

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman Edmonds at 9:00 a.m. March 19 in Room 519-S of the Capitol.

All members were present except: Representative Powers, excused

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

Conferee appearing before the committee:

Representative McCreary
Karen France, Kansas Assn of Realtors
Karl Peterjohn, Kansas Taxpayers Network
Don Cashatt
Roland Reichart
James A. Stokes, Jr.
Vince Markovich
Marlee Carpenter, Kansas Chamber of Commerce and Industry
Randy Allen, Kansas Assn of Counties
Sandra Jacquot, Kansas League of Municipalities
Mark Tallman, Kansas Assn of School Boards

Others attending: See attached list.

Without objection bill will be introduced as requested by Board of Regents for tax credit for contributions to Board of Regents Foundation. [HB 2569 Tax credit for donations to Kansas Board of Regents Foundation]

Hearing was opened on:

HB 2396 - Property tax valuations limited

Representative McCreary presented testimony in support of **HB 2396 (Attachment #1)** and presented a petition concerning property appraisals (**Attachment #2**). He responded to questions from members of the Committee..

Karen France presented testimony in support of the bill on behalf of the Kansas Association of Realtors (**Attachment #3**) and responded to questions.

Karl Peterjohn presented testimony in support of the bill on behalf of the Kansas Taxpayers Network (**Attachment #4**) and responded to questions.

Don Cashatt, 1793 N. 250 Road, Baldwin, testified in support of the bill (**Attachment #5**).

Vince Markovich, 15705 Quivera Road, Overland Park, appeared in support of the bill and presented testimony describing his experience with the appeals system (**Attachment #6**).

Marlee Carpenter presented testimony in opposition to the bill on behalf of the Kansas Chamber of Commerce and Industry (**Attachment #7**).

CONTINUATION SHEET

Randy Allen presented testimony in opposition to the bill on behalf of the Kansas Association of Counties (Attachment #8) and responded to questions from members of the Committee.

Sandra Jacquot presented testimony in opposition to the bill on behalf of the Kansas League of Municipalities (Attachment #9) and responded to questions from members of the Committee.

Mark Tallman presented testimony in opposition to the bill on behalf of the Kansas Association of School Boards (Attachment #10) and responded to questions from members of the Committee.

Written testimony in opposition to **HB 2396** was presented by Gary George, Assistant Superintendent of Olathe U.S.D. 233 (Attachment #11).

Hearing was closed on **HB 2396**.

Hearing was opened on

HCR 5026 - A proposition to amend section 1 of article 11 of the constitution of the state of Kansas.

In support of **HCR 5026** on behalf of the Kansas Taxpayers Network, Karl Peterjohn referred to his previous testimony (Attachment #4) and responded to questions from members of the Committee.

Marlee Carpenter presented testimony on behalf of the Kansas Chamber of Commerce and Industry expressing reservations about **HCR 5026** (Attachment #12).

Hearing was closed on **HCR 5026**.

Hearing was opened on

HCR 5018 - Constitutional amendment requiring super majority vote for certain tax rate increases.

Representative Peggy Long presented testimony in support of **HCR 5018** (Attachment #13).

Karl Peterjohn presented testimony in support of the resolution on behalf of the Kansas Taxpayers Network (Attachment #14) and responded to questions.

Mark Tallman appeared in opposition to the resolution on behalf of the Kansas Association of School Boards and referred to his previous testimony (Attachment #10). He responded to questions from members of the Committee.

Hearing was closed on **HCR 5018**.

Meeting adjourned at 10:25 a.m. Next scheduled meeting is March 20..

GUEST LIST

DATE March 19

NAME	REPRESENTING
Christy Caldwell	Topeka Chamber of Comm.
Don Cashatt	Dg. Co. Prop. Owners ASSN
James A. Stokes & RUSS LARKIN	Douglas Cty. Prop. Owners Assn. DCPOA
Marani Cashatt	DCPOA - Lawr. Ks.
Fred Janacaro	DCPOA Lawr. Ks
Pheryl Janacaro	DCPOA Lawr. Ks
Clay COMFORT	" "
KAREN FRANCE	Ks. Assn of REALTORS
BILL VANEIK	" "
Merle Carpenter	KOCT
Randy Allen	Kansas Association of Counties
Roland Reichart	Home owners
Vincent Markovich	SELF & TRUST ESTATE
Debbie W. Allen	Kansas Fire
Erik Santomius	K.C. Regional Assoc. of Realtors
Mark Tallman	Ks Assoc. of School Boards
Karl Peterpeter	Ks Tappers Network
Hal Hedden	NFIB / KS
Gregory Long	Leg
Ann Dulles	DOB
Martha Ann Smith	KMHA



TOPEKA
HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: AGRICULTURE & NATURAL
RESOURCES BUDGET
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INSURANCE

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REPRESENTATIVE, 80TH DISTRICT
1423 NORTH "C" STREET
WELLINGTON, KANSAS 67152
316-326-8518

STATE CAPITOL ROOM 517-S
TOPEKA, KANSAS 66612-1504
(785) 296-7667

LEGISLATIVE HOTLINE
1-800-432-3924

Thank you Mr. Chairman and members of the committee for this hearing for HB 2396 on Property Valuation. This is a very important Bill for the people of Kansas. This bill would not allow the appraised value of real property in our state to increase more than the consumer price index for that year. This is the same bill that was passed out of the House last session and failed in the Senate.

At the end of last session, the Sumner County Commissioners called a special meeting to which they invited Senator Goodwin and me. Over 150 people showed up to voice their anger over the present property appraisal system. Some of the complaints we heard were:

- **Every year the values go up – I wish I could sell my house for what they have it appraised for.**

House Taxation
 Date 3-19-01
 AH No. 1
 Page 1 of 6

- Every year, I have to take off work and go fight the increase in the valuation.
- There is no way that my house should be compared to that one.
- We heard of increases from 20 to 40 percent. On a personal note, my property increased 19.9%.

The intent of the meeting was to come up with some ideas to correct a situation that many of the property owners of Kansas are fighting every year. It is unfair that a property owner has to fight the county or state every year to keep from paying a large increase in property tax. I have also passed out with my testimony, a petition that has been signed by approximately 155 people in the small town of Caldwell, Ks. reflecting their concern about high appraised values and property taxes.

Date 3-19-01
AH No. 1
Page 2 of 6

From information that I have received from Legislative Research, in the 5 year period between 1995 and 2000, the appraised valuation of residential property in our state increased almost 70% and the actual property tax liability on residential property over the 5 year period increased by \$218 million or 28.21%.

Of course, we are also aware that some of this increase has to do with new construction. However, considering the fact that the state mill levy was reduced from 35 mills to 20 mills in the years 1997 through 2000 with a homestead exemption on the first \$20,000 of the value of residential property, the real increase in property tax liability was not \$218 M, but much more than that.

This is because the state decreased its property tax by an accumulative \$703.2M in those years. A large portion of this reduction directly effected residential property. When I mentioned to my constituents that we have reduced taxes on their property, they have not realized that their taxes have been reduced because their taxes have gone up rapidly because of the increases at the local level. Most of this increase is due to the increase in the appraised value of their property.

Date 3-19-01
AH No. 1
Page 3 of 6

It is difficult to determine exactly how much of the growth in residential tax liability is due to new construction. This information has not been kept for all years, but the information provided to me shows that the valuation growth attributed to new construction was 2.248 % in 2000, 2.130 % in 1999, 1.949 % in 1998, and 1.830% in 1997. This averages out at about 2% increase per year. Therefore, I think it would be safe to assume that only about 10 to 12 % of this growth came from new construction. The balance came from increasing appraised values.

Some of the problems with our current system are:

- The county receives an increase in revenue without raising the mill levy. In fact, they can even reduce the mill levy and still receive additional revenue. We have passed legislation that makes it mandatory that they advertise that they are spending revenue from increased valuation, but most taxpayers don't realize that they are being hit until they hear that their mill levy is being increased. HB 2396 would put truth in taxation. There would be no question that

Date 3-19-01
AH No. 1
Page 4 of 6

taxes were increasing by forcing the counties to raise the mill levy to get additional revenue.

- Taxpayers are tired of going through the appeal process every time their property is re-appraised. They have to take time off work and if they aren't successful at the county level, they appeal at state level which in some cases require them to travel to more distant locations which takes more time and expense to fight a broken system.
- When a person moves into an area where he doesn't know the market value of property and pays too much for a house, for what ever reason, that sale adversely effects the like property in that area. I think that we all would agree that it is almost impossible to find 5 houses that are enough alike to base the value of one on the value of the others.

Date 3-19-01
AH No. 1
Page 5 of 6

Again, I thank you Mr. Chairman and members of the committee for your consideration of HB 2396. I stand for questions.

Date 3-19-01
AH No. 1
Page 6 of 6

From County Commissioners

My personal opinion on the property appraisal values in and near Caldwell is as follows:

Property appraisals and taxes are too high and unfair. The only way to fairly appraise property values is to use the price paid as a basis, if offered in an open market. Property prices may vary greatly from property to property, especially in a small town, like Caldwell, with no industry, and no great population explosion. By appraising properties on what others pay is not fair. The appraised price should be included on the tax statement. I believe the county tax appraisal office has the discretion to appraise property for the price paid without breaking state law or guidelines. This is done in other counties in Kansas. There should be, however, a means to include improvements as part of the property appraisal and a means to allow for inflation or deflation based on a five year average. I suggest that a way to begin with a fair property tax appraisal is to roll back the property values to 1999. For properties that have sold in the year of 2000, prices paid should be used. I believe that most tax payers will agree with this proposal. In Caldwell there are many homes for sale and a local Real Estate Agent said "it is a tough market".

As far as the mill-levy in Caldwell I believe it is also too high. If we are spending more than we have coming in then we have to do one of two things, (1) **collect more tax** or (2) **cut spending**. I know that if I make \$100 a week and spend \$200 a week I must cut spending by \$100 a week because, in most cases, it would be next to impossible to get \$100 a week raise. So I believe we should review our budget and expenses in Caldwell and in Sumner County and see if we can cut the fat.

I would hope an emergency proposal could be drafted addressing these issues and be added to the ballot in Caldwell on January 30th, 2001 with the school bond issue, if at all possible.

Sincerely,
Don Kappel
Don Kappel

Attached is the voice of citizens in and near Caldwell.

The attached petition was posted Dec. 22nd, the Friday before Christmas at (2) locations in Caldwell, with no advertising and under adverse weather conditions. I believe it shows the sentiment of the tax payers on the unfair taxes and should be considered, by this committee, on an expedited basis.

House Taxation
Date 3-19-01
AH No. 2
Page 1 of 7

PETITION FOR FAIR TAX

We the undersigned believe that the appraisal values of property in and around the city of Caldwell, in Sumner County, are too high and unfair. We also believe since the mill levy in Caldwell is the highest of any town in Sumner County, it is unfair. We ask these issues be brought up for a vote, if not otherwise satisfactorily resolved.

Please sign below.

Please sign name same as Water Registration Card or name won't count.

<u>Dolly Michels</u>	<u>Maal Musik</u>	<u>James D Hess</u>	<i>it will be shown out.</i>
<u>Wanda Cent</u>	<u>Lillian Baker</u>	<u>Clara B Newland</u>	
<u>Charlie Harant</u>	<u>Lupe Patton</u>	<u>Madge L Uslawka</u>	
<u>Wm B. Woods</u>	<u>Ed P. Yunker</u>	<u>Anna L. Stewart</u>	
<u>Doris Woods</u>	<u>Mollie Abbott</u>	<u>Mabel Eskelman</u>	
<u>Norma Shelton</u>	<u>Jerry Valaska</u>	<u>Ernest Stewart</u>	
<u>Ben Williams</u>	<u>Rosanna Anton</u>	<u>Edward Stewart</u>	
<u>George Redd</u>	<u>Magline de Courte</u>	<u>Roy D Williams</u>	
<u>Dorothy Baker</u>	<u>Don Patton</u>	<u>Jerome Wilkerson</u>	
<u>Anna Boyd</u>	<u>Alvin Matham</u>	<u>Howard Huben</u>	
<u>Leola</u>	<u>Arnold F. Savage</u>	<u>Tim Zalkowski</u>	
<u>Evelyn M. Scribner</u>	<u>Shojner</u>	<u>JR Carter</u>	
<u>Diana Scribner</u>	<u>Bob Shaffer</u>	<u>Wai Pater</u>	
<u>Darrell D. Dull</u>	<u>Ken Elmore</u>	<u>James E Cochran</u>	
<u>Roberta CLARK</u>	<u>Edna Williams</u>	<u>Joan Stubb</u>	
<u>Melissa Clark</u>	<u>Nora Puchner</u>	Joan Stubb	
<u>Eddie Ekler</u>	<u>Jack Burger</u>	<u>Sharon Benke</u>	
<u>Rob Schmitt</u>	<u>Carol Hess</u>	<u>James Adams</u>	
<u>George Buresh</u>	<u>Jim Flint</u>	<u>Spige E. Hesser</u>	
<u>Wayne Wersal</u>	<u>Maeline Kelly</u>	<u>Gay Davis</u>	

This petition will be turned in to the County Commissioner for Sumner County and asked that copies be forwarded to the Property Tax Appraisal office.

Date 3-19-01
AH No. 2
Page 2 of 7

J. Countryman

Dale Walcott

Alan Boyfe

Karna Boyfe

Brian Boyfe

Edna Baker

Georgette & Marie Hess

Mona Schinner

Date 3-19-01
AH No. 2
Page 3 of 7

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Please sign below.

<u>Wanda Leighty</u>	<u>Donald & Reed</u>	<u>Charles Allen</u>
<u>Sherrona Young</u>	<u>Scott Yach</u>	<u>Dennis</u>
<u>Lawrence Ketch</u>	<u>Jody Holaka</u>	<u>Robert Clark</u>
<u>Eibert Hedrick</u>	<u>Leslie Rice</u>	<u>J Little</u>
<u>Martie Hedrick</u>	<u>Annette Shaffer</u>	<u>Steve Korul</u>
<u>Pat Weber</u>	<u>Dan Shaffer</u>	<u>Jim Messing</u>
<u>Jim Leighty</u>	<u>Dana Elmann</u>	<u>Debra Deppa</u>
<u>Jerry A. Howell</u>	<u>Diane Creed</u>	<u>Cynthia Shaffer</u>
<u>Ray Sumner</u>	<u>Gayle Reed</u>	<u>Elizabeth Keown</u>
<u>Kim Bradley</u>	<u>Brenda Davis</u>	<u>Kathy Schmidt</u>
<u>Sharon Yach</u>	<u>Robert L. Roth Jr.</u>	<u>Mike Notable</u>
<u>FL Rittch</u>	<u>John</u>	<u>Donna Borneau</u>
<u>Holly Dequin</u>	<u>Tom</u>	<u>Julie Naylor</u>
<u>Nikesh Green</u>	<u>Paul Chama</u>	<u>Dwain Harrison</u>
<u>Ollie Prescott</u>	<u>Paul Chama</u>	<u>Travis</u>
<u>Bob Burns</u>	<u>Carl Hopkins</u>	<u>J. Browning</u>
<u>Cheyl Hudson</u>	<u>Robert Taylor</u>	<u>L.O. Haxton</u>
<u>Al Pat</u>		<u>Edie</u>

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Date _____
AH No. _____
Page 4 of 7

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Please sign below.

George Peck _____

Claude L Vanduff _____

C. Harris Harant _____

Eddie Egan _____

Fred Hodson _____

Arnold Savage _____

Dean J. Lindamood _____

Jane A. Kams _____

Jennifer Moore _____

Shyllis Herberding _____

George B. Bush _____

Mary Baker _____

Paul Thomas _____

E. E. Shultz _____

Madge L. Volavka _____

Mary Jimmy _____

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Date 3-19-01

AH No. 3

Page 5 of 7

PETITION FOR FAIR TAX

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Please sign below.

Nancy Maggafeno _____

Seala Ramsey _____

Debbie Zielinski _____

Jane Kappel _____

Cheryl Light _____

Paula Kattner _____

Debra Schell _____

Marti Cunningham _____

Roberta L. Clark _____

Daniel D. Clark _____

Jessica Duorak _____

Thacie M. Ewing _____

D E Kappel _____

Norma Wilford _____

Lee Alcorn _____

Pat Alcorn _____

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Date 3-19-01

AH No. 3

Page 6 of 7

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Please sign below.

Please be sure to sign this petition the same as your voter registration card reads or your signature will not be counted.

John Walker _____
James Sreed _____
Donald L Courtright _____
Wilma E. Courtright _____
John A. Allen _____
Brenda J. Davis _____
David L. Warner _____

This petition will be turned in to the County Commissioner for Sumner County and asked that copies be forwarded to the Property Tax Appraisal office.

Date 3-19-01
 AH No. 3
 Page 7 of 7



Kansas Association of REALTORS®

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TO: HOUSE TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL AFFAIRS
DATE: MARCH 19, 2001
SUBJECT: HB 2396 Regarding limitations on increases in appraised valuations of real estate.

Thank you for the opportunity to testify. On behalf of the Kansas Association of REALTORS® we appear today as a proponent of taxpayers to urge your consideration of the problems which bring this bill to you and the solution presented in this legislation.

Thirteen years after the implementation of reappraisal and classification, there are still many frustrations with the current property tax system. While many complaints are focused on the amount of property taxes reflected on a taxpayer's bill, in truth, issues regarding the valuation process caused the damage being complained about. Reductions in mill levies at the state or local level are often swallowed up by problems caused in the valuation process.

Most taxpayers will tell you they are willing to "pay their fair share". But when counties give the appearance of increasing and decreasing property values without rhyme or reason, the taxpayer is hard pressed to feel what they are paying is fair. While there has been improvement in the appraisal process over the years, if asked, few citizens would tell you it is a good system.

When retired individuals on fixed incomes continue to see their valuations rise from year to year, sometimes dramatically, they grow afraid of losing their homes. While the "market price" for similarly situated homes may be on the rise, it really doesn't help these individuals, because they don't plan to sell and that is the only way to reap the benefits of those increased values.

Meanwhile, they have to come up with more money every year to pay the taxes, which in effect are rental payments to the government for their property. Oftentimes, elected officials will tell them the mill levy will go down as the valuations rise, but somehow, the tax bills keep increasing. It is hard for them to call this system fair. If the growth rate were tied to an easily identifiable index, such as the CPI, taxpayers would know there was some restraint on the annual fluctuations.

While the concept presented here may not be the perfect solution, it forces the debate for the 2001 Session the now perennial conversation about "What do we do about property taxes?"

If you do not wish to attack the property tax problem by limiting the valuation growth, you will need to address it at the other end of the spectrum—the spending side. If you don't trim the spikes in valuations, give the taxpayers some way to control their property tax bills. We urge you to re-visit the tax lid or create some sort of opportunity for taxpayers to have a protest petition if taxing subdivisions choose to spend the extra money generated off of the spiking valuations. The money to pay property taxes is not limitless. *House Taxation*

Thank you again, for the opportunity to testify.

Date 3-19-01
AH No. 3
Page 1 of 1

Testimony Supporting HB 2396 & HCR 5026

Karl Peterjohn
Exec. Dir.

The automatic property tax hikes that are occurring through the appraisal process have been a large part of the property tax problem in Kansas. Legislation is needed to prevent automatic property tax hikes from occurring by unelected county appraisers. While KTN realizes the appraisal process is difficult and subjective in administration. This is not the sign of a good tax system and places many challenges for appraisers and their staffs. This is particularly true since property taxes can increase by either raising the mill levy or by raising tax appraisals.

If it is bad for tax administration it is much worse for taxpayers. Many Kansas taxpayers have given up on trying to understand this system. They know there are inequities but it is hard to pin point the cause since local officials will brag that they've held the line on the mill levy or even cut it. The unelected appraisers simply say they are following state law. When the property tax bills arrive these taxpayers realize their property tax payments are soaring as property taxes grow at a rate much faster than their ability to pay.

In past years proposals for capping appraisals to the Consumer Price Index or to some percentage limit have been opposed because this is supposedly only a problem only for the more affluent property owners. That is not true and today KTN is pleased that several homeowners from several different Kansas communities have come to speak to the Kansas legislature in support of capping property appraisal increases. This includes large, medium, and small population communities. This is a problem for all classes of taxable property: residential, farm, and commercial.

One of these homeowners was literally appraised and taxed right out of his home.

These taxpayers are: Don Cashatt of Baldwin, Roland Reichart of Topeka, Jim Stokes and Fred Janacaro of Lawrence.

The Kansas Taxpayers Network (KTN) hopes that this committee will carefully examine this problem and approve legislation which would limit unelected officials from raising taxes through higher tax appraisals. In a perfect world KTN would prefer to have this pernicious process stopped entirely but by at least providing some limit, it will reduce the scope of this problem in Kansas.

House Taxation
Date 3-19-01
AH No. 4
Page 1 of 1

Testimony on HB 2396
 Taxation Committee
 by
 Don Cashatt
 March 19, 2001

My name is Don Cashatt. I live at 1793 N. 250 Rd., Baldwin, KS. I wish to thank you, Mr. Chairman and members of the Tax Committee, for hearing my statements.

I am chairman of the Douglas County Property Owners Association, which was formed in April of 1995. Our main mission is to monitor the taxing and spending of the three units of local government.

I lived for 30 years at 2714 Iowa St., Lawrence, KS. In February of 1994, I received my property valuation notice which raised my valuation from \$72,500. to \$201,130. This was an increase of \$128,630.; amounting to a 177% increase.

I appealed my case to the Douglas County Appraiser. This was the beginning of a property tax battle which involved the Douglas County Appraiser, the Douglas County Commission, a State appeals officer, BOTA in Topeka, the Douglas ^{COUNTY} District Court, and the Kansas Court of Appeals. Twice I won at BOTA, but their decision was appealed and overturned. After two and one half years, two lawyers, and some \$4,000. of legal expenses, the county appraiser won and I sold my home and left Lawrence.

This is not the end of the story. I built a new home on my farm southeast of Baldwin. In 1997 the valuation on my home was \$154,090. In 2001 the valuation has increased to \$204,180.; an increase of 32 1/2% in five years, which averages 6.5% per year---about double the C.I.P. Many people (especially those of us who have reached retirement years) are concerned that such tax increases, if allowed to continue, may very well tax us out of our homes.

House Taxation
 Date 3-19-01
 AH No. 5
 Page 1 of 2

In addition to my home, this year my farm land (Ag. use only) went up 7%, about double the C.I.P.; and this in the midst of a downturn in the agricultural economy.

There are many other individuals and cases I could refer to, but this brief summary well states the need for some type of State legislation which will place limits and controls on the yearly increase of property valuations. My hope is that you as our legislators will have the courage to face this problem and pass this bill out of committee and support it on the House floor.

I testify today in favor of HB 2396. We need to change the current system which brings about the yearly ritual of receiving a valuation notice based upon a computer program which has been exempt from the Open Records Act.

Date 3-19-01
AH No. 5
Page 2 of 2

Tax Committee

3/17/01

Mr. Chairman and members of the committee:

My testimony here today is to bring a bit of reality to this committee with hopes of a lid on personal property taxes in Kansas and to strengthen and enforce Kansas statutes that are being misused.

In the year 1992, my tax appraised value jumped drastically by the Johnson county appraiser, but after a Board of Tax Appeals (BOTA) decision the property value was brought back to the original value. BOTA felt that the county did not have a substantial and compelling reason to raise the value.

In 1995, my property value increased to over 70% after the BOTA decision expired by law. After appealing to BOTA again, an inspector from BOTA came to my property and he walked my land and inspected my house. The value was again dropped to the original value. They felt that the county appraiser's had no good reason to increase the value especially by 70%.

In 1998, my property value again increased to 50% after BOTA's decision of 1995 again expired. I again sat in hearings with county appraiser's but to no avail. One of the county appraisers made a comment that I had some catching up to do because of the past BOTA decisions.

Each year the county compares my house to properties that are much newer, much more spacious and in much better condition than my house built in 1972. In 1998, for instance, two of the houses used as similars were built in 1996 and one of the parcels was a vacant property that was commercially zoned and today has a business on its premises.

In August 1998, I received a letter from BOTA stating that they were in agreement with the county's decision of a 50% increase. The letter obviously came to me while my family and I were on vacation that August. However, I answered the letter immediately stating that I had just gotten back from vacation but they said there will be no exception for missing their deadline. I sent a letter back stating that in August many people take vacations and asked why they didn't send there decision letter certified to people, but they said it was not law to do so. My family has to live with the 50% increase.

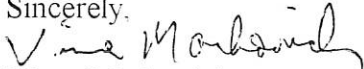
In 1999, I did not appeal another increase since the 1998 case was still pending, but the county said that I should have sent an appeal for the 1999 year even though the case was still active. We have to live with this increase as well. In 2000, I met with BOTA but they again sent me a letter siding with the county's decision.

House Taxation
Date 3-19-01
AH No. 6
Page 1 of 2

I sent a letter back appealing their decision showing that I had also sent a copy to the governor of Kansas. They sent a follow up letter back to me the first of January 2001, stating that due to a technical difficulty, no tape recording of the hearing held October 25, 2000 was made, therefore, the boards hearing will be de novo, or a new hearing will take place. I have not heard back from them. How can the Board make a sound and reasonable decision without any tape recording to review?

Changes must take place in Kansas government with the appraisal system and Kansas statutes must be taken more seriously by county officials and the Board of Tax Appeals. The BOTA organization has had more cases in the past several years that they cannot hear all cases in the same year. A LID is a must for property taxes. These increases of 12%, 20%, 50% and 70% are outrageous increases. In one of the earlier years our taxes increased 1700%. My family had only lived in the area a few years and were on a tight budget. We watched our insurance, and house payment increase and our family faced tough times because of these increases. Our families property taxes have increased every year (because the county continues using so-called comparable properties that are not similar to our property) which is not in agreement with Kansas law. This is unfair and unjust taxation that needs immediate attention.

Sincerely,



Vince Markovich

15705 Quivira Road

Overland Park, Kansas 66221-2645

Date 3-19-01
AH No. 6
Page 2 of 2

LEGISLATIVE TESTIMONY



The Unified Voice of Business

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HB 2396

March 19, 2001

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Marlee Carpenter
Director of Taxation & Small Business

Mr. Chairman and members of the Committee:

My name is Marlee Carpenter and I am the Director of Taxation and Small Business for the Kansas Chamber of Commerce and Industry (KCCI). KCCI has adopted a policy that supports the valuation of all real property, with the exception of agricultural land, be based on fair market value and opposes any caps on fair market value increases. Because of this policy, we must oppose HB 2396.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

HB 2396 will limit property valuations to the consumer price index published by the federal department of labor. The Consumer Price Index (CPI) is not an adequate indicator of the fluctuations in the value of real property. The CPI represents all goods and services purchased for

House Taxation Date 3-19-01
AH No. 7
Page 1 of 2

consumption by the reference population. The CPI does not represent the fluctuations in the values of real property.

KCCI believes that any proposal that limits a fair valuation will cause a shift in the property tax burden. Additionally, the limits on the valuation of property will force local units of government to raise the mill-levy at an increased rate. Commercial property, which is assessed at 25%, machinery and equipment, which is assessed at 25%, and utilities, which are assessed at 33%, will bear the brunt of this increased mill-levy and the property tax burden. Residential property owners, who are assessed at 11.5%, will get substantially more tax relief.

The Kansas Chamber of Commerce and Industry believe that the best tax policy is to value property at its fair market value. Any proposal that limits a fair valuation will shift the tax burden and place it on commercial property, machinery and equipment, and utilities. This practice is inherently unfair.

Again, on behalf of the members of KCCI, I would like to thank you for the opportunity to appear before you today. I will be happy to answer any questions.

Date 3-19-01
AH No. 7
Page 2 of 2



KANSAS
ASSOCIATION OF
COUNTIES

Testimony concerning HB 2396
House Taxation Committee
March 19, 2001
Presented by Randy Allen, Executive Director
Kansas Association of Counties

Mr. Chairman and members of the committee, my name is Randy Allen, Executive Director of the Kansas Association of Counties. Thank you for the opportunity to present testimony on House Bill No. 2396. On behalf of our 105 member counties, the Kansas Association of Counties expresses its opposition to HB 2396, which would impose an annual cap to limit the growth in assessed valuation of real estate from one year to the next using the Consumer Price Index (CPI). We object to the proposal for two basic reasons:

1) Limiting the growth in appraised valuation of real estate to a cap established by legislative enactment would in no way guarantee lower taxes. If values are normally increasing and are not allowed to increase at a rate suggested by market forces, county clerks would merely set higher levies (expressed in mill levy rates) to compensate for the relatively lower aggregate property values based on counties' legally adopted budgets – all other factors being equal. There is a common misperception that county commissioners set tax rates. In reality, county commissioners and other locally elected governing bodies adopt budgets while county clerks set tax rates. If a goal of imposing a cap on growth in appraised value is to somehow limit taxes or spending, this proposal **does not** accomplish this goal.

2) Our second concern about this proposal is the inequity that it would create between and among parcels. For example, if the fair market value of one property increases from \$100,000 to \$106,000 in a year's time (i.e. a 6% increase) while a property across town increases from \$100,000 to only \$102,000 in a year's time (i.e. a 2% increase), and assuming there is a cap in the annual valuation growth of 3%, **why** should the owner of the second property pay taxes at an inevitably higher mill levy rate stemming from artificial caps on the growth in appraised values, when that burden should be borne by the first taxpayer and all other taxpayers who are in the same circumstances? As a result of an artificial limitation, the tax burden would merely shift from more rapidly appreciating properties to older, established properties which are stable or decreasing in value. A shift would also likely be directed to commercial properties assessed at higher rates, and to personal property taxes.

After experiencing years of neglect in our property tax administration system in the 1960s, 1970s, and 1980s, county commissioners and state officials expended the fiscal and political capital to make our system better. It is not perfect, but it is infinitely better than it was before property values were revisited on an annual basis. We urge the committee to refrain from recommending this bill for passage. Let the values reflect reality as nearly as possible. Thank you.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randy Allen or Judy Moler by calling (785) 272-2585.

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House Taxation
Date 3-19-01
AH No. 8
Page 1 of 1



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: Sandra Jacquot, Legal Counsel
DATE: March 19, 2001
RE: Opposition to HB 2396

Thank you for allowing me to appear today on behalf of the League of Kansas Municipalities and its member cities in opposition to HB 2396. This bill would limit the increase in appraised valuation of all property to the increase in the consumer price index. The bill, however, would likely conflict with other Kansas statutes and violate the Kansas Constitution by artificially limiting the fair market growth of property values, resulting in unequal taxation. K.S.A. 79-501 states that, "Each parcel of real property shall be appraised at its fair market value in money, the value thereof to be determined by the appraiser from actual view and inspection of the property." Article 11, Section 1(a) of the Kansas Constitution states that "the legislature shall provide for a uniform and equal basis of valuation and rate of taxation of all property subject to taxation." By tying property values to one sole indicator of the market and ignoring the realities of the rates of growth in property values, this requirement would result in nonuniform and unequal taxation of taxpayers.

In addition to the above-mentioned problems, this bill will likely result in a property tax shift. The fast-growing subdivisions where sales are brisk and values are increasing faster than the growth in consumer price index will see artificially low appraised values and resulting taxes. The more established, older neighborhoods that are not experiencing the same growth and desirability will bear the shift in value and resulting taxes.

For the above-cited reasons, the League of Kansas Municipalities opposes HB 2396 and urges this committee not to report the bill favorably for passage.

House Taxation
Date 3-19-01
AH No. 9
Page 1 of 1



TO: House Committee on Taxation
FROM: Mark Tallman, Assistant Executive Director for Advocacy
DATE: March 19, 2001

RE: **Testimony on H.B. 2396 and H.C.R. 5018**

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to comment on the measures before you today on behalf of the Kansas Association of School Boards. KASB is a voluntary association of local school boards. Each member board is represented in our annual Delegate Assembly, which determines our legislative policy positions. Our members have adopted the following position statement:

Tax Limitation. Arbitrary limits on state or local taxes should not be imposed.

Based on this position, we oppose both H.B. 2396 and H.C.R. 5018.

H.B. 2396 – Limiting annual increases in property valuation

We are opposed H.B. 2396 on two grounds. First, limiting property valuation to the rate of inflation would likely reduce the growth in revenues from the statewide mill levy. Simply put, that would either reduce state funding for local schools district or require the state to make up the difference from the general fund or other tax sources. We have been repeatedly told that there is no additional funding available in the general fund for badly needed educational enhancements, and that the position of the House is that any tax increase is out of the question. The only alternative for local school districts would be to increase local option budget authority (unless they have reached the 25% LOB maximum), which raises local property taxes, which seems to run counter the spirit of this bill.

Second, we oppose this bill because it would also place limits on the growth in property valuation for other school funds supported by the property tax, such as capital outlay and capital improvement bonds. By limiting valuation growth in some properties, the burden is shifted to other property tax payers.

(Continued on next page)

House Taxation
Date 3-19-01
AH No. 10
Page 1 of 2

H.C.R. 5018 – Requiring a two-thirds vote to raise or enact new state taxes

School district general fund operating budgets, which are determined by the Legislature through the base budget per pupil and school finance weighting factors, have fallen far behind inflation since the current system was enacted in 1992. School districts have met rising costs only by increases the use of the local option budget. We are approaching a serious crisis in educational funding. We believe a state tax increase will be necessary to address this problem. Without such an increase, education quality in Kansas will decline or the burden will continue to be shifted to local school boards and local property taxes.

We believe that a majority of Kansans will support a tax increase at the state level to fund high quality education, just as community after community has supported local taxes for buildings, technology and other enhancements. If a majority of House and Senate members agree that a tax increase for education or other vital state services in necessary, a two-thirds majority should not be required.

Thank you for your consideration.

Date 3-19-01
AH No. 10
Page 2 of 2



February 12, 2001

Representative John Edmonds
State Capitol, Room 171-W
Topeka, KS 66612

Re: House Bill 2396

Dear Representative Edmonds:

This letter is written to express our concern about House Bill 2396, which would limit increases in the appraised value of property to the consumer price index.

We ask the Legislature to carefully evaluate this decision. It appears to us that the free market forces of our economy should ultimately determine the value of property. At times and in certain areas, property value increases will be substantially greater than the CPI. At other times, they may be less. We would suggest that limiting the appraised values of property to the CPI is not a desirable public policy direction.

We appreciate your consideration of our concerns regarding House Bill 2396.

Sincerely,

Gary George, Ed.D.
Assistant Superintendent of Schools
Management Services

GG:pr

House Taxation
Date 3-19-01
AH No. 11
Page 1 of 1

LEGISLATIVE TESTIMONY

HCR 5026

March 19, 2001

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Marlee Carpenter
Director of Taxation & Small Business

Madam Chair and members of the Committee:

My name is Marlee Carpenter and I am the Director of Taxation and Small Business for the Kansas Chamber of Commerce and Industry (KCCI). Thank you for the opportunity to express our members' reservations about the property tax valuation limit proposal set forth in HCR 5026.

KCCI believes that predictability is essential to business planning and growth. It is not good tax policy to implement a system where property, whether it's residential or commercial, is not assessed at fair market value. When property is not taxed at its true value, the burden of paying

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The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

property taxes shift from one class to another. Fundamental relationships between the tax burdens of differing population segments are matters that should be addressed in the Constitution.

Date 3-19-01
AH No. 12
Page 1 of 2

When proposals discard the parameters for property taxes as they are set out in the Constitution, and tax liabilities are shifted from class to the other without a general public vote, issues of fairness and constitutionality arise.

The prospect of substantial property tax shifts is an implicit consequence of HCR 5026. Nothing in this plan specifies whether commercial property values would be allowed to grow at a rate much faster than those of residential, agricultural or other properties. If the Legislature causes disproportionate commercial valuation growth to occur, business would pay an even higher share of property tax liability.

Inequity may happen even if the Legislature decided to cap valuation growth for every property class at a single, universally applied percentage. For example, if all property values were allowed to grow no more than 5% per year, and if true market commercial valuation growth does not rise as quickly as true market residential value growth, residential property owners get relatively more relief. Even if all property grows at the same rate, the capped growth may not provide enough money to local units of government. If they are forced to raise the mill-levy, commercial property, which is assessed at 25%, machinery and equipment, which is assessed at 25%, and utilities, which are assessed at 33%, will bear the brunt of the property tax burden. Residential property owners, who are assessed at 11.5%, will get substantially more tax relief.

Again, on behalf of the members of KCCI, I would like to thank you for the opportunity to appear before you today. I will be happy to answer any questions.

Date 3-19-01
AH No. 12
Page 2 of 2



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE CHAIR BUSINESS COMMERCE & LABOR
MEMBER HEALTH & HUMAN SERVICES
JUDICIARY

PEGGY LONG
REPRESENTATIVE 176TH DISTRICT
BOX 846
MADISON KANSAS 66860
316 437 2731
ROOM 416 N CAPITOL BLDG
TOPEKA KS 66612
785 296 7677

HCR 5018

Mr. Chairman and members of the Committee ,

I appreciate the opportunity to appear before you today on an issue that I feel is very important and deserves your attention. I want to apologize for my lack of preparation, but I found out only today that this was to have a hearing.

This is my fifth year in the legislature and it has taken a while to catch on to the process up here and the far reaching implications on our actions on the citizens of this great state. We have all had occasions when the decision to press either the green button or the red became a gut-wrenching experience for us. One such occasion should be when we are considering whether or not to pass a tax increase on our constituents.

If any issue has merit, it should pass with a super majority. We all know that our colleagues are responsible individuals who want to do the right thing as much as we do, but sometimes when issues come up, particularly at the end of session, we become perhaps a little too spontaneous in our deliberations. On such occasions we may "shoot from the hip" as they say without thinking about the far reaching implications. This resolution would have to pass before the citizens of Kansas before it could be enacted into law, so they would have the opportunity to decide its validity as well, and this resolution would give us all as legislators a greater opportunity to decide to act on the best interest of our state.

These are not new ideas, but it is a fresh idea as we look at the pressure that is currently being brought to bear to pass higher taxes for education. I appreciate your careful consideration of this bill and ask for your support.

Thank you once again for this opportunity.

House Taxation
Date 3-19-01
AH No. 13
Page 1 of 1

Testimony Supporting HCR 5018

Karl Peterjohn

Exec. Dir.

Requiring a super majority before taxes can be raised is not only a Kansas issue, but it is also a national issue. Annually, since April, 1995 a majority of the U.S. House of Representatives have voted in support of a constitutional amendment which would require a 2/3 super majority before federal taxes could be raised. That provision is currently a rule in the U.S. house.

Like Kansas, the U.S. Congress must approve any constitutional amendment by a 2/3 super majority so this amendment has not passed the house. However, it has been receiving a growing amount of support in this annual vote. This issue will be taken up again this year by the U.S. house on or near the April 16 income tax filing deadline.

Both Kansas and the federal government need a super majority before taxes can be raised. Many other states have provisions requiring super majorities before taxes can be hiked. Oklahoma, Missouri, and California school districts all need super majorities before local property taxes can be raised. The state of Arkansas requires a 3/4 super majority to pass a statewide tax hike. At the state level Oklahoma requires either voter approval or a 2/3 majority of both houses of its legislature before any statewide tax hike can be enacted.

Many have asked how Kansas taxes could get out of line with our surrounding states. The fact that many of our neighboring states require either voter approval or require legislative super majorities before taxes can be raised is a significant reason why this state's tax burden is higher than the per capita state taxes charged in any of our neighboring states. Here's how Kansas state taxes compare according the federal government's 1999 figures: www.census.gov/ftp/pub/govs/statetax/99tax.txt

State	\$ State Taxes Per Capita
Kansas	\$1,729.23
Oklahoma	\$1,613.21
Nebraska	\$1,597.87
Missouri	\$1,566.03
Colorado	\$1,476.07

Enacting HCR 5018 would provide a system which limits tax growth that is similar to part of current law in Oklahoma. If Kansas government wants to become competitive in creating a positive tax climate for this state, the passage of HCR 5018 becomes a necessity.

House Taxation

Date 3-19-01

AH No. 14

Page 1 of 1