB 654** addresses the lag problem and provides relief to agriculture at a time when it is sorely needed due to the fact that prices are at all-time lows and export markets are non-existent. (Attachment 2)

Mark Beck, Director of the Division of Property Valuation, informed the Committee that **SB 654** has two components of interest to the Department. First, the bill provides relief to all agricultural landowners in response to a recent downturn in the agricultural economy. Second, the bill clarifies that wetlands are land devoted to agricultural use. With regard to the first component, Mr. Beck stated that the bill will require additional, but manageable, administrative efforts on behalf of the Department and the counties in order to apply relief to tax year 2000. With regard to the second component, Mr. Beck explained that the bill clarifies that land that is in the federal wetlands reserve program shall be classified as land devoted to agricultural use and that such land shall be valued as dry crop land. He noted that this provision resulted from a recent Board of Tax Appeals case wherein the Board held that wetlands should be classified as "other" rather than "agricultural." He explained that land devoted to agricultural use is valued based upon its use, but property in the "other" subclass is valued at its fair market value. For the Committee's information, Mr. Beck included a fact sheet on the wetlands reserve program with his written testimony. (Attachment 3)

CONTINUATION SHEET

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

Mr. Beck discussed his handout entitled "Agricultural Land Value Comparison – Adding 1.5 Points to Cap Rate." He explained that the data on the spreadsheet was sorted by crop reporting district because the effects within a district are somewhat similar. If sorted alphabetically, the effects are not as clearly illustrated. (Attachment 4) As a point of interest, Senator Lee explained that the cap rate includes a five-year average of the interest rate, the local rural county mill levy (done county by county), and, currently, a 7.5 percent automatic add on by the Director plus 2 percent additional at the Director's discretion. Mr. Beck said the Department has used all of the 2 percent discretionary rate for the last several years which has the net effect of lowering the cap rate and raising the value.

Allie Devine, representing the Kansas Livestock Association (KLA), testified in support of the concepts contained in **SB 654**. She reviewed the two amendments to current law in the bill. She also distributed copies of a similar bill recently passed by the House Committee on Taxation which KLA supports, **HB 2715**. She explained that **HB 2715** contains the following: (1) wetlands provisions, (2) clarifications as to the method of valuation of pastureland, (3) authorization of the use of adverse influences to county appraisers, and (4) creation of the position of assistant director of property valuation for use value appraisal within the Division of Property Valuation. She discussed provisions 2, 3, and 4 and requested that the Committee consider adding them to **SB 654**. She noted that, although KLA prefers **HB 2715**, it supports any effort to allow additional flexibility of the cap rate to adjust the process to compensate for unusual wide fluctuations in agricultural income. (Attachment 5)

Leslie Kaufman, Kansas Farm Bureau, testified in support of **SB 654**. She stated that Farm Bureau strongly supports the appraisal of agriculture land on the basis of its income producing capability and has been intensely involved in securing the constitutional and statutory framework for use value appraisal. She emphasized that equitable procedures for determination of net income and for establishing an appropriate cap rate are essential to assure equity and stability in the valuation of agriculture land. (Attachment 6)

Senator Corbin commented that **SB 654** would benefit not only agriculture but also many developers as there is a great deal of undeveloped land in metropolitan areas described as farm land even though the land may have housing or commercial buildings completely around it. Although there may be streets and sewers located on that land, it is taxed at farm land value.

Senator Langworthy informed the Committee that the fiscal note on **SB 654** is forthcoming. There being no further persons wishing to testify, she closed the hearing on **SB 654**.

The meeting was adjourned at 12:04 p.m.

The next meeting is scheduled for March 13, 2000.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: March 9, 2000

NAME	REPRESENTING
Leslie Kaufman	Ks Farm Bureau
John Garlinges	Ks Ag. Dept.
Jamie Clow Adams	Ks Ag Dept.
MARIE BECK	KDOR
Allie Wines	KLA
Mark Goodwin	Hein & Weir chld
Sumner Boyd	Sen Morris
Carolyn States	
Larry Kleiman	League of KS Municipalities
Alan Steppet	KLPG
Michael Steppet	Guest
GEORGE PETERSEN	KTN
RICHARD BORSWALD	SENATE CANDIDATE DIST 2
WILLIAM HARDENBURGER	Guest
Ryan Hardenburger	
Thomas Hardenburger	
Mike Collinge	KLA member
Mike Beam	Ks. Luth. Ann.

STATE OF KANSAS



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COMMITTEE ASSIGNMENTS

CHAIRMAN: AGRICULTURE
SRS TRANSITION OVERSIGHT
VICE CHAIR: ENERGY AND NATURAL RESOURCES
MEMBER: CHILDREN'S ISSUES
ORGANIZATION, CALENDAR AND
RULES
STATE BUILDING CONSTRUCTION
UTILITIES
WAYS AND MEANS

SENATE ASSESSMENT AND TAXATION COMMITTEE

SB 654

March 9, 2000

Senator Langworthy and Members of the Committee:

Thank you for giving me the opportunity to testify in favor of this bill. SB 654 will give the Director of Property Valuation Division additional flexibility in determining the capitalization rate used in determining values for agricultural land. Without this additional flexibility, significant increases in property tax will occur in many areas across the state, particularly irrigated land.

These kinds of increases are not supposed to occur in any one year, even in an era of agricultural prosperity. With receipts for most crops lower now than they were 50 years ago, these increases are just not acceptable. Some increases will still occur even with the addition to the capitalization rate, but they will be minor.

Thank you and I will be glad to answer questions.

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STATE OF KANSAS

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KANSAS DEPARTMENT OF AGRICULTURE

Senate Assessment and Taxation Committee

March 9, 2000

Testimony Regarding Senate Bill 654

Jamie Clover Adams, Secretary of Agriculture

Good morning Chairman Langworthy and members of the Senate Assessment and Taxation Committee. I am Jamie Clover Adams, Secretary of the Kansas Department of Agriculture. I appear before you today on behalf of the Graves Administration in support of Senate Bill 654, which provides broad, short-term property tax relief to Kansas agriculture during tough economic times.

As you are aware, agricultural land is valued based on its productivity. The formula operates on an eight-year rolling average, using eight years worth of data and a wide range of variables within each year's data. However, the data used in the formula is always two years old because of the nature of data collection. While the rolling average was meant to smooth out the market cycle, in the situation we face today, the smoothing will not take effect until after the crisis has passed.

You will recall that 1997 was a banner year for Kansas agriculture —both prices and yields were high. However, prices began a downward spiral in 1998 that economists do not predict will end any time soon. The following table puts this issue into historical perspective.

Cash Receipts From Farm Marketings (millions)	
1989	\$6,569.0
1990	\$6,991.8
1991	\$7,020.0
1992	\$7,171.6
1993	\$7,332.9
1994	\$7,623.0
1995	\$7,607.8
1996	\$7,508.7
1997	\$8,544.2
1998	\$7,784.0
1999	\$7,440.0 preliminary

The extreme drop in gross receipts between 1997 and 1999, as well as the large difference between 1990 (which rolls off the formula) and 1998 (which comes on), greatly impacts the use value formula and valuations. In essence, as a producer is experiencing real-time reductions in gross receipts, the formula is rolling off two years when gross receipts were less than \$7 billion and bringing on two years at \$8.5 and \$7.7 billion, respectively.

S.B. 654 addresses the lag problem with the use value formula and provides relief to agriculture at a time when it is sorely needed. Prices are at all-time lows and export markets are non-existent. Economists do not predict this situation will change in the near future. This comes at a time when, in general, Kansas is not doing that poorly. Our unemployment rate is at a 20-year record low, while job creation and income are at all-time highs — except in agriculture. Rather than dwell on the problems, we need solutions — particularly where we can make a difference. This bill is just such a concept.

S.B. 654 increases the capitalization rate for tax year 2000 declining for two years and then sunseting. Since there is an inverse relationship between the capitalization rate and values, this short-term fix will hold values steady until the formula can catch up with the current

economic situation. The Department of Revenue will provide you with the specific data.

However, I will point out that a 1.5 percent increase in the capitalization rate will decrease values statewide for all classes of agricultural land by about four percent. This is necessary to provide relief to all classes, since the price situation impacts the classes differently.

In closing, Madam Chairman, I would be remiss if I did not remind the Committee how important a healthy agricultural economy is to the state. Further, as consumers we need to recognize that we spend less than 10 percent of our disposable income on food — down from about 15 percent 20 years ago. That leaves a lot of extra income to spend on other things that fuel our robust economy.

Thank you for the opportunity to appear in support of S.B. 654. I will stand for questions at the appropriate time.

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Division of Property Valuation

MEMORANDUM

TO: The Hon. Audrey Langworthy, Chairperson
Senate Assessment and Taxation Committee

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

DATE: March 9, 1999

SUBJECT: Senate Bill 654
Property Taxation; Valuation of Land Devoted to Agricultural Use

Thank you for the opportunity to comment on Senate Bill 654, a bill pertaining to the valuation and definition of land devoted to agricultural use.

This bill has two components of interest to the department. First, the bill provides relief to all agricultural landowners in response to a recent downturn in the agricultural economy. Second, the bill clarifies that wetlands are land devoted to agricultural use.

Relief to All Agricultural Landowners

In Kansas, many communities and regions are highly dependent upon the health and success of agriculture. The state has been adversely impacted by a recent sharp decline in the farm economy. The current method of valuing agricultural land is not able to rapidly recognize sharp changes in the economy.

Currently, agricultural land is valued based upon an 8-year average of net income. By the time the most recent full year's income and expense data becomes available, two years have lapsed. For example, agricultural land values for January 1, 2000 will be based on net income figures from calendar years 1991 through 1998. The recent sharp downturn in the farm economy is not yet captured in this valuation, just when relief is needed.

This bill would reduce all agricultural land values for tax year 2000, 2001 and 2002, gradually phasing out the relief at the end of the 3-year period.

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This bill reduces all agricultural land values by increasing the capitalization rate. Agricultural values are determined by basically dividing net income by the capitalization rate; thus, the higher the rate, the lower the value. For tax year 2000, the capitalization rate is increased 1.5%. This is done by changing a component of the capitalization rate that can range from .75% to 2.75%, at the director's discretion, to 4.25%. For tax year 2001, the capitalization rate is similarly increased 1% to 3.75%. Finally, for tax year 2002, the capitalization rate is increased .5% to 3.25%.

This bill will require additional, but manageable administrative efforts on behalf of the department and the counties in order to apply relief to tax year 2000. The implementation will be handled in a manner that allows all landowners to receive the benefit of the new law without having to appeal.

Wetlands Classified as Land Devoted to Agricultural Use

This bill further clarifies that land that is in the federal wetlands reserve program shall be classified as land devoted to agricultural use. The bill further provides that such land shall be valued as dry cropland.

Land devoted to agricultural use is valued based upon its use and is assessed at 30%. Recently, the Board of Tax Appeals held that wetlands should be classified as "other." (Board of Tax Appeals Docket No. 98-8575-EQ). Property in the "other" subclass is valued at its fair market value and assessed at 30%. The Board of Tax Appeals ruling was a reasonable interpretation of the current laws, and probably would be upheld if appealed. However, we believe the legislature has the authority to define wetlands as land devoted to agricultural use. (Article 11, Section 1 of the Kansas Constitution.)

At this time, federal records indicate that there are some 7,600 acres in the wetland reserve program. For more information regarding the federal wetlands reserve program, see the attached sheet.

Wetlands Reserve Program

The Wetlands Reserve Program (WRP) is a voluntary program offering landowners the opportunity to protect, restore and enhance wetlands on their property. The USDA Natural Resource Conservation Service (NRCS) provides technical and financial support to help landowners.

In all cases the landowner retains ownership and responsibility for the land, including any property taxes. The landowner controls access to the land; the right to hunt, fish, trap and pursue other appropriate recreational uses. The landowner may sell or lease land enrolled in WRP.

WRP offers three options to the landowner: permanent easements, 30-year easements or 10-year restoration cost-share agreements. At this time Kansas has nearly 70 WRP contracts, most contracted acres occur in the southeast area of the state. These contracts cover a little more than 7,600 acres. In Kansas the permanent easement is the most popular option and includes roughly 80% of the contracts. The 30-year easement represents more than 15% and the 10-year restoration currently has 1 contract enrolled.

**Agricultural Land Value Comparison - Adding 1.5 Points to Cap Rate
Grouped by Crop Reporting District**

District	County	Land Use	Well Depth	% Acres for Well Depth	1999 Wt Avg Value	2000 Wt Avg Value	Change in Value from 1999 to 2000	% Change from 1999 to 2000	2000 Wt. Value adding 1.5 points to Cap Rate	Change in Value from 1999	% Change
Northwest	Cheyenne	Native Grass			30	31	\$1	3%	28	-\$2	-7%
		Dry Land			96	102	\$6	6%	92	-\$4	-4%
		Irrigated Land	300	76.8%	160	178	\$18	11%	161	\$1	1%
	Decatur	Native Grass			38	39	\$1	3%	36	-\$2	-5%
		Dry Land			88	93	\$5	6%	85	-\$3	-3%
		Irrigated Land	100	80.6%	263	287	\$24	9%	261	-\$2	-1%
	Graham	Native Grass			40	41	\$1	2%	38	-\$2	-5%
		Dry Land			62	64	\$2	3%	59	-\$3	-5%
		Irrigated Land	200	45.5%	181	197	\$16	9%	180	-\$1	-1%
	Norton	Native Grass			40	42	\$2	5%	38	-\$2	-5%
		Dry Land			87	96	\$9	10%	87	\$0	0%
		Irrigated Land	100	96.9%	266	296	\$30	11%	270	\$4	2%
	Rawlins	Native Grass			29	31	\$2	7%	28	-\$1	-3%
		Dry Land			81	84	\$3	4%	76	-\$5	-6%
		Irrigated Land	300	54.4%	168	186	\$18	11%	169	\$1	1%
	Sheridan	Native Grass			31	32	\$1	3%	29	-\$2	-6%
		Dry Land			80	83	\$3	4%	76	-\$4	-5%
		Irrigated Land	200	51.1%	233	254	\$21	9%	231	-\$2	-1%
Sherman	Native Grass			32	34	\$2	6%	30	-\$2	-6%	
	Dry Land			79	80	\$1	1%	73	-\$6	-8%	
	Irrigated Land	300	84.8%	159	174	\$15	9%	158	-\$1	-1%	
Thomas	Native Grass			32	34	\$2	6%	31	-\$1	-3%	
	Dry Land			75	75	\$0	0%	69	-\$6	-8%	
	Irrigated Land	200	55.1%	212	227	\$15	7%	206	-\$6	-3%	
West Central	Gove	Native Grass			31	32	\$1	3%	29	-\$2	-6%
		Dry Land			92	97	\$5	5%	88	-\$4	-4%
		Irrigated Land	100	55.4%	192	213	\$21	11%	194	\$2	1%
	Greeley	Native Grass			31	32	\$1	3%	29	-\$2	-6%
		Dry Land			85	89	\$4	5%	81	-\$4	-5%
		Irrigated Land	200	92.9%	133	152	\$19	14%	138	\$5	4%
	Lane	Native Grass			28	29	\$1	4%	26	-\$2	-7%
		Dry Land			80	84	\$4	5%	77	-\$3	-4%
		Irrigated Land	200	52.2%	124	142	\$18	15%	130	\$6	5%
	Logan	Native Grass			29	30	\$1	3%	27	-\$2	-7%
		Dry Land			84	87	\$3	4%	79	-\$5	-6%
		Irrigated Land	200	69.7%	163	184	\$21	13%	167	\$4	2%
	Ness	Native Grass			39	40	\$1	3%	36	-\$3	-8%
		Dry Land			85	87	\$2	2%	79	-\$6	-7%
		Irrigated Land	100	84.4%	232	266	\$34	15%	242	\$10	4%
	Scott	Native Grass			29	30	\$1	3%	27	-\$2	-7%
		Dry Land			100	108	\$8	8%	98	-\$2	-2%
		Irrigated Land	200	61.2%	125	146	\$21	17%	132	\$7	6%
	Trego	Native Grass			39	40	\$1	3%	37	-\$2	-5%
		Dry Land			82	85	\$3	4%	77	-\$5	-6%
		Irrigated Land	100	82.2%	177	199	\$22	12%	181	\$4	2%
	Wallace	Native Grass			30	31	\$1	3%	28	-\$2	-7%
		Dry Land			87	91	\$4	5%	82	-\$5	-6%
		Irrigated Land	200	57.6%	165	186	\$21	13%	168	\$3	2%
Wichita	Native Grass			30	31	\$1	3%	28	-\$2	-7%	
	Dry Land			95	101	\$6	6%	92	-\$3	-3%	
	Irrigated Land	200	95.0%	136	155	\$19	14%	141	\$5	4%	

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Attachment 4*

Agricultural Land Value Comparison - Adding 1.5 Points to Cap Rate
Grouped by Crop Reporting District

District	County	Land Use	Well Depth	% Acres for Well Depth	1999	2000	Change in	%	2000 Wt. Value	Change in	%
					Wt Avg Value	Wt Avg Value	Value from 1999 to 2000	Change from 1999 to 2000	adding 1.5 points to Cap Rate	Value from 1999	Change
Southwest	Clark	Native Grass			37	38	\$1	3%	35	-\$2	-5%
		Dry Land			74	75	\$1	1%	68	-\$6	-8%
		Irrigated Land	200	60.2%	262	296	\$34	13%	269	\$7	3%
Finney		Native Grass			28	29	\$1	4%	26	-\$2	-7%
		Dry Land			87	90	\$3	3%	81	-\$6	-7%
		Irrigated Land	300	38.8%	123	140	\$17	14%	127	\$4	3%
Ford		Native Grass			38	38	\$0	0%	35	-\$3	-8%
		Dry Land			77	79	\$2	3%	72	-\$5	-6%
		Irrigated Land	200	55.7%	229	262	\$33	14%	239	\$10	4%
Grant		Native Grass			33	34	\$1	3%	31	-\$2	-6%
		Dry Land			88	91	\$3	3%	82	-\$6	-7%
		Irrigated Land	400	31.8%	137	169	\$32	23%	152	\$15	11%
Gray		Native Grass			31	31	\$0	0%	28	-\$3	-10%
		Dry Land			82	87	\$5	6%	79	-\$3	-4%
		Irrigated Land	200	50.6%	200	227	\$27	14%	207	\$7	3%
Hamilton		Native Grass			27	27	\$0	0%	25	-\$2	-7%
		Dry Land			71	74	\$3	4%	67	-\$4	-6%
		Irrigated Land	100	46.9%	251	277	\$26	10%	252	\$1	0%
Haskell		Native Grass			29	29	\$0	0%	26	-\$3	-10%
		Dry Land			101	104	\$3	3%	94	-\$7	-7%
		Irrigated Land	400	32.9%	176	204	\$28	16%	184	\$8	5%
Hodgeman		Native Grass			36	37	\$1	3%	33	-\$3	-8%
		Dry Land			67	68	\$1	1%	62	-\$5	-7%
		Irrigated Land	100	73.8%	312	348	\$36	12%	318	\$6	2%
Kearny		Native Grass			28	28	\$0	0%	25	-\$3	-11%
		Dry Land			93	96	\$3	3%	86	-\$7	-8%
		Irrigated Land	300	52.8%	78	91	\$13	17%	82	\$4	5%
Meade		Native Grass			29	29	\$0	0%	26	-\$3	-10%
		Dry Land			79	79	\$0	0%	72	-\$7	-9%
		Irrigated Land	400	67.9%	174	203	\$29	17%	184	\$10	6%
Morton		Native Grass			31	32	\$1	3%	29	-\$2	-6%
		Dry Land			71	66	-\$5	-7%	59	-\$12	-17%
		Irrigated Land	300	35.7%	156	196	\$40	26%	177	\$21	13%
Seward		Native Grass			27	27	\$0	0%	25	-\$2	-7%
		Dry Land			76	78	\$2	3%	70	-\$6	-8%
		Irrigated Land	400	57.5%	104	125	\$21	20%	113	\$9	9%
Stanton		Native Grass			31	32	\$1	3%	29	-\$2	-6%
		Dry Land			78	81	\$3	4%	74	-\$4	-5%
		Irrigated Land	400	52.1%	145	179	\$34	23%	162	\$17	12%
Stevens		Native Grass			32	32	\$0	0%	29	-\$3	-9%
		Dry Land			102	88	-\$14	-14%	80	-\$22	-22%
		Irrigated Land	400	20.2%	110	129	\$19	17%	116	\$6	5%

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Agricultural Land Value Comparison - Adding 1.5 Points to Cap Rate
Grouped by Crop Reporting District

District	County	Land Use	Well Depth	% Acres for Well Depth	1999	2000	Change in	%	2000 Wt. Value	Change in	%
					Wt Avg Value	Wt Avg Value	Value from 1999 to 2000	Change from 1999 to 2000	adding 1.5 points to Cap Rate	Value from 1999	Change
North Central	Clay	Native Grass			67	71	\$4	6%	65	-\$2	-3%
		Dry Land			151	161	\$10	7%	147	-\$4	-3%
		Irrigated Land	100	100.0%	404	407	\$3	1%	371	-\$33	-8%
Cloud		Native Grass			63	66	\$3	5%	60	-\$3	-5%
		Dry Land			115	125	\$10	9%	114	-\$1	-1%
		Irrigated Land	100	82.3%	292	295	\$3	1%	270	-\$22	-8%
Jewell		Native Grass			52	55	\$3	6%	50	-\$2	-4%
		Dry Land			136	148	\$12	9%	134	-\$2	-1%
		Irrigated Land	100	100.0%	268	261	-\$7	-3%	237	-\$31	-12%
Mitchell		Native Grass			54	57	\$3	6%	52	-\$2	-4%
		Dry Land			125	135	\$10	8%	123	-\$2	-2%
		Irrigated Land	100	100.0%	383	385	\$2	1%	350	-\$33	-9%
Osborne		Native Grass			42	44	\$2	5%	40	-\$2	-5%
		Dry Land			95	102	\$7	7%	92	-\$3	-3%
		Irrigated Land	100	100.0%	387	388	\$1	0%	353	-\$34	-9%
Ottawa		Native Grass			58	62	\$4	7%	57	-\$1	-2%
		Dry Land			127	139	\$12	9%	126	-\$1	-1%
		Irrigated Land			353	356	\$3	1%	324	-\$29	-8%
Phillips		Native Grass			44	46	\$2	5%	42	-\$2	-5%
		Dry Land			99	109	\$10	10%	99	\$0	0%
		Irrigated Land	100	100.0%	397	396	-\$1	0%	360	-\$37	-9%
Republic		Native Grass			64	68	\$4	6%	62	-\$2	-3%
		Dry Land			140	154	\$14	10%	140	\$0	0%
		Irrigated Land	100	83.0%	269	267	-\$2	-1%	243	-\$26	-10%
Rooks		Native Grass			41	44	\$3	7%	40	-\$1	-2%
		Dry Land			70	74	\$4	6%	67	-\$3	-4%
		Irrigated Land	100	100.0%	338	331	-\$7	-2%	301	-\$37	-11%
Smith		Native Grass			42	45	\$3	7%	41	-\$1	-2%
		Dry Land			125	136	\$11	9%	123	-\$2	-2%
		Irrigated Land	100	100.0%	397	401	\$4	1%	365	-\$32	-8%
Washington		Native Grass			58	61	\$3	5%	56	-\$2	-3%
		Dry Land			158	167	\$9	6%	152	-\$6	-4%
		Irrigated Land	100	69.4%	304	310	\$6	2%	282	-\$22	-7%

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Agricultural Land Value Comparison - Adding 1.5 Points to Cap Rate
Grouped by Crop Reporting District

District	County	Land Use	% Acres		1999 Wt Avg Value	2000 Wt Avg Value	Change in Value from 1999 to 2000	% Change from 1999 to 2000	2000 Wt. Value adding 1.5 points to Cap Rate	Change in Value from 1999	% Change
			Well Depth	for Well Depth							
Central	Barton	Native Grass			44	46	\$2	5%	42	-\$2	-5%
		Dry Land			107	115	\$8	7%	105	-\$2	-2%
		Irrigated Land	100	100.0%	279	289	\$10	4%	263	-\$16	-6%
	Dickinson	Native Grass			60	63	\$3	5%	57	-\$3	-5%
		Dry Land			133	145	\$12	9%	131	-\$2	-2%
		Irrigated Land	100	100.0%	328	351	\$23	7%	319	-\$9	-3%
	Ellis	Native Grass			41	44	\$3	7%	40	-\$1	-2%
		Dry Land			67	71	\$4	6%	64	-\$3	-4%
		Irrigated Land	100	100.0%	314	332	\$18	6%	301	-\$13	-4%
	Ellsworth	Native Grass			45	48	\$3	7%	44	-\$1	-2%
		Dry Land			92	94	\$2	2%	86	-\$6	-7%
		Irrigated Land	100	100.0%	325	344	\$19	6%	313	-\$12	-4%
	Lincoln	Native Grass			42	45	\$3	7%	41	-\$1	-2%
		Dry Land			98	108	\$10	10%	98	\$0	0%
		Irrigated Land	100	100.0%	308	331	\$23	7%	302	-\$6	-2%
	Marion	Native Grass			55	59	\$4	7%	53	-\$2	-4%
		Dry Land			151	164	\$13	9%	148	-\$3	-2%
		Irrigated Land	100	100.0%	326	349	\$23	7%	317	-\$9	-3%
	McPherson	Native Grass			56	60	\$4	7%	54	-\$2	-4%
		Dry Land			142	153	\$11	8%	139	-\$3	-2%
		Irrigated Land	100	61.8%	335	362	\$27	8%	328	-\$7	-2%
	Rice	Native Grass			54	57	\$3	6%	52	-\$2	-4%
		Dry Land			122	131	\$9	7%	119	-\$3	-2%
		Irrigated Land	100	100.0%	297	310	\$13	4%	282	-\$15	-5%
	Rush	Native Grass			42	45	\$3	7%	41	-\$1	-2%
		Dry Land			70	71	\$1	1%	65	-\$5	-7%
		Irrigated Land	100	100.0%	334	346	\$12	4%	315	-\$19	-6%
Russell	Native Grass			40	42	\$2	5%	38	-\$2	-5%	
	Dry Land			76	78	\$2	3%	71	-\$5	-7%	
Saline	Native Grass			48	52	\$4	8%	47	-\$1	-2%	
	Dry Land			131	140	\$9	7%	127	-\$4	-3%	
	Irrigated Land	100	100.0%	378	402	\$24	6%	363	-\$15	-4%	

Agricultural Land Value Comparison - Adding 1.5 Points to Cap Rate
Grouped by Crop Reporting District

District	County	Land Use	Well Depth	% Acres for Well Depth	1999 Wt Avg Value	2000 Wt Avg Value	Change in Value from 1999 to 2000	% Change from 1999 to 2000	2000 Wt. Value adding 1.5 points to Cap Rate	Change in Value from 1999	% Change
South Central	Barber	Native Grass			36	38	\$2	6%	34	-\$2	-6%
		Dry Land			98	101	\$3	3%	92	-\$6	-6%
		Irrigated Land	100	53.5%	285	299	\$14	5%	272	-\$13	-5%
	Comanche	Native Grass			35	36	\$1	3%	33	-\$2	-6%
		Dry Land			68	68	\$0	0%	62	-\$6	-9%
		Irrigated Land	300	36.5%	161	168	\$7	4%	153	-\$8	-5%
	Edwards	Native Grass			35	37	\$2	6%	34	-\$1	-3%
		Dry Land			73	76	\$3	4%	69	-\$4	-5%
		Irrigated Land	100	87.0%	275	292	\$17	6%	265	-\$10	-4%
	Harper	Native Grass			50	53	\$3	6%	49	-\$1	-2%
		Dry Land			119	122	\$3	3%	111	-\$8	-7%
		Irrigated Land	100	100.0%	353	373	\$20	6%	340	-\$13	-4%
	Harvey	Native Grass			54	57	\$3	6%	52	-\$2	-4%
		Dry Land			150	163	\$13	9%	148	-\$2	-1%
		Irrigated Land	100	75.0%	316	343	\$27	9%	311	-\$5	-2%
	Kingman	Native Grass			47	49	\$2	4%	45	-\$2	-4%
		Dry Land			120	126	\$6	5%	114	-\$6	-5%
		Irrigated Land	100	100.0%	314	334	\$20	6%	303	-\$11	-4%
	Kiowa	Native Grass			35	37	\$2	6%	34	-\$1	-3%
		Dry Land			68	71	\$3	4%	64	-\$4	-6%
		Irrigated Land	100	58.8%	216	226	\$10	5%	205	-\$11	-5%
	Pawnee	Native Grass			39	41	\$2	5%	38	-\$1	-3%
		Dry Land			77	83	\$6	8%	76	-\$1	-1%
		Irrigated Land	100	87.0%	319	334	\$15	5%	303	-\$16	-5%
	Pratt	Native Grass			36	38	\$2	6%	35	-\$1	-3%
		Dry Land			96	101	\$5	5%	92	-\$4	-4%
		Irrigated Land	200	50.5%	202	211	\$9	4%	192	-\$10	-5%
Reno	Native Grass			53	56	\$3	6%	51	-\$2	-4%	
	Dry Land			136	146	\$10	7%	132	-\$4	-3%	
	Irrigated Land	100	96.5%	303	321	\$18	6%	292	-\$11	-4%	
Sedgwick	Native Grass			55	58	\$3	5%	53	-\$2	-4%	
	Dry Land			138	149	\$11	8%	136	-\$2	-1%	
	Irrigated Land	100	100.0%	318	345	\$27	8%	314	-\$4	-1%	
Stafford	Native Grass			37	39	\$2	5%	35	-\$2	-5%	
	Dry Land			106	112	\$6	6%	102	-\$4	-4%	
	Irrigated Land	100	100.0%	281	293	\$12	4%	267	-\$14	-5%	
Sumner	Native Grass			51	54	\$3	6%	49	-\$2	-4%	
	Dry Land			112	117	\$5	4%	106	-\$6	-5%	
	Irrigated Land	100	100.0%	336	357	\$21	6%	326	-\$10	-3%	

Agricultural Land Value Comparison - Adding 1.5 Points to Cap Rate
Grouped by Crop Reporting District

District	County	Land Use	% Acres		1999 Wt Avg Value	2000 Wt Avg Value	Change in Value from 1999 to 2000	% Change from 1999 to 2000	2000 Wt. Value adding 1.5 points to Cap Rate	Change in Value from 1999	% Change
			Well Depth	for Well Depth							
Northeast	Atchison	Native Grass			61	63	\$2	3%	57	-\$4	-7%
		Dry Land			220	233	\$13	6%	211	-\$9	-4%
	Brown	Native Grass			70	73	\$3	4%	66	-\$4	-6%
		Dry Land			253	276	\$23	9%	251	-\$2	-1%
	Doniphan	Native Grass			57	58	\$1	2%	53	-\$4	-7%
		Dry Land			320	354	\$34	11%	322	\$2	1%
	Jackson	Native Grass			61	63	\$2	3%	57	-\$4	-7%
		Dry Land			179	194	\$15	8%	176	-\$3	-2%
	Jefferson	Native Grass			54	56	\$2	4%	51	-\$3	-6%
		Dry Land			226	242	\$16	7%	220	-\$6	-3%
	Leavenworth	Native Grass			58	59	\$1	2%	54	-\$4	-7%
		Dry Land			238	250	\$12	5%	226	-\$12	-5%
	Marshall	Native Grass			50	52	\$2	4%	47	-\$3	-6%
		Dry Land			188	201	\$13	7%	183	-\$5	-3%
	Nemaha	Native Grass			64	67	\$3	5%	61	-\$3	-5%
		Dry Land			207	220	\$13	6%	200	-\$7	-3%
	Pottawatomie	Native Grass			62	64	\$2	3%	58	-\$4	-6%
		Dry Land			256	270	\$14	5%	244	-\$12	-5%
	Riley	Native Grass			52	53	\$1	2%	48	-\$4	-8%
		Dry Land			197	211	\$14	7%	191	-\$6	-3%
Irrigated Land		100	100.0%	414	429	\$15	4%	389	-\$25	-6%	
Wyandotte	Native Grass			53	54	\$1	2%	49	-\$4	-8%	
	Dry Land			251	260	\$9	4%	237	-\$14	-6%	
East Central	Anderson	Native Grass			63	68	\$5	8%	62	-\$1	-2%
		Dry Land			202	216	\$14	7%	196	-\$6	-3%
	Chase	Native Grass			56	60	\$4	7%	54	-\$2	-4%
		Dry Land			173	189	\$16	9%	171	-\$2	-1%
	Coffey	Native Grass			77	81	\$4	5%	73	-\$4	-5%
		Dry Land			183	197	\$14	8%	177	-\$6	-3%
	Douglas	Native Grass			63	67	\$4	6%	61	-\$2	-3%
		Dry Land			213	232	\$19	9%	211	-\$2	-1%
	Franklin	Native Grass			63	67	\$4	6%	61	-\$2	-3%
		Dry Land			217	234	\$17	8%	212	-\$5	-2%
	Geary	Native Grass			62	65	\$3	5%	59	-\$3	-5%
		Dry Land			208	221	\$13	6%	200	-\$8	-4%
		Irrigated Land	100	100.0%	412	418	\$6	1%	379	-\$33	-8%
	Johnson	Native Grass			52	56	\$4	8%	51	-\$1	-2%
		Dry Land			223	237	\$14	6%	215	-\$8	-4%
	Linn	Native Grass			69	74	\$5	7%	66	-\$3	-4%
		Dry Land			200	212	\$12	6%	192	-\$8	-4%
	Lyon	Native Grass			65	70	\$5	8%	63	-\$2	-3%
		Dry Land			203	220	\$17	8%	199	-\$4	-2%
	Miami	Native Grass			71	76	\$5	7%	69	-\$2	-3%
		Dry Land			214	228	\$14	7%	207	-\$7	-3%
	Morris	Native Grass			57	61	\$4	7%	56	-\$1	-2%
		Dry Land			156	170	\$14	9%	154	-\$2	-1%
		Irrigated Land	100	100.0%	332	360	\$28	8%	326	-\$6	-2%
	Osage	Native Grass			74	79	\$5	7%	72	-\$2	-3%
		Dry Land			201	219	\$18	9%	199	-\$2	-1%
	Shawnee	Native Grass			62	66	\$4	6%	60	-\$2	-3%
		Dry Land			190	210	\$20	11%	191	\$1	1%
	Wabaunsee	Native Grass			51	56	\$5	10%	50	-\$1	-2%
		Dry Land			235	251	\$16	7%	228	-\$7	-3%

**Agricultural Land Value Comparison - Adding 1.5 Points to Cap Rate
Grouped by Crop Reporting District**

District	County	Land Use	Well Depth	% Acres for Well Depth	1999	2000	Change in	%	2000 Wt. Value	Change in	%
					Wt Avg Value	Wt Avg Value	Value from 1999 to 2000	Change from 1999 to 2000	adding 1.5 points to Cap Rate	Value from 1999	Change
Southeast	Allen	Native Grass			70	74	\$4	6%	68	-\$2	-3%
		Dry Land			167	178	\$11	7%	162	-\$5	-3%
	Bourbon	Native Grass			60	64	\$4	7%	58	-\$2	-3%
		Dry Land			149	161	\$12	8%	147	-\$2	-1%
	Butler	Native Grass			52	55	\$3	6%	50	-\$2	-4%
		Dry Land			143	158	\$15	10%	144	\$1	1%
		Irrigated Land	100	100.0%	376	399	\$23	6%	362	-\$14	-4%
	Chautauqua	Native Grass			50	53	\$3	6%	48	-\$2	-4%
		Dry Land			145	157	\$12	8%	143	-\$2	-1%
	Cherokee	Native Grass			72	75	\$3	4%	68	-\$4	-6%
		Dry Land			160	178	\$18	11%	161	\$1	1%
	Cowley	Native Grass			48	51	\$3	6%	46	-\$2	-4%
		Dry Land			109	115	\$6	6%	105	-\$4	-4%
		Irrigated Land	100	100.0%	310	337	\$27	9%	307	-\$3	-1%
	Crawford	Native Grass			56	59	\$3	5%	53	-\$3	-5%
		Dry Land			171	185	\$14	8%	167	-\$4	-2%
	Elk	Native Grass			55	58	\$3	5%	52	-\$3	-5%
		Dry Land			154	170	\$16	10%	154	\$0	0%
	Greenwood	Native Grass			55	58	\$3	5%	53	-\$2	-4%
		Dry Land			180	194	\$14	8%	176	-\$4	-2%
	Lafayette	Native Grass			74	78	\$4	5%	71	-\$3	-4%
		Dry Land			136	147	\$11	8%	133	-\$3	-2%
	Montgomery	Native Grass			63	66	\$3	5%	60	-\$3	-5%
		Dry Land			130	139	\$9	7%	127	-\$3	-2%
	Neosho	Native Grass			74	78	\$4	5%	71	-\$3	-4%
		Dry Land			153	166	\$13	8%	151	-\$2	-1%
Wilson	Native Grass			62	66	\$4	6%	60	-\$2	-3%	
	Dry Land			153	167	\$14	9%	152	-\$1	-1%	
Woodson	Native Grass			72	75	\$3	4%	68	-\$4	-6%	
	Dry Land			163	176	\$13	8%	160	-\$3	-2%	

	1999 Actual	2000 Projected	2000 w/1.5 points
Assessed Valuation	1,351,367,730	1,429,248,241	1,298,239,248
Change from 1999		77,880,511	-53,128,482
% Change		5.76%	-3.93%



Since 1894

March 9, 2000

Senate Assessment and Taxation Committee

Testimony of the Kansas Livestock Association

From: Allie Devine

RE: SB 654

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 SB-⁶⁵⁴564. Throughout the past five years KLA has participated on the Secretary of Revenue's Use Value Advisory Committee chaired by Senator Janis Lee. 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, dryland cropland, and pastureland.

It is our understanding that SB 654 makes two amendments to current law. The first change would allow lands enrolled in the federal wetlands reserve program to be appraised as agricultural lands. This would reverse a recent Board of Tax Appeals decision that determined such land should be treated as "other" land. We support this change. Today, water quality protection is a major concern for agricultural producers. Preservation of wetlands has been deemed a priority by federal and state water policy. This change would make tax policy consistent with water and land preservation policy.

Please recall that agricultural land is appraised according to its "use value" not "market value" as is residential property. This means that agricultural land is appraised according to an income stream approach rather than a market comparison approach. The capitalization rate is one of the factors used in an income analysis. The second change outlined by the bill would allow the director of property valuation more discretion to adjust the capitalization rate for tax years 2000 through 2002. In the past five years, agricultural has experienced record high and record low prices. This amendment would allow the director the flexibility to adjust the process to compensate for these unusual wide fluctuations in agricultural income. KLA supports this provision.

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KLA is also supportive of HB 2715 that was recently passed by the House Committee on Taxation. HB 2715 also amends the capitalization rate by simply changing the maximum rate from 2.75% to 3.75%. (For current statutory language see SB 564 page 3, line 2) HB 2715 would broaden the director's discretion by 1 percentage point permanently rather than making temporary adjustments for three years as described in SB 564. We prefer the amendments offered by the House but support any effort to allow additional flexibility in the capitalization rate.

HB 2715 also contains four other points: (1) the wetlands provisions; (2) clarifications as to the method of valuation of pastureland; (3) authorization of the use of adverse influences to county appraisers; and (4) creation of the position of assistant directory of property valuation for use value appraisal within the division of property valuation. KLA supports all of these provisions and requests that you consider the addition of items 2, 3, and 4.

– Pastureland: K.S.A. 79-1476 defines how the valuation of pastureland should be implemented. The statute directs the director of property valuation to value pastureland based upon the “net rental income normally received by the landlord...” (See SB 564 page 2, line 23-35) The net rental income is calculated by taking the gross income and subtracting expenses. 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”. HB 2715 would eliminate the use of the “stocking rate” in the calculation. Some values would increase and some values would decrease. KLA supports the changes because we believe that elimination of the use of the stocking rate is consistent with the original intent of the law. We also recommend that the division be directed to verify district survey results with each county to assure accuracy in the collection of data.

– Adverse Influences: KLA recognizes that K.S.A. 79-1476 outlines a process for *mass* appraisal of agricultural lands. However, even in mass appraisal there must be flexibility for the county appraisers to make adjustments to values based upon unique characteristics of property. Weather, erosion, invasive species or other factors, commonly called “adverse influences” can change the terrain and productivity of a parcel over time. In the past, county appraisers were given broad discretion to make adjustment. The division of property valuation has limited the county appraisers authority to make adjustments only to a defined list. We understand the restrictions but find that the terrain and agricultural practices across the state vary considerably. No list can encompass all of the variables present in nature. Judgment tempered by expertise should be applied. KLA supports a return of the flexibility to county appraisers with review of their decisions by an expert in agricultural land appraisal.

New position: For years, KLA has worked with the Department of Revenue to define and refine the process of valuing agricultural lands. Valuing of agricultural lands requires extensive knowledge of agricultural practices, economics, management,

agricultural technology, and appraisal practices. HB 2715 requires the Secretary of Revenue to hire someone with agricultural and appraisal expertise to implement the use value system.

Thank you for your time and consideration.



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

**RE: SB 654 - Appraising wetlands at their dry land
agricultural use value and increasing the statutory
capitalization rate authority of the director of property
valuation.**

**March 9, 2000
Topeka, Kansas**

**Presented by:
Leslie Kaufman, Assistant Director
Public Policy Division
Kansas Farm Bureau**

Chair Langworthy and members of the Senate Committee on Assessment and Taxation, thank you for the opportunity to appear today in support of SB 654. I am Leslie Kaufman. I serve as the Assistant Director of Public Policy for Kansas Farm Bureau.

The Kansas Constitution and proper implementing legislation provide for appraisal of agriculture land on the basis of its income producing capability. As you know, this is often referred to as use value appraisal. Farm Bureau strongly supports this manner of determining the value of agriculture land. Farm Bureau has been intensely involved in securing the Constitutional and statutory framework for use value appraisal. We continue to be closely involved in the

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Attachment 6*

process, including participating in the Secretary of Revenue's Advisory Committee on Use Value Appraisal.

Farm Bureau supports equitable procedures for determination of net income and for establishing and appropriate capitalization rate. These items are essential to assure equity and stability in the valuation of agriculture land.

SB 654 will define land that is devoted to agriculture use and is subject to the federal wetlands reserve program will be classified as cultivated dry land for property tax purposes. It is our understanding, an amendment such as this is necessary to prevent wetlands from being appraised outside the agriculture use value system as "other" property, resulting in higher valuation. Treating wetlands as cultivated dryland is consistent with the treatment of land enrolled in the federal Conservation Reserve Program (CRP), As such, we believe this is an appropriate means to address the valuation problem associated with wetlands.

SB 654 will also increase the capitalization rate (cap rate) for tax year 2000, then gradually phase it down in tax years 2001 and 2002. Farm Bureau considers the property valuation directors cap rate to be an important part of the use value appraisal system and we support this adjustment.

We appreciate for the opportunity to appear before you today. We respectfully encourage this committee to act favorably on SB 654. Thank you.