

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman at 9:00 a.m. February 8, 2001 in Room 519-S of the Capitol.

All members were present except: Representative Gatewood, excused
Representative Howell, excused
Representative Wilson, excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferees appearing before the committee: Representative Jim Morrison
Don Seifert, City of Olathe
Larry Kleeman, League of Kansas Municipalities
Janet Stubbs, Kansas Building Industry Association
Karen France, Kansas Association of Realtors
Robert Taggart, Kansas Certified General Appraiser
Rod Broberg, Kansas Association of Counties
and Saline County Appraiser
Larry Kleeman, League of Kansas Municipalities
Lonie Addis, Kansas County Commissioners Association

Others attending: See attached list.

The Chairman opened the meeting by asking for bill introductions.

By unanimous consent bill will be introduced to freeze state spending at the 2001 level at the request of Representative Pyle. [HB 2502 - Limiting expenditures by all state agencies for FY2002]

By unanimous consent bill will be introduced to repeal the additional one cent tax on motor vehicle fuel at the request of Representative Pyle. [HB 2492 - Motor vehicle fuel taxes - rates]

Representative Jim Morrison presented testimony in support of **HB 2063**. He noted this bill was for the purpose of clarifying that furnishings inside Community College buildings are exempt as well as the buildings.

Hearing on **HB 2063** was closed.

Hearing was opened on:

HB 2266 - Independent power producers, coal-fired generation; exemption from regulation; bonds for pollution control devices; property tax

Representative Sloan presented testimony in support of **HB 2266** and responded to questions from members of the Committee.

Hearing on **HB 2266** was closed.

Hearing was opened on:

HB 2007 - Sales tax information provided to local governments.

Don Seifert presented testimony in support of the bill on behalf of the City of Olathe (Attachment #1). The bill was introduced by the interim tax committee after study of the local sales tax distribution issue. The City of Olathe requests consideration of amendments to **HB 2007** which have been discussed with Department of

CONTINUATION SHEET

Revenue staff. The amendments would (1) allow information to go both ways, i.e. from the city to the county as well as county to city; (2) allow the clerk or treasurer to release local sales tax information to other designated local officials, such as a city manager, city council, or city auditor, and (3) expand the applicability of **HB 2007** to the transient guest tax, as well as the local sales tax. Seifert responded to questions from members of the committee.

Larry Kleeman, presented testimony in support of **HB 2007** on behalf of the League of Kansas Municipalities (Attachment #2) and responded to questions from members of the committee.

Hearing on **HB 2007** was closed.

Hearing was opened on:

HB 2064 - Fair market value determination for property tax purposes not inclusive of special assessments

Janet Stubbs presented testimony in support of **HB 2064** on behalf of the Kansas Building Industry Association (Attachment #3) and responded to questions from members of the committee..

Karen France presented oral testimony in support of **HB 2064** on behalf of the Kansas Association of Realtors and responded to questions from members of the Committee.

Robert Taggart, a Kansas Certified General Appraiser, presented testimony in support of **HB 2064** (Attachment #4). Mr. Taggart responded to questions from members of the committee.

Written testimony in opposition to **HB 2064** was presented by Bob Broberg for the Kansas County Appraisers Association and the Kansas Association of Counties (Attachment #5). Mr. Broberg is County Appraiser for Saline County and responded to questions from the committee.

Larry Kleeman presented testimony in opposition to **HB 2064** on behalf of the Kansas League of Municipalities (Attachment #6) and responded to questions from members of the committee.

Lonie Addis presented testimony in opposition to **HB 2064** on behalf of the Kansas County Commissioners Association (Attachment #7). Mr. Addis responded to questions from members of the committee.

Hearing on **HB 2064** was closed.

The Committee took under consideration **HB 2063** on which hearing was held today.

Representative Osborne moved that **HB 2063** be reported favorable for passage to be placed on the Consent Calendar. Representative Palmer seconded and motion was adopted.

The meeting adjourned at 10:44 a.m. Next meeting is scheduled for February 12.



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MEMORANDUM

TO: Members of the House Taxation Committee
FROM: Donald R. Seifert, Policy Development Leader *DRS*
SUBJECT: **House Bill 2007**; Local Sales Tax Information
DATE: February 8, 2001

On behalf of the city of Olathe, thank you for the opportunity to appear today in support of this bill. The interim tax committee introduced HB 2007 after study of the local sales tax distribution issue. The bill is aimed at facilitating information sharing between a county and city about local sales tax distributions. In our case, it would allow Johnson County to legally discuss sales tax information with our city treasurer located across the street.

For several years, the city of Olathe, like many other communities dependent on sales tax for general operations, has been concerned about the reliability of the local sales tax distribution process. Last year, HB 3007, introduced at Olathe's request, became part of the final tax bill. This bill allowed the Department of Revenue to produce and release more useful reports used by local government to monitor and forecast local sales tax trends. It authorized reports indicating tax liability as well as tax remittance, provided for identification of multiple business locations under a single taxpayer, and slightly relaxed confidentiality provisions to allow some conversation with local officials about the basis for these reports. The city believes this bill was a positive step in allowing the Department to work closer with local units on this nagging issue. The first reports authorized by last year's bill are now becoming available.

The city supports this bill, but suggests it should go a bit further. After discussing this with DOR staff, we request the committee consider amendments to HB 2007 that would:

1. Allow the information flow to go both ways, i.e. from the city to the county as well as county to city.
2. Allow the clerk or treasurer to release local sales tax information to other designated local officials, such as a city manager, city council, or city auditor.
3. Expand the applicability of HB 2007 to the transient guest tax, as well as the local sales tax.

The city understands the Department would support these amendments. We believe their addition to HB 2007 will help local officials and the Department work together in monitoring this vital revenue source.

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League of Kansas Municipalities

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

To: House Taxation Committee
From: Larry Kleeman, Assistant Legal Counsel
Date: February 8, 2001
Re: Support of HB 2007

I would like to thank the Committee for allowing the League of Kansas Municipalities to testify today in support of HB 2007. The League has been working with the Department of Revenue over the past year because of concerns of numerous cities about the accuracy of their sales tax receipts. This bill would be another positive step in that direction.

HB 2007 would allow cities and counties to share information with one another so that these jurisdictions could either correct any mistakes in sales tax collections and distributions that exist or help to remove the concerns that local governments have about this valuable revenue source.

Once again, I would like to thank the Committee for the opportunity to appear before you today in support of HB 2007. I would be more than happy to answer any questions the Committee may have.

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LEGISLATIVE



TESTIMONY



2206 SW 29th, Terr., Topeka, KS 66611

785-267-2936 Fax 785-267-2959

E-mail: janetstubbs@worldnet.att.net

HOUSE TAXATION COMMITTEE

FEBRUARY 8, 2001

HB 2064

MR. CHAIRMAN & MEMBERS OF THE COMMITTEE:

My name is Janet Stubbs, appearing today as Executive Director of the Kansas Building Industry Association in support of HB 2064

HB 2064 was requested due to a problem our Saline County members brought to the attention of Rep. Carol Beggs and our Association last Spring. The problem is that the appraiser for Saline County was adding the debt of the special assessments, which had been placed on each lot, to the sale price of each lot to arrive at the "fair market value" determination for purposes of taxation.

Docket No. 1999-4007-EQ of the Board of Tax Appeals "In the Matter of the Equalization Appeal of Blue Beacon International, Inc. for the year 1999 from Saline County, Kansas" was brought to our attention. Further investigation revealed Docket No. 1999-2680-PR, for the 1998 taxes of Karl W. Boaz of Saline County. Docket Nos. 1998-4515-EQ Thru 1998-4523-EQ, the Saline County appeal of Valley View Estates. In addition, the 1997 appeal of Westview Development Corporation of McPherson County resulted in Docket Nos. 1997-4010 thru 1997 4017-EQ.

Quite simply, Committee, the Board of Tax Appeals Order for Docket No. 1999-2680-PR states,

"The Board finds that the value of the subject property should not include the cost of the special assessments. The purchase price for the subject property in May 1997 did not include the unpaid special assessments. It is unlikely that any subsequent purchase price would include any unpaid special assessments."

It further states, "Although the special assessment may add value to the subject property, it is not intrinsic to the market value of the subject property. A 'well informed buyer' would not include the special assessments in the purchase offer. The special assessments would be deferred as long as possible. If a ~~buyer~~ ~~were to pay off~~

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...the special assessments now, any subsequent selling price would have to include ...the special assessments. It would be difficult to sell a property for \$29,400 (the County's value) when the neighboring lots are selling for approximately \$10,000. Therefore, the special assessments do not inherently affect the market value of the subject property."

"An argument could be made that the unpaid mortgage on a personal residence should be added to the value for tax purposes if the Board were to adopt the County's analysis. For example, a person borrowing money to purchase a \$100,000 home will pay approximately \$275,000 for that home over a period of thirty years. The mortgage adds value to the residence in that it affords the purchaser enjoyment and use of the property now instead of waiting thirty years for that enjoyment and use. Without the mortgage, the purchaser could not acquire the residence. But the mortgage does not add to the market value of the residence if the purchaser attempted to sell the property at a later date. Furthermore, although the purchaser will pay approximately \$275,000 for the \$100,000 residence, the County more than likely has the property appraised for approximately \$100,000."

"The Board finds that the Taxpayer has presented sufficient evidence to establish the value for 1998 at \$16,000.The Board is not persuaded by the County's argument that the fair market value includes the special assessments."

Mr. Chairman and Committee members, this is more than I had intended to say about the opinions but, fortunately, states the exact argument I made before I read the BOTA opinion but with more credibility than my own words. The other decisions reach the same conclusion. However, our efforts to get a PVD directive establishing the BOTA opinions as the correct method of appraisal of single vacant lots not used in agriculture, has not been successful to this point and the Saline County Appraiser advises he will continue to value property in the same manner until he receives a higher Court's opinion to the contrary or Legislative action.

With the written presentation by former Rep. Tim O'Sullivan, now a member of the firm of Husch & Eppenberger, LLC, Attorneys and Counselors at Law in Wichita, Mr. Chairman, I am urging your Committee to pass HB 2064 as written to enable Mr. Broberg to have a decision in accordance with the BOTA opinions referenced.

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Husch & Eppenberger, LLC

Attorneys and Counselors at Law

301 N. Main Street
Suite 1400
Wichita, KS 67202
Phone: (316) 264-3339
Fax: (316) 264-0135

Memorandum

TO: Janet Stubbs
Kansas Building Industry Association

FROM: Timothy P. O'Sullivan

DATE: February 8, 2001

RE: House Bill No. 2064

You have asked our firm to provide you with a legal opinion regarding the effect an amendment to K.S.A. 79-503a your organization is supporting has on current Kansas property valuation law. K.S.A. 79-503a defines "fair market value" for purposes of assessing property taxes in the state. Your proposed amendment would add the following language to this statute:

In the determination of fair market value of any real property which is burdened by any special assessment, the sales value thereof, and the sales value of any comparable real property so burdened, shall not include the present value of any such special assessment.

H.B. 2064. Our analysis indicates that the amendment proposed in this bill would clarify rather than substantively change K.S.A. 79-503a. The clarification appears to be in conformity with the interpretation this statutory provision is being given by the Kansas Board of Tax Appeals. The proposed amendment would no doubt lead to better uniformity in appraisals of real property throughout the state.

We were unable to find any Kansas appellate authority on the issue the role of special assessments play in the determination of fair market value of real property. Nor did a nationwide "key word" computer search turn up many decisions in other jurisdictions on this issue. In Gorz v. Gorz, 428 N.W. 2d 839 (Minn. App. 1988), the Minnesota Court of Appeals excluded special assessments from a valuation of real property disposed of in divorce proceedings. Similarly, in Indiana Department of Revenue v. Security Bank & Trust, 393 N.E.2d 197 (Ind. App. 1979), the Indiana Court of Appeals

excluded specials from its calculation of fair market value for estate tax purposes. Thus, although only a few decisions were found which touched upon this issue, what research was found supported the position that special assessments are not to be taken into consideration in determining the fair market value of real property in any context.

In 1998, California amended its property valuation statute to include language very similar to that proposed in H.B. 2064. California's statute now contains the following provision:

There is a rebuttable presumption that the value of improvements financed by the proceeds of an assessment resulting in a lien imposed on the property by a public entity is reflected in the total consideration, exclusive of that lien amount, involved in the transaction. This presumption may be overcome if the assessor establishes by a preponderance of the evidence that all or a portion of the value of those improvements is not reflected in that consideration.

Cal. Rev. & Tax. Code § 110(b). As a result of this amendment, California presumes the parties to a real estate transaction have taken the present value of any special assessments into account when they reach a purchase price for the property. The burden then shifts to the assessor to disprove this presumption if he or she disagrees with using purchase price to determine the fair market value. The California Court of Appeals recently affirmed § 110(b) as a valid means of assessing fair market value for property tax purposes. See Huson v. County of Ventura, 96 Cal. Repr. 116 (2000).

Turning to Kansas, K.S.A. 79-503a already defines fair market value as "the amount in terms of money that a well informed buyer is justified in paying and a well informed seller is justified in accepting for property in an open and competitive market, assuming that the parties are acting without undue compulsion." This definition of fair market value is not singular to Kansas. To the contrary, the definition of fair market value shows virtually no substantive variation throughout the United States in a variety of contexts, both tax and otherwise. The Kansas statute adopts the sale value of property on the open market as one factor to use in assessing fair market value. K.S.A. 79-503(i). Certainly, one would expect such sales to be determinative if they were sufficient in number, very similar in type and location, and temporally close. It is in the normal circumstance when such data is not sufficiently available that other factors are given significant import in determining what a subject property would sell for on the open market. If one assumes, as California does, that arms length transactions on the open market take into account the full value of real property, including the present value of any special assessments, then H.B. 2064 would merely clarify what is already the law in Kansas.

It appears that the Kansas Board of Tax Appeals (BOTA) shares the interpretation of K.S.A. 79-503a outlined above. We are aware of at least two decisions by that body refusing to take the present value of special assessments into account when calculating fair

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market value for property tax purposes. See In re Tax Appeals of Westview Development Corp., Docket Nos. 1997-4010-EQ through 1997-4017-EQ (1998); In re Tax Appeals of Valley View Estates, 1998-4515-EQ through 1998-4523-EQ (1999).

In Valley View Estates, BOTA stated its rationale for not including special assessments in its determination of fair market value as follows:

[T]he Board finds that the selling prices of the properties that did sell are the best indication of value for the subject properties. . . . Typically, a buyer would pay less for a property with outstanding special assessments than he would for a property that was unencumbered. While it is true that the property does already benefit from the special assessments already present, the special assessments must still be paid off and remain a liability against the property. Therefore, the Board finds that the value of the subject property should not include the value of the outstanding special assessments.

There are additional arguments for not including special assessments in the determination of fair market value. First, fair market value is determined by application of the "willing buyer/willing seller" concept with respect to a given piece of property. The fair market value determination does not permit adjustments for factors which clearly are not a component of the selling price. Second, including special assessments as "add-ons" to the purchase price would improperly treat improvements such as streets and sewers as a physical part of the subject property itself, when in fact the improvements are owned by governmental entities. This would be analogous to adding in additional value to the already determined open market selling price for below market utility rates or sewer costs in the subject area. Third, it would be capricious to conclude, without corroborating underlying data, that an arbitrary determination of the present value of future payments on special assessments should somehow be a component of the fair market value of a given parcel of real property. Finally, as alluded to by BOTA in the Valley View decision, whatever role special assessments may play in fair market value are already factored into the price a "willing buyer" will pay for a given parcel of real property on the open market.

Given the language already present in K.S.A. 79-503a and BOTA's interpretation of that statute, it appears that H.B. 2064 would not change the administrative interpretation given the law but would instead clarify it to make explicit the prohibition against including as a separate factor the present value of special assessments in appraisals of fair market value for tax purposes. The fact there have been BOTA appeals demonstrates that different Kansas taxing authorities are handling this question in different ways, and H.B. 2064 thus would have the salutary effect of encouraging uniformity in the way property tax valuations are handled throughout the state.

If the firm can be of any further assistance to you, please do not hesitate to call.

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RE: Senate Bill 92
House Bill 2064

Mlster or Madam Chairman and Members of the Committee

I am a Kansas Certified General Appraiser and reside and office here in Topeka. I have been requested to briefly explain our procedure in the valuation of residential building sites and residential subdivisions. Our appraisals are made in conformance to the Uniform Standards of Professional Appraisal Practice and KSA 79-501 and 503a.

Basically we determine the value of a residential site by the Sales Comparison Approach. It is the adjustment of known sales of similar residential sites to the subject. Adjustments are made, where necessary, for date of sale, location, size, restrictions, special assessments and condition of sale. Oftentimes residential lot sales will not vary if there is a relatively minor difference in the lot sizes. There generally is a major value difference if the site topography makes it adaptable to a walkout residence and/or if it is wooded.

It is our opinion that the market sets the site value.

In the valuation of existing and proposed subdivisions we develop the value by the discounted cash flow (DCF). Most of the subdivisions we are requested to value contain a minimum of 20 building sites. The maximum number of sites to be considered in a DCF would depend on the concluded period of adsorption. For example, if we were doing a subdivision of 20 building sites in Lawrence the market will absorb them all in within one year so no discount would apply. However, deduction from the estimated market price would include the sales commissions, real estate taxes, title policies, insurance (liability), advertising, accounting, and entrepreneurial profit.

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Some cities would require a DCF for as few as five building sites if the absorption was for a period of three years or more. The same costs as outlined above would be considered in addition to a cost of interest during the holding period.

We conclude a value to the building sites at the sale price of similar sites with or without special assessments.

If a building site in a subdivision with no special assessments sells for \$35,000.00 and a site in a similar subdivision with special assessments sells for \$25,000.00, those sales set a basis of valuing the additional sites in each of the subdivisions. And if there are a sufficient number of sites that warrant a DCF, those adjusted sales set the site value. The sale price of sites plus the special assessments will exceed the market value of sites with all the improvements in and paid.

ROBERT Q. TAGGART

MEMBER OF:

APPRAISAL INSTITUTE (MAI)

KANSAS CERTIFIED GENERAL APPRAISER

CERTIFIED ASSESSMENT EVALUATOR (CAE)

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TESTIMONY IN OPPOSITION TO HOUSE BILL 2064
Presented by ROD BROBERG for,
KANSAS COUNTY APPARISERS ASSOCIATION, &
KANSAS ASSOCIATION OF COUNTIES

House Bill 2064 would modify K.S.A. 79-503a, which is the statute that defines "fair market value". The modification would disallow the adjustment of sale prices to account for the current value of improvements to vacant land.

In Saline County, we have been making adjustments for special assessments for several years. The need to make these adjustments appeared several years before that, when problems arose in setting values on a particular subdivision. It appeared that each year we would build a model to value lots in the subdivision and each subsequent year the sale prices of the lots would be significantly higher than the value we predicted. We determined that in this particular subdivision, the developer would raise the sale price of the lots each year by the amount of the special assessments that he had to pay on the unsold lots. Even though it appeared that the values were increasing rapidly, as evidenced by the increasing sale prices, in reality, the value was there all the time. It was only that as the buyers were paying more to the developer each year, they were paying less to the City of Salina in outstanding special assessments. The total cost to the buyer was relatively constant over the time it took to sell all of the lots.

More recently subdivisions in Saline County have not experienced this phenomenon. I believe that there are two reasons for this. First, subdivision lots are developed and sold in smaller increments, with all lots in a phase being sold in three years or less. Secondly, developers are pricing the lots high enough in the first place to cover these specials costs over the absorption period.

Another situation exists currently that illustrates the inequities created by the use of special assessment financing. For this purpose I will tell you "A Tale of Two Subdivisions." Situated close to the southeast corner of the City of Salina are two subdivisions that pose an interesting comparison. Subdivision A, also called Mariposa Subdivision, is a fairly upscale new subdivision that opened about ten years ago, but continues to expand with the opening of additional phases. Subdivision B, known as Highland Meadows Hamlet, is recently opened, fairly upscale subdivision located approximately one mile from Subdivision A. From an appraisal standpoint these subdivisions appear to provide similar utility to prospective homeowners, and would be comparable for the purposes of performing an appraisal. The principal difference in these subdivisions is that Subdivision A has specials assessments and Subdivision B does not. Subdivision A financed the streets, water and sewers through the City of Salina and the payments on that indebtedness are born by whomever owns the lots. Subdivision B, on the other hand, has no special assessments as the developer either paid cash or secured private financing for the street, water and sewers.

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When a buyer purchases a lot in subdivision A, he pays the developer for the value of the land only (developers cost plus profit), and assumes an indebtedness for the value of the improvements required to make it a buildable lot. The price paid to the developer, and the present value of the debt incurred by the buyer should both be considered a part of the purchase price just as it is when a buyer purchases a lot in subdivision B, where he pays the developer directly for both the value of the land and the cost of the improvements to that land.

When trying to value these subdivisions a problem arises in that the purchase price of a lot in subdivision A is reported as the consideration paid to the developer not including the cost of the improvements to the lot, whereas the price for a lot in subdivision B is reported as the consideration paid to the developer including the improvements to the lot. Ultimately one ends up with the subdivisions valued at significantly differing values for lot that are quite similar.

As you may know, values resulting from models built with the inclusion of sales that have been adjusted for specials have been appealed to the Board of Tax Appeals. The Board found for the taxpayer and ordered lower values for those parcels that had been appealed. Subsequently, a taxpayer in Shawnee County appealed the values of lots in a subdivision and, based on the order in the Saline County case, asked that his values be lowered to exclude the value of subdivision improvements even though he had paid for them himself. In other words the Board has ruled differently in two consecutive cases.

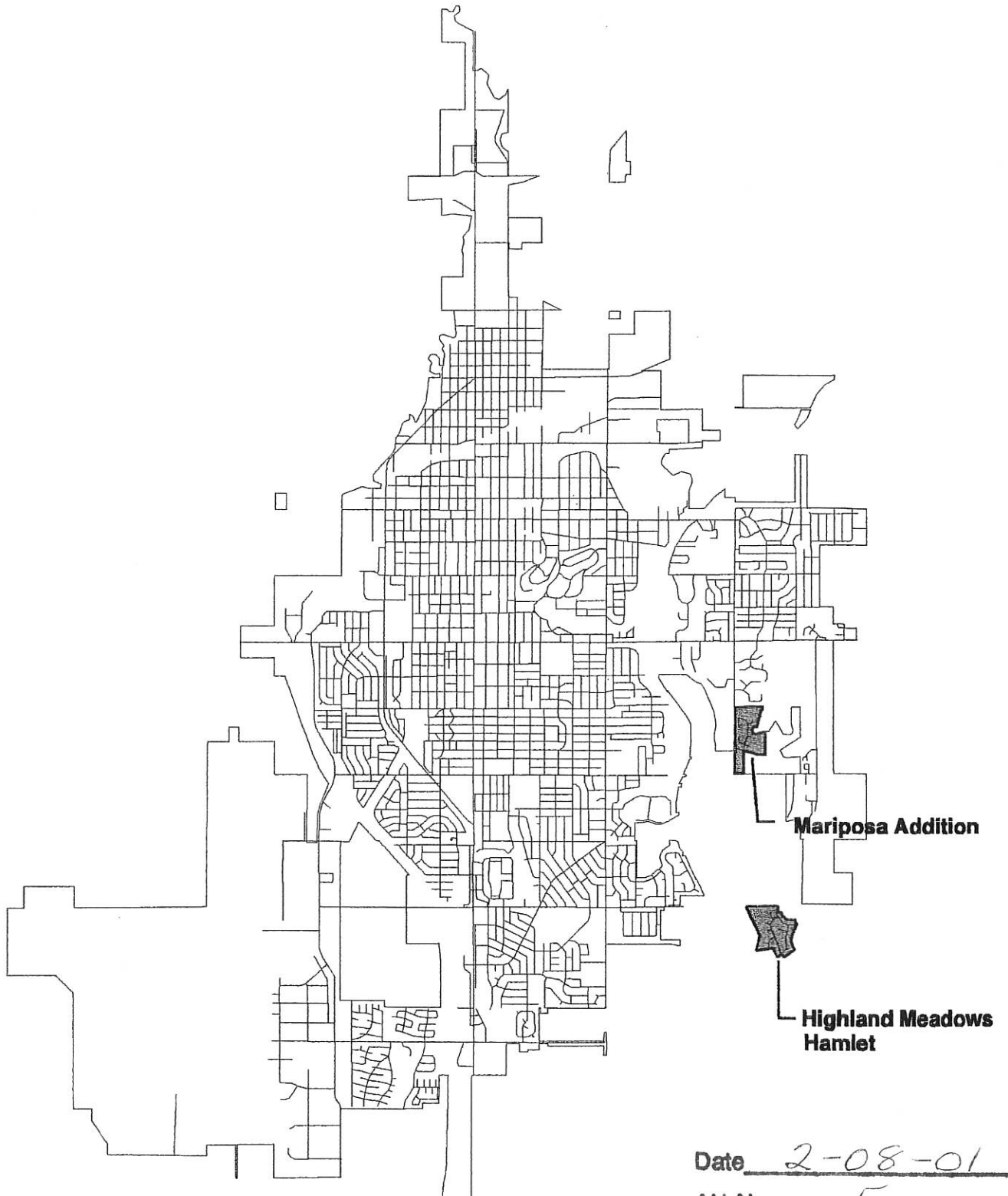
We felt strongly enough about our position in this matter that we had filed our case to District Court. In an effort to be considerate of the costs of litigation to the taxpayer, Saline County offered to drop our case, abide by the BOTA decision for 1999 and 2000 tax years. In exchange the Director of PVD would convene a committee to study the situation and make a recommendation to the Director which would ultimately result in a directive from PVD instructing counties on how to handle the influence of special assessments. This action was taken in the summer of 2000, with the resulting directive to be out by January 1, 2001. To date the committee has met several times. It is my opinion that all data has been gathered, and all viewpoints have been aired. No further meetings of the committee have been scheduled and no directive has been forthcoming.

It is our position that passage of the language in this bill would only serve to perpetuate an inequity that currently exists. Please keep in mind that the County Appraiser does not, as some would have you believe, raise or lower taxes with the raising or lowering of values. The valuation process only determines each individuals share of the total tax burden. The consideration of special assessments in the valuation process only serves to more accurately recognize value in the market place.

Thank you for your consideration..

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SOUTHEAST SALINA



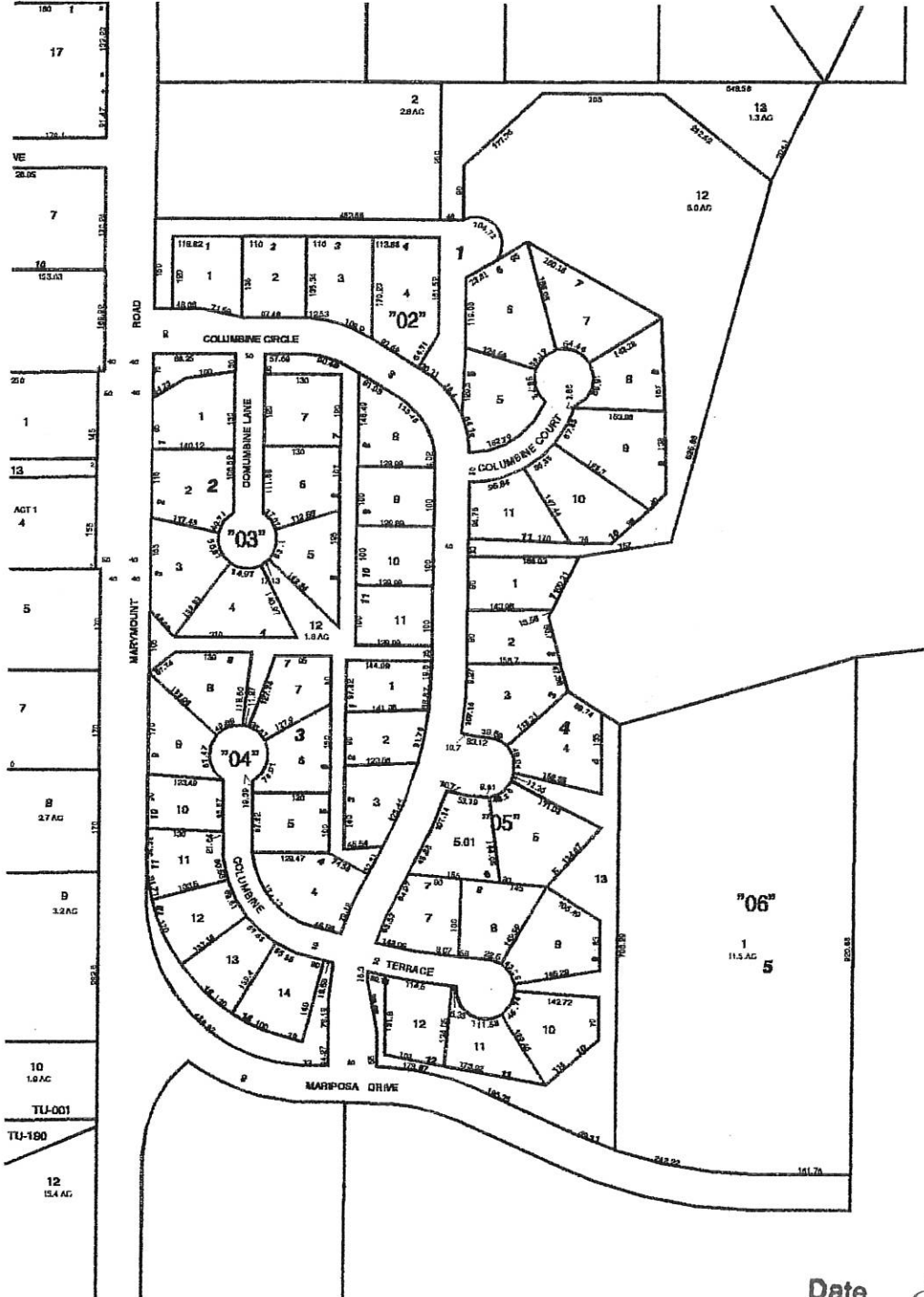
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Saline County, KS

MARIPOSA ADDITION



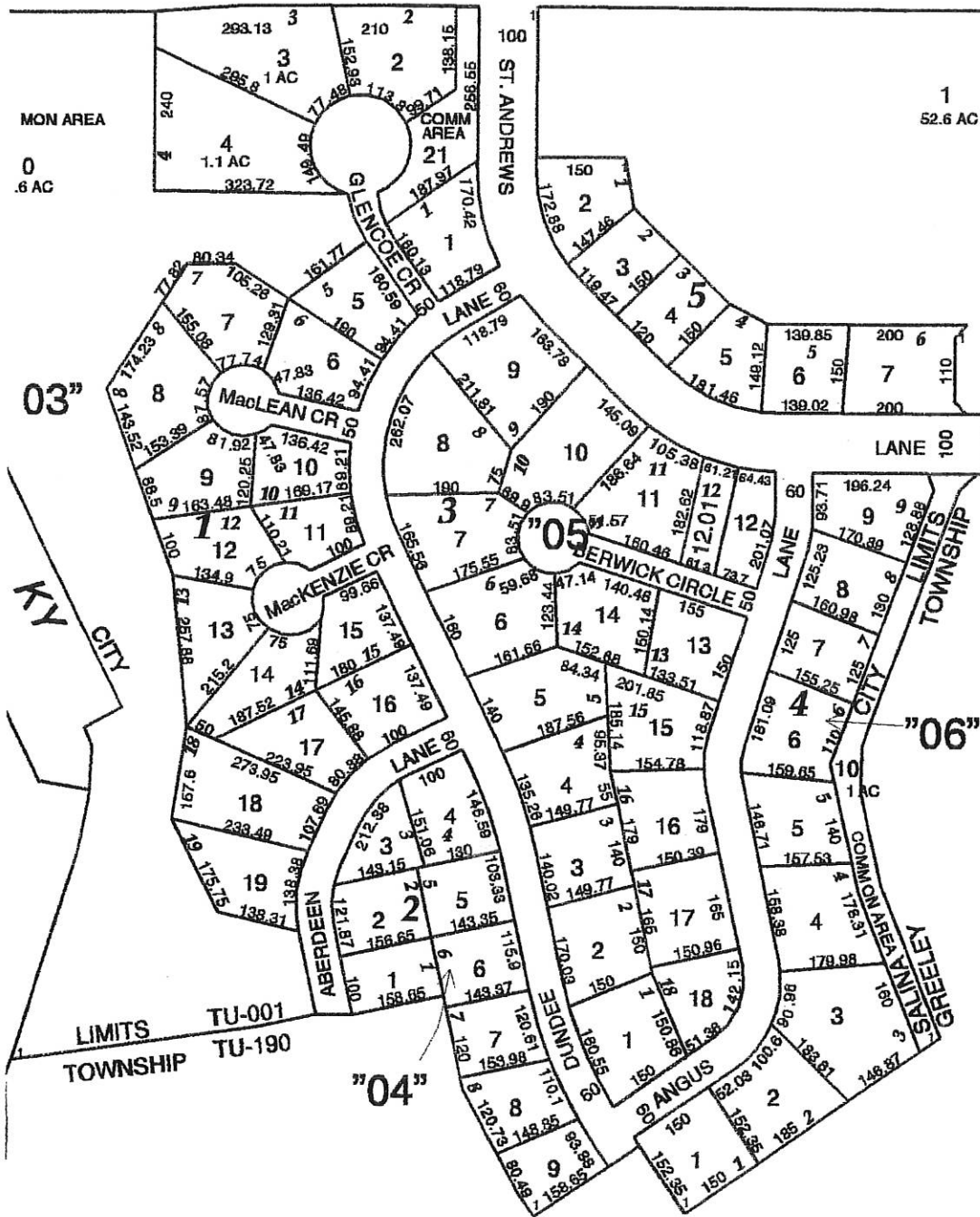
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SW/4 20-14-2, Saline County, KS

HIGHLAND MEADOWS HAMLET



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COMPARISON OF SALES OF SIMILAR LOTS IN TWO
SUBDIVISIONS

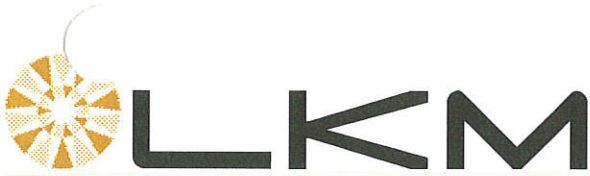
SUBDIVISION A (Mariposa)

Sale Price to Developer	\$24,000
Total Specials payable over 10 years	\$14,408
Present Value of Specials (cost of lot improvements)	\$10,770
Total sale price reported on Sales Questionnaire	\$24,000
Sale Price used for land valuation models	\$34,770
Sale Price used for land valuation models (per BOTA order)	\$24,000

SUBDIVISION B (Highland Meadows Hamlet)

Sale Price to Developer	\$37,758
Total Specials payable over 10 years	\$0.00
Cost of lot improvements (incurred by developer)	\$14,348
Total sale price reported on Sales Questionnaire	\$37,758
Sale Price used for land valuation models	\$37,758
Sale Price used for land valuation models (per BOTA order)	\$37,758

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To: House and Taxation Committee
From: Larry Kleeman, Assistant Legal Counsel
Date: February 8, 2001
Re: Opposition to HB 2064

First I would like to thank the Committee for allowing the League to appear today in opposition to HB 2064. House Bill 2064 falls into the category of a very small bill that we believe could have a very large impact on property taxes in the State of Kansas. Specifically House Bill 2064 adjusts the definition of "fair market value" to reduce it from what a well informed buyer is justified in paying and a well informed seller is justified in accepting in an open and competitive market, to a definition using that as a starting point but reducing the fair market value, for the purposes of computing property taxes, by the amount of any special assessments currently existing on the real property or on comparable properties which would be used in helping to determine fair market value. We believe the current definition clearly captures the "fair market value" and that any existing special assessments are already figured into a sale or purchase price.

Tax Shift

House Bill 2064 has several unfortunate consequences. We suspect that its proponents see this legislation as a tax cut for properties which are burdened by special assessments. We would disagree in this characterization. Rather, it is a tax shift. Let us not kid ourselves, anytime you reduce property taxes on one or more parcels of property the property tax load does not go away, it is merely moved to other properties which are not able to avail themselves of the property tax exemption. Therefore what we would see, should House Bill 2064 pass, would be a shift of property tax load from new homes in new subdivisions, which are subject to special assessments for a period of years, onto older properties on which there are no existing special assessment. We cannot believe that the state legislature would be interested in such a tax shift.

Fairness Issue

We believe there is an inheritent fairness issue here and one which cannot be ignored. To shift property taxes off of new homes onto existing older homes we believe would be adverse to a fair and equitable taxation concept and would have the unfortunate result of allowing more expensive properties, subject to special assessments in new subdivisions to push some of their rightful property tax load off on less expensive properties which have already paid for the specials they are enjoying. We would urge this Committee to reject House Bill 2064 as merely a tax shift which will have unfortunate and unintended consequences. Thank you very much for allowing the League to appear today. I will be more than happy to answer any questions the Committee may have.

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HB 2064
POSITION STATEMENT
KANSAS COUNTY COMMISSIONERS ASSOCIATION

Dear Chairman Edmonds and members of the House Committee on Taxation:

As Past-President and current Legislative Chair of the Kansas County Commissioners Association, I wish to express our opposition to HB 2064, wherein, *Special Assessments on Real Property* would no longer be allowed in determining *fair market value*. Such an initiative if passed, would create inequities in the Computer Assisted Mass Appraisal System and further curtail a county appraiser's performance in creating *fair market values* for Kansas property. All of us realize an appraiser's task is difficult enough without legislation restricting their professional approach to obtaining the *fair market value* on a parcel.

In my own county of Labette and in counties across the state, there are concerns about individual property values. We as elected officials, hear many complaints and concerns about property values and taxation. Regardless of the context of each discussion, my reply to the taxpayer is always, "We expect the county appraiser to always be fair." Every property owner should be treated equally and that two like properties should be valued in an equitable manner. Special Assessments have value and has to be construed as an improvement in determining value. We cannot start placing restrictions on appraisers that will hinder them from accomplishing the measure of fairness that we as elected officials expect for our constituents. To be fair with any appraisal is to have a good database from comparable sales that establishes *fair market value* for the subject property. By legislating the removal of *Special Assessments* would impede the process.

In this my nineteenth year as a county commissioner, I have come to respect the knowledge and integrity that accompanies the position of county appraiser. Whatever you as legislators or we as commissioners expect from them would seem small in comparison as to what they expect of themselves. In summation, I would request this committee to oppose HB 2064. Appraisers across Kansas have a difficult, thankless job to do, and we should all recognize their level of professionalism and not remove a tool they use to make values equal.

Sincerely,



Lonie R. Addis
Labette County and Legislative Chair
Kansas County Commissioners Association

640 Iowa
Oswego, KS 67356-2422
620-795-2138 ext. 260
addis@oswego.net

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