

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on February 14, 2001, in Room 519-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Meg Duggan, Parkinson's Foundation  
Representative David Huff  
Ron Hein, National Kidney Foundation of Kansas and  
Western Missouri  
Senator Stan Clark  
Leslie Kaufman, Kansas Farm Bureau  
Mark Beck, Property Valuation Division  
Rick Stuart, County Appraisers Association  
Senator Janis Lee

Others attending: See attached list.

**HB 2029—Sales taxation; exempting certain sales to Parkinson's disease support associations.**

Meg Duggan, Executive Director of the Parkinson Association of Greater Kansas City, testified in support of **HB 2029**. She explained that the mission of the Parkinson Association is to fund research and provide support services to those with Parkinson's and their care givers. The Kansas University Medical Center has been designated as a Center of Excellence by the National Parkinson's Foundation, and the Association donated approximately \$90,000 to the Medical Center for research. She noted that the Association is currently exempt from sales tax for purchases made on the Missouri and requested the same treatment for purchases made in its home state. (Attachment 1)

Representative David Huff testified in support of **HB 2029**, noting that the Parkinson Foundation's only goal is to eradicate this crippling disease. The bill would simply amend current Kansas law by adding Parkinson's associations to the list of charitable organizations currently exempt from Kansas sales tax. (Attachment 2) In response to committee questions regarding the fiscal impact of the bill, Representative Huff confirmed that the fiscal note is \$700.

Ron Hein, representing the National Kidney Foundation (NKF) of Kansas and Western Missouri, testified in support of **HB 2029**. He noted that NKF spends an average of \$1,400 a year on Kansas sales tax. He submitted a proposed amendment to **HB 2029** which would include NKF in the list of health associations which are exempt from sales tax. (Attachment 3)

There being no others wishing to testify, the hearing on **HB 2029** was closed.

Chairman Corbin called the Committee's attention to copies of a letter to Senator Lee from Jennifer Mathes which was discussed by Senator Lee on February 13 during the hearing on **SB 84**. He noted that Senator Lee wanted to submit the letter as additional testimony for consideration by the Committee. (Attachment 4)

**SB 129—Property taxation; concerning the valuation of land devoted to agricultural use.**

**SB 179—Property taxation; concerning the valuation of land devoted to agricultural use.**

CONTINUATION PAGE

Senator Stan Clark, sponsor of **SB 129**, explained that the bill makes two changes in the current method used to assess the value of agriculture property. He said that the language on page three of the bill, lines 14 through 16, allows the local appraiser to apply "influence factors" to any such value and deviate from such value accordingly. As he continued his discussion, he referred to points made in a letter on the subject from Thomas J. Fuhrmann of Landmark Appraisal, Inc., which was attached to his written testimony. In addition, he discussed the following attachments: (1) An e-mail from former Representative Gayle Mollenkamp pointing out the importance the availability of water plays in valuing grassland, and (2) a page from the 1989 edition of *Opinions of the Attorney General*, which states, "The value of a particular tract of land may be further adjusted by the local appraiser to reflect adverse conditions peculiar to that tract." He went on to discuss the reasons he believes that assessments based on the current soil type classifications and corresponding values are erroneous. In this regard, he quoted a use value study which recommends that county appraisers be given authority to make changes and apply influence factors. The recommendation also states that the changes should be required to be justified, documented, and approved by some entity other than the Division of Property Valuation, and it contemplates establishing a board to establish controls and requirements and to review and approve changes. Senator Clark had no recommendation for the creation of a board, but stated that he feels most of the issues can be solved if a move is made from crop reporting districts to the specific terms of the current statute of "county or homogeneous region" and with the proper adjustment to carrying capacities due to rainfall, length of grass growing season, and the establishment of a baseline for water availability. He said amending the bill on page 3, line 15, by deleting the word "adverse" would allow the county appraiser to apply both positive and negative "influence factors." ([Attachment 5](#))

Leslie Kaufman, Kansas Farm Bureau, testified in strong support of both **SB 129** and **SB 179**. She noted that inclusion of soil classification in the formula to determine the use value appraisal on pasture and range land does not meet the statutory methodology which uses net rental income minus expenses. The Bureau supports **SB 129** because it prohibits the use of soil classifications by appraisers when determining the landlord's income from pasture or range land. She noted that the Bureau supports **SB 129** and **SB 179** because they would allow the appraiser to apply adverse factors to valuations and deviate from the schedules provided them by the Director of Property Valuation. ([Attachment 6](#))

Chairman Corbin called attention to written testimony in support of **SB 129** and **SB 179** submitted by Allie Devine, Kansas Livestock Association. ([Attachment 7](#))

Mark Beck, Director, Property Valuation Division (PVD), discussed the issues relating to **SB 129** and **SB 179**. As part of his presentation, he distributed a handout which includes an outline the formula currently used to value grass land compared to the proposed procedure and several pages of relevant information. ([Attachment 8](#)) Mr. Beck discussed the "stocking rate," which is determined by the productivity of each individual type of soil. In this regard, he called attention to a summary of the effects of the proposed procedure change, which would not include land productivity as a factor in use value appraisals. He called attention to a Kansas agricultural use value map in his handout, which indicates that, in general, the western part of the valuation district will go up and the eastern part will go down. In addition, he referred to pages concerning specific district changes which would occur if the bills are passed. Mr. Beck also distributed a list titled "Native Grass Land Comparison Using Single Cash Rent" which shows the effect of removing the "stocking rate" county by county. ([Attachment 9](#))

Rick Stuart, Jefferson County Appraiser, testified in opposition to **SB 129** and **SB 179** on behalf of the Kansas County Appraiser's Association. He began by noting that **SB 129** contains two statutory changes and that **SB 179** contains only the second statutory change in **SB 129**. He explained that the first change in **SB 129** would establish one county value per acre for all pasture or range land regardless of the quality. Mr. Stuart believes this proposed change would create inequity in the valuation of pasture or range land. The second proposed change (also in **SB 179**) provides that an appraiser may apply adverse influencing factors. He recommended that the current guidelines and process for requesting any additional adverse influence be kept in place because not all adjustment by county appraisers would be exactly the same, and equity statewide would not be obtainable. ([Attachment 10](#))

Senator Janis Lee explained that both bills were introduced because of PVD's interpretation of the current statutes, not because of specific problems with the statutes. She noted that she has served on the use value advisory group since its inception, and many issues have been discussed, including those in **SB 129** and **SB 179**. In most cases, the group has been able to come to an agreement with PVD; however, the group has not been able to come to an agreement with regard to the issues in these two bills.

CONTINUATION SHEET

Senator Lee noted that she is concerned with the use value appraisal of agricultural land as set forth in K.S.A. 79-1476, specifically, the ability of county or district appraisers to have authority to apply influence factors. She contended that, under the current application of the use value appraisal system by PVD, there is no room for local acknowledgment of any unique characteristics which might cause a variation for the valuation rendered through the agricultural use value formula. She explained that PVD contends that, with the implementation of the soil rating for plant growth (SRPG) system, all abnormal situations (adverse influences) have been accounted for. However, she does not believe that the SRPGs can account for all the variations in valuations which may occur across the state. She believes that county appraisers must be given the authority to apply influence factors when they can demonstrate that the valuation adjustments are justified. In closing, Senator Lee suggested two amendments; one would strike "adverse" in **SB 179** on page 3, line 12, and the other would address the suggestion that the changes be approved by some entity other than PVD. (Attachment 11)

There being no others wishing to testify, the hearings on **SB 129** and **SB 179** were closed.

The meeting was adjourned at 11:50 a.m.

The next meeting is scheduled for February 15, 2001.



Thank you Chairman Corbin and members of the Tax Committee.

The Parkinson Association of Greater Kansas City is located at 7808 Foster in downtown Overland Park, Kansas. With approximately 1,000 dues paying members, the mission of the PAGKC is to fund research and provide support services to both those with Parkinson's and their caregivers.

Parkinson's Disease is a progressive disorder of the central nervous system. At the present time, there isn't any known cure for the disease but progress is being made. The KU Medical Center located in Kansas City, Kansas has been designated a Center of Excellence by the National Parkinson's Foundation. As a Center of Excellence the Medical Center performs research which some day will lead to a cure for Parkinson's.

For fiscal year 1999/2000 the PAGKC donated approximately \$90,000 to the Medical Center for research. Being a 501c3 not-for-profit corporation all revenues received by the PAGKC are from charitable donations. The PAGKC is currently exempt from sales tax for purchases made on the Missouri side of the state line and we respectfully request the same treatment for purchases made in our home state of Kansas.

Thank you.

Don Dixon, President  
Meg Duggan, Executive Director  
Parkinson Association of Greater Kansas City  
7808 Foster  
Overland Park, Kansas 66204-2955  
913-341-8828  
Fax 913-341-8885  
[PAGKC@aol.com](mailto:PAGKC@aol.com)  
[www.pdkc.org](http://www.pdkc.org)

*Senate Assessment & Taxation  
2-14-01  
Attachment 1*

PARKINSONS HB 2029

Thank you Chairman Corbin,

The Parkinson foundation has only one goal, to eradicate this family crippling disease. Their sole existence is for the purpose of raising research money to be used at K.U. Medical Center and to try to improve the quality of life and education for those who are inflicted with this terrible disease. The families of these people who see their loved ones suffer from Parkinsons, will also benefit.

House bill 2029 will amend our current law and exempt this charitable organization a 501c-3, from Kansas sales taxes. Currently this statute allows exemptions for the following organizations: The American Heart Assoc., The American Diabetes Assoc., The American Lung Assoc., The Kansas Chapter of Alzheimers and Related disorders, the Kansas Alliance for the Mentally Ill, and the Kansas Mental Illness Awareness Council.

In researching this bill I was amazed that the Parkinson Foundation was not among the above group of tax exempt organizations. Today we have the opportunity for the state of Kansas to come to the aid of this outstanding Charitable organization.

Rep. David Huff

Mr. Chairman, I will stand for questions.

*Senate Assessment & taxation  
2-14-01  
Attachment 2*

by Chris Becka

DAVID HUFF #30  
David Huff

## FAMILIES FIGHTING TOGETHER AGAINST A POWERFUL DISEASE



Parkinsonians with Governor Bill Graves, as he proclaims April Kansas Parkinson Month.

Parkinson Disease (PD), afflicting about 1.2 million people in the United States and Canada, is a slowly progressive motor disorder, which when fully developed, affects multiple regions of the nervous system.

It also affects other systems, like families. The Parkinson Association of Greater Kansas City has seen that effect, first hand. Its most recent past president, Dean Floyd, was brought to the association because his wife has the disease. The Executive Director, Meg Duggan, has a sister, Cindy Worthy, who was diagnosed with the disease at age 40, although most Parkinson patients first see the disease in their 60s. Their father, Bob Hayes, helps out in the grant writing department; their mother, Jo, chairs the umbrella fundraising committee. The current president, Don Dixon, notes that the other officers and board members have all encountered the disease in one way or another — and he has the disease himself.

Cindy Worthy says that kind of involvement is not really too great a surprise. "Because it's largely an adult disease, people are drawn to help mostly because they have, in one way or another, seen its effects." Over 1.2 million people suffer from Parkinson's with 10% of its victims being 40 years old or younger. It progresses from diagnosis to major disability over 10 — 20 years, with

symptoms beginning with tremors and ending often with dementia and inability to function physically.

The organization began nearly 20 years ago when a group of some 30 isolated and confused Parkinsonians came to a meeting started by the Shepherd's Center of Kansas City. From that modest beginning, the association has grown to serve more than 1,000 people and their families in the Kansas City area, all of Kansas, and the western counties of Missouri. Their mission statement's first goal is to help fund research for the disease and related disorders and in 1999, they were able to donate about \$100,000 to Parkinson research.

The Parkinson Association of Greater Kansas City has embarked upon an ambitious growth program this year. They want to reach over 50% of Kansas City area Parkinsonians this year, compared to the 17% they presently serve. They want to add 15 support groups serving minority people with Parkinson's. They want to improve service delivery and improve the effectiveness of communications with all people who have Parkinson Disease.

To do all this, they have lofty fundraising plans. Events constitute 60% of their total income, relying on friends, neighbors, and people who know someone who knows someone with the disease. In March, The Basketball,

a gala event themed around the NCAA tournament will occur. In April two entertainments as well as a symposium: A Concert of Hope in Lee's Summit which will feature skits, singing, dancing and musical entertainment and An Appraisal Affair at the Carriage Club where antique appraisers will evaluate items as attendees sip and dine. In May, the Race to Planet Cure, a 5K run and walk in downtown Overland Park, takes place as well as a vintage car show. The Town Art Show occurs in June.

It's a phenomenal schedule and could only occur, says Meg Duggan, because of their dedicated volunteers. She points out, "Our entire spring program revolves around families helping each other," for the chair persons and hosts all have intimate connections to the disease. "We are amazed by the number of people who are touched by PD — and how willing these people are to help."

Parkinson's is a disease without a cure, so far. The Association not only wants to help find that cure, it wants to improve the quality of life and education for those who have that disease, and those who see their loved ones suffer from it. Their families, the volunteers' efforts, the attendees at their events, all will help in 2001.

*Want to help or like to know more? Call Meg Duggan at 913.341.8828 or e-Mail her at PAGKC@aol.com* **■**

# HEIN AND WEIR, CHARTERED

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**Testimony re: HB 2029**

**Senate Assessment and Taxation Committee**

**Presented by Ronald R. Hein**

**on behalf of**

**National Kidney Foundation of Kansas and Western Missouri**

**February 14, 2001**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the National Kidney Foundation of Kansas and Western Missouri. NKF KS/MO is a regional office of the National Kidney Foundation with a service area of the entire state of Kansas and the western portion of the state of Missouri. It's mission is to assist patients with kidney disease. It fulfills this mission through numerous services including raising funds for research; providing direct patient care and treatment; providing early intervention screenings; providing a camp for children with kidney disease, including kids on dialysis; organ donation awareness and numerous other programs.

The NKF of Kansas and Western Missouri would propose that HB 2029 be amended to add to the laundry list of 501(c)(3) health associations which are exempt from sales tax, the National Kidney Foundation of Kansas and Western Missouri. On the NKF's behalf, last week I asked for the introduction of a bill in House Taxation Committee to accomplish the same thing. That bill is HB 2459. Since the Senate Assessment and Taxation Committee was going to hear this bill, and since it amends the same section of the statutes, we would ask that HB 2029 be so amended. [A copy of a balloon amendment is attached to my testimony.]

Last year, the NKF of Kansas and Western Missouri spent approximately \$2,700 on sales tax in Kansas. The association bought a significant amount of new equipment, including computers, last year, so we anticipate that the fiscal cost of this amendment would be less than that amount.

We believe that the National Kidney Foundation of Kansas and Western Missouri meets the same criteria that would seem to be utilized for the American Diabetes Association, the Heart Association, the Lung Association, and the other health related associations previously recognized for this sales tax exemption.

We would urge your support for the amendment, and for the passage of HB 2029.

Thank you very much for permitting me to testify and I will be happy to yield to questions.

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2-14-01  
Attachment 3*



3-2

or on behalf of any rural volunteer fire-fighting organization for use exclusively in the performance of its duties and functions;

3 (vv) all sales of tangible personal property purchased by any of the  
4 following organizations which are exempt from federal income taxation  
5 pursuant to section 501 (c)(3) of the federal internal revenue code of  
6 1986, for the following purposes, and all sales of any such property by or  
7 on behalf of any such organization for any such purpose:

8 (1) The American Heart Association, Kansas Affiliate, Inc. for the  
9 purposes of providing education, training, certification in emergency car-  
10 diac care, research and other related services to reduce disability and  
11 death from cardiovascular diseases and stroke;

12 (2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of  
13 advocacy for persons with mental illness and to education, research and  
14 support for their families;

15 (3) the Kansas Mental Illness Awareness Council for the purposes of  
16 advocacy for persons who are mentally ill and to education, research and  
17 support for them and their families;

18 (4) the American Diabetes Association Kansas Affiliate, Inc. for the  
19 purpose of eliminating diabetes through medical research, public edu-  
20 cation focusing on disease prevention and education, patient education  
21 including information on coping with diabetes, and professional education  
22 and training;

23 (5) the American Lung Association of Kansas, Inc. for the purpose of  
24 eliminating all lung diseases through medical research, public education  
25 including information on coping with lung diseases, professional educa-  
26 tion and training related to lung disease and other related services to  
27 reduce the incidence of disability and death due to lung disease; ~~and~~

28 (6) the Kansas chapters of the Alzheimer's Disease and Related Dis-  
29 orders Association, Inc. for the purpose of providing assistance and sup-  
30 port to persons in Kansas with Alzheimer's disease, and their families and  
31 caregivers; ~~and~~ -

32 (7) *the Kansas chapters of the Parkinson's disease association for the*  
33 *purpose of eliminating Parkinson's disease through medical research and*  
34 *public and professional education related to such disease;* —

35 (ww) all sales of tangible personal property purchased by the Habitat  
36 for Humanity for the exclusive use of being incorporated within a housing  
37 project constructed by such organization;

38 (xx) all sales of tangible personal property and services purchased by  
39 a nonprofit zoo which is exempt from federal income taxation pursuant  
40 to section 501(c)(3) of the federal internal revenue code of 1986, or on  
41 behalf of such zoo by an entity itself exempt from federal income taxation  
42 pursuant to section 501(c)(3) of the federal internal revenue code of 1986  
43 contracted with to operate such zoo and all sales of tangible personal

and  
(8) the National Kidney Foundation of Kansas and Western Missouri  
for the purpose of eliminating kidney disease through medical  
research and public and private education related to such disease;

**Janis K. Lee**

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**From:** "Brent and Jennifer Mathes" <bmathesfarms@ckt.net>  
**To:** <jlee@ink.org>  
**Sent:** Monday, February 12, 2001 4:50 PM  
**Subject:** Testimony regarding SB 84  
To Senate Assessment and Taxation Committee:

My name is Jennifer Mathes. My husband and I farm in SE Kansas near Bartlett. This past year, I have had the privilege to serve as a member of the Governor's 21st Century Task Force on Agriculture.

You have all received an official copy of the recommendations given by all seven appointed task forces. The agriculture committee made five recommendations to the Governor. As you are hearing SB 84 today, I would like to share with you the discussion that surrounded our recommendation three.

This recommendation requests a significant base budget enhancement for the Kansas Department of Commerce and Housing Agricultural Products Development Division to support start-ups of new value-added businesses and to establish marketable investment tax credits for individuals who invest in value-added companies. SB 84 is similar in nature to our recommendation three in the sense that it would provide a tax credit to those that invest in a specific type of value-added company - a "cooperative". I will now focus my discussion on the words "cooperative" and "value-added".

In the past, these two words have been virtually synonymous; one exchanging for the other. Today, when used by themselves can be vastly different. It was in our discussions that we did not use the words "cooperative" in our recommendation for a reason. We felt that it targeted a specific business structure and did not encompass other sectors of value-added projects in the state. This would in effect penalize the other value added companies in receiving a marketable tax credit because of their business structure choice. The whole purpose of offering a tax credit was to encourage agricultural producers to invest in a project that could stimulate their local economies and provide an extra return on the products that they were raising.

I would like to see SB 84 ammended to include value-added companies that have made an investment in equipment or buildings needed to add that value to their product, or that are marketing a value-added product under a legal Kansas business structure. Our recommendation to the Governor also asked that these tax credits be marketable.

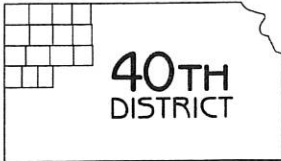
Thank You for your consideration,

Jennifer Mathes

--  
Mathes Farms, LLC  
1680 2000 Rd.  
Bartlett, KS 67332  
316-226-3550  
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Attachment 4

2/13/2001



**Stan Clark**

**COMMITTEE ASSIGNMENTS**

CHAIR: UTILITIES  
MEMBER: ASSESSMENT & TAXATION  
ELECTIONS & LOCAL GOVERNMENT ORGANIZATIONS, CALENDAR, & RULES  
RULES & REGULATIONS

**TESTIMONY BEFORE THE  
SENATE ASSESSMENT & TAXATION COMMITTEE**

**SENATE BILL 129  
FEBRUARY 14, 2001**

Chairman Corbin and members of the committee:

Senate Bill 129 makes 2 changes in the current method used to assess the value of agriculture property. Many would argue that the reality is the proposed changes simply reflect the will of the legislature on page 3, lines 17 – 20 where it states: “It is the intent of the legislature that ‘appraisal judgement’ and ‘appraisal standards’ be followed and incorporated throughout the process . . .”

On page 3 of the bill, lines 14 through 16 allows the local appraiser to apply ‘influence factors’ to any such value and deviate from such value accordingly. Examples:

1. (pages 5-7 of my testimony is a letter from Thomas Fuhrmann of Landmark Appraisal dated Feb 12, 2001) In paragraphs 3 and 4 of his letter Mr. Fuhrmann explains that prior to 1998, values were established according to “productivity groups.” He uses an example in Haskell County where *Rm* soil types with 0-1 percent slopes were assigned into productivity group 1, whereas *Rm* soil types with a 1-3 percent slope were assigned into productivity group 2, which had a lower value. The Haskell survey was issued in October 1968 based on survey worked completed between 1959 and 1964. After the issuance of the survey, along with greater development of irrigation, there was a substantial amount of land leveling done on the *Rm* soil with 1-3 percent slope to reduce the slope closer to the ideal flood irrigation slope of 1 percent. Because of this land leveling, the county appraiser determined through research and visual inspections to increase this soil type into productivity group 1. ‘Appraisal judgement’ was used until county appraisers were told to use values based on soil type alone. At that time the county was

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*2-14-01*  
*Attachment 5*

- also instructed to discontinue applying “influence factors” so he was unable to factor those soil types up where he believed they should be.
2. (Pages 6 & 7 – paragraphs 6 and 7) Here Mr. Fuhrmann refers to irrigation. Many times the most productive irrigation land is not dependent on the most fertile soil type. Paragraph 6 points out the role that the “quality of water” plays in the production of a crop. Paragraph 7 points out that the bottom land (*By* soil type) typically will yield an 80 to 90 bushel corn crop per acre while the sand hills (*Ty* soil type) will yield 170 to 220 bushel corn crop. The *By* soil is valued at \$462 per acre while the *Ty* soil type is valued at \$37 per acre. Mr. Fuhrmann’s letter is further reinforced by an email dated Feb. 8, 2001 testifying to this very fact from Mr. Steve Schell in Syracuse (page 8). Until PVD issued values by individual soil type and removed the appraisers authority to apply influence factors, the *Ty* soil types were factored up from the values issued by PVD while the *By* soil types were factored down and “water quality” was factored into production figures.
  3. (Page 6 - paragraph 5) Here Mr. Fuhrmann points out that the river has changed course in the last 40 years, that water no longer flows in the river and the best pasture ground 40 years ago no longer is the best pasture ground today. Because of the current use of soil types to value pasture ground, the best pasture ground from 40 years ago is valued at \$42 to \$52 per acre while to best pasture with the highest carrying capacity to graze cattle today is valued at \$31 per acre.
  4. (Page 9 – former Rep. Gayle Mollenkamp email dated Feb. 12, 2001) In this email Rep. Mollenkamp points out the importance that the availability of water plays in valuing grassland. Natural spring water should be a positive influence factor in valuing grassland over windmills. While land that either has no water or that requires a person to drill one thousand feet to water has expenses that will be reflected in the revenue that the tenant will pay a landowner. Additionally, the poor quality of water available causes young livestock to become alkaline and either massive doses of coppersulfate have to be injected into the cattle’s brisket or specially formulated salt blocks with coppersulfate have to be provided to prevent this condition. Logan County Appraiser, Randall Sangster’s letter (pages 10 & 11) to taxpayers going before the Board of Tax Appeals in 1998, item #3 reiterates the importance of this item. On Rep. Mollenkamp’s ranch and the ranches of his neighbors the assessed values placed on their pastureland in 1998 were 40 to 60 percent above

- the previous year's because water issues were not an allowable adverse factor. You can look at the picture on the wall between the Senator from Cowley and the Senator from Douglas to see the area's topography.
5. (Page 12 comes from the 1989 edition of the book Opinions of the Attorney General.) I have pointed out the key phrase in the summary of this opinion: "The value of a particular tract of land may be further adjusted by the local appraiser to reflect adverse conditions peculiar to that tract."
  6. The current Kansas Statute states on page 2, starting at line 33 of this bill: "The net rental income normally received by the landlord from pasture or rangeland within each county or homogeneous region shall be used as the basis for determining agricultural income from such land. The net rental income from pasture and rangeland which is normally received by the landlord shall be determined by deducting expenses normally incurred from the gross income normally received by the landlord." The situation is that soil types are used with questionable justification. It is my opinion that the appraiser should determine the rental rate received by the landlord, determine the carrying capacity of the pasture, which would be expressed in the number of acres needed to provide forage for each head of livestock, and allow the deduction for the customary expenses that the landlord pays for owning the grassland. It is my opinion that elements included in the carrying capacity would include average rainfall and the length of the grass-growing season. The appraiser also would have to establish a baseline for water availability and allow deviations based on quality and quantity from this baseline. It is my observation that the better quality soil in my area tends to have more "cheat grass" which is much lower quality and all grasses tend to dry up earlier in the summer due to lack of rainfall. Assessments based on the current soil type classifications and corresponding values are erroneous.
  7. On Jan. 17, 2001 this committee received a wonderful briefing from Mark Beck of the "Agricultural Use Value Study State of Kansas – Technical Assistance Project." The International Association of Assessing Officers completed this study. You might have the entire study in your committee folder, but I have attached selected passages. On page 46 of the study (my page 14), in the last paragraph is a statement that says that, "there should be a decline in carrying capacities within crop reporting districts as the average rainfall decreases." The next page (page 15) was not from the report but is from PVD, which shows the 9

crop reporting districts in Kansas and was one of their slides from a bill last year that was identical to this bill.

On page 50 of the study (my page 16), 'Individual Concern 4' is identical to the second point in my testimony. 'Individual Concern 6' is identical to the fourth point in my testimony.

On pages 57 through 60 (my pages 16-20) is 'Recommendation 5.' This recommendation states that county appraisers should be given authority to make changes and apply influence factors. It states that the changes should have to be justified, documented and approved by some entity other than the Division of Property Valuation staff. It contemplates establishing a board to establish controls, requirements and ultimately review and approve these changes. I have talked with some of you, but don't have a recommendation for such a committee, everything I come up with becomes too complex with appointment or election procedures, and I always end with supervisory oversight or appeals to the next level. I really think that most of the issues can be solved if we would move from crop reporting districts to the specific terms of the current statute of (page 2, line 34) "county or homogeneous region" and with the proper adjustment to carrying capacities due to rainfall, length of grass growing season and the establishment of a baseline for water availability; then the county appraiser could make adjustments as long as they netted the adverse influences with the positive influence factors in the county as recommended in the last paragraph on page 57 (my page 17).

Mr. Chairman, as you can see I have combined the testimony from a number of individuals. The ranchers are calving and the county appraisers have numerous hearings scheduled this week with the Board of Tax Appeals and could not attend today.

Mr. Chairman, with one small recommendation to amend the bill on page 3, line 15 by deleting the word "adverse" which would then allow the county appraiser to apply both positive and negative 'influence factors,' I will stand for questions.

**LANDMARK APPRAISAL, INC.  
108 S. GLENN  
ULYSSES, KS 67880  
(316) 356-5335  
FAX (316) 356-5713**

**TELEFAX COVER SHEET**

**TO: Senator Stan Clark**

*Rm. 449-N*

**FROM: Thomas J. Fuhrmann**

**DATE: 02-12-2001**

**MESSAGE: Ann came back from Topeka and indicated that you would like some written testimony on Senate Bills 129 and 179. If you have any questions or comments feel free to contact me at the above or Ann at 108 S. Glenn, Ulysses, KS 67880. (316) 356-3362.**

**Number of pages transmitted including cover sheet: 3**

February 12, 2001

To: Senator Stan Clark and Members

7-1 This letter is to address proposed changes outlined in Senate Bill 129 and Senate Bill 179 from the viewpoint of southwest Kansas. To do this a few specific examples will be provided along with some brief history of the examples.

7-2 The proposed change "Notwithstanding the foregoing, any county or district appraiser may apply adverse influence factors to any such value and deviate from such value accordingly.", makes the assumption that any influence applied to use value by the county appraiser would be a negative one by the use of "adverse". This is not true as explained later.

7-3 Prior to the application of use values for each soil type in the county, values were issued for what was referred to as productivity groups. In Haskell County, Rm soil types with 0-1 percent slopes were assigned into productivity group 1, whereas Rm soil types with 1-3 percent slopes were assigned into productivity group 2 which had a lower value. The Haskell County survey was issued October 1968 based on survey work conducted between 1959 and 1964.

7-4 After the issuance of the survey, along with greater development of irrigation, there was a substantial amount of machine leveling done on the Rm soil with 1-3 percent slope to reduce the slope closer to the ideal flood irrigation slope of 1 percent. Because of this, it was determined through research and visual inspections to increase this soil type that had taken out the slope problem into productivity group 1. This was carried on until we were issued values based on soil type alone. At that time the county was also instructed to discontinue use of influences so we were unable to factor those soil types up where they should have been.

7-5 All along the Cimarron River through Morton, Stevens, Grant and Haskell Counties, the area along the river is shown to have the greatest carrying capacity of any grazing land in the county. This ground today is marginal grazing at best with trees, scrub brush and weeds that limit severely the carrying capacity. I believed that due to the age of the surveys in these areas that what was at one time productive river bottomland had changed over the course of years. In the past 15 years, there have only been two or three times that there has been any water in the Cimarron River due to heavy snow melt or heavy rainfall. In Grant County for example, these soil types are to carry a value of \$42 to \$52 per acre, whereas the predominant soil types in the county which would have a higher carrying capacity have a value of \$31 per acre. Because of the belief that this situation was the result of the use of old data, the new survey of Morton County was anticipated to correct this "problem". It did not.

7-6 In Hamilton and Kearny Counties, there has been an ongoing discussion with reference to irrigated land along the river bottom of the Arkansas River and the development of center pivot irrigation in the adjoining sand hills. The land along the river bottom is considered good and the availability of irrigation water from the river is an asset. The problem with this is that the quality of water is poor which effects the actual production. This situation has been discussed with PVD numerous times. PVD attended a meeting of concerned property owners and this issue is part of a Board of Tax Appeals hearing. As a result of the meetings, PVD issued an influence based on a soil test for alkalinity. A number of taxpayers paid to have this test with substantially varied results. There is a broad range in adjustments of adjoining property based on what is perceived to be who conducted the actual test. It is the consensus of the farmers in this area that the farther east from the state line the less of a problem this is. This is not currently the case with the application of the allowed influence factors.

7-7 In Kearny County, the difference in base values of the By soil type (along the Arkansas River) which when planted to corn will yield 80 to 90 bushel corn and the Tv soil type (sand hills) which when planted to corn will yield 170 to 220 bushel corn is substantial. The By soil type has a base value with a 100 foot well (not unusual along the Arkansas River) of \$462 per acre while the Tv soil type has a base value at all well



depths equal to dryland which is \$37 per acre. Until PVD issued values by individual soil type and removed the appraisers authority to apply influence factors, the Tv soil types were factored up from the values issued by PVD while the By soil types were factored down.

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PVD contends that influence factors will be allowed with sufficient documentation. This is not always possible to PVD's satisfaction. Because some of the aforementioned situations have developed since the issuance of the soil survey and some of these situations would not be addressed in the development of new survey data, the local appraiser must be given the authority to apply influence factors. The "significant documentation" may be nothing more in some cases than the application of common sense and observation on the part of the appraiser. I realize that there may be instances in the State where the local appraiser may apply influences that are not warranted, but I also believe that PVD has field staff that can monitor this.

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Not all appraisals, which are an opinion of value, are based on completely documented facts. Unless the State of Kansas has determined that the use value appraisal of agricultural land is not an appraisal, appraisal judgement on the part of the local county appraiser must be reincorporated into the process.

Thank you for your consideration of this written testimony. If you have questions I would be glad to try to answer them in person, by telephone or in writing.

Respectfully Submitted,

Thomas J. Submann

Landmark Appraisal, Inc.

Real Estate Appraisal for Gove, Grant, Greeley, Hamilton, Haskell, Kearny, Lane, Morton, Stanton and Stevens Counties

**Stan Clark**

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**From:** "Steve Schell" <stschell@pld.com>  
**To:** "Senator Clark" <clark@senate.state.ks.us>; "Senator Huelskamp" <huelskamp@senate.state.ks.us>  
**Cc:** "Senator Morris" <morris@senate.state.ks.us>  
**Sent:** Thursday, February 08, 2001 10:04 PM  
**Subject:** Senate 129 Property Tax Valuation  
Honorable Senators Clark and Huelskamp,

While reading info on new legislation today I found out about SB 129 you are sponsoring. It appears that the original intent of your bill is to correct a problem with valuing grassland that came about with the implementation of the latest property valuation computations and the complete disregard for the input of local appraisers. I hope that the changes called for by your bill will apply to all farmland which has been valued improperly.

We have a situation in Hamilton County that has affected a small number of farmers that own irrigated farmland along the Arkansas River. Our irrigated ground has been grossly overvalued by the computer model because of the soil type and the shallow water, but it does not take in to account the poorer quality of the water and it uses production figures from a large area that includes some of the best irrigated ground in the state. In the past our local appraisers were allowed to make adjustments to our values based on their knowledge of the problems on these particular parcels.

Taxes on many of these parcels have tripled or quadrupled in the last 2 years, to as much as \$17 per acre. This is "4" times the tax rate of excellent irrigated property in the southern part of the county that has at least 25% better yields on the same input costs and has a market value of at least that much more. The PVD says market value has no correlation with the use value but that is not true in our area where we don't have city development or something like that to cause an unusual deviation. This is not fair and equitable taxation. It is the same problem that the ranchers in the Flint Hills experienced. We have had people try and appeal this but that is a long drawn out process and will probably only affect those that have the time and the background to actually go through the process, and the PVD does not want to adjust their computations for such a small area.

I hope that I am not too late to add my support to your bill and I hope it can be applied to all farmground.

I am sending a copy of this to Senator Morris asking him to support your bill, which I think he will, as I have discussed this with him and he understands the problem we have here in Hamilton County.

Please let me know if there is anything else I can do!

Sincerely;

Steve J Schell  
P O Box 991  
Syracuse KS 67878  
stschell@pld.com

Sincerely

8

2/8/01

5-8

**Stan Clark**

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**From:** "G Mollenkamp"  
**To:** "Stan Clark" <sclark@ink.org>  
**Sent:** Monday, February 12, 2001 8:24 AM  
**Subject:** Range and grass land valuations

The present directive, mandated to the local county appraisers, concerning range and grass land values is plain discriminating against grass land. The local appraisers are handcuffed when addressing Influences that apply to individual parcels of grass land whether it be plus or minus factors. Grass land with natural spring water should valued higher than grassland that just needs windmells. Grassland that has only very deep wells, In the 1000 plus feet range Does not have the value of grassland that has shallow water. The cost of constructing and equipping these systems is in the twenty to twenty five thousand dollar range, not including the pipe line and tanks needed to distribute the watering locations to meet the grazing program standards on that parcel. These systems are wide spread in Logan, Gove, A few in Trego county, But with the formation of two water districts in Trego county some of the deep Dakota well are not being used. Also Wallace county has Several of the Dakota wells in use. The cost of pulling and repairing these deep well systems ranges from Fifteen hundred to two thousand dollars, depending on the time involved. These systems are used for large acreage ranches. Remember without these systems many many acres of grass land would not be rentable or used in dry seasons as Dam water would be the only source of water. In western Kansas the Dams are dry more times than they have water. Than there are parcels of grass land that have no source of water, The only source is hauling water. These parcels are almost impossible to rent and are close to what we used to call waste land.

Most of the grass land in the Smokey water shed is very high in alkali in the soil, run off from this land is the source of water that runs into the dams and seepwater wells. young livestock and also horses are very prone to becomming alkalied. The average number of young cattle that it effects is from five to eight percent. Affected livestock can be helped by injecting coppersulfate directly in the brisket. Also cows can be force fed in feed or high doses of coppersulfate formulated in salt blocks will cut the number of calves becomming alkalied the next year. The value of alkalied cattle in the market place is next to nothing. There are large acreages of grass land that have yellow limestone outcroppings where only bunch grass will grow of which cattle will not eat. Without the ability for the county appraiser or someone Or group not connected with PVD to handle these situations on a parcel by parcel basis, most if not all of the grass and range land In the Smokey Watershed is Discriminated against in the first degree. A fit all method of placeing a value on range and grass land is not what the kansas constitution allows nor what Kansas law allows. But it is being mandated by the PVD and upheld by ths State board of tax appeals. And that is Shamefull.

9

## LOGAN COUNTY APPRAISER

Randall R. Sangster  
710 West Second  
Oakley, KS 67748-1233  
Telephone 785-672-4821

September 14, 1998

Dear Taxpayer:

The Logan County Appraiser, Randall R. Sangster, held a Tax Appeals Informational Meeting on Friday, September 14, 1998. Listed below are some of the items Mr. Sangster feels would be beneficial to point out to The State Board of Tax Appeals.

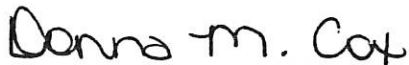
1. You will need to address the value of your land not the actual tax dollar increase. The tax dollars are influenced by the mill levy, which is not relevant to the Ag Use Value.
2. Logan County and Thomas County tax values are the same on all soil classes. Don't you think this is strange since typically Thomas County rents are higher than Logan Counties. If you have any documentation such as contracts showing rental rates on pasture land you will want to make a copy for the Tax Appeals Board. If by chance you rent land in both Logan and Thomas Counties and can show a definite difference this would be most helpful.
3. If you have land that runs along Bute Creek, the water is Brackish. This requires additional copper additivities for the livestock's health and well being. This causes excessive expenses due to the rapid rate of deterioration on the water tanks, pipes, and windmills, not to mention the expense in treating the water.
4. There is a difference in grain prices between Logan and Thomas County, according to Property Valuation Department. They indicate that Logan County grain prices are higher. Why?
5. Grass rent should be used to determine value instead of soil types, as stated by law. (Enclosed is statue 79-1476)
6. Thomas County dryland is lower than Logan Counties due to owner expenses. This amount seems to be a bit much. Why?
7. The local Appraiser needs to be given the ability to apply the adverse influences for no water, piped water, water quality and canopy cover, which was done in the past. There was an Attorney General Opinion No 89-53 that gave the County Appraiser's that authority. (Enclosed is a copy of that Opinion) You might also, indicate this land needs to be physically inspected to determine such problems, since the Soil Survey Book and maps do not address the problem.

You need to keep in mind that Property Valuation Department did not use the tenant operating expenses such as hauling, combining, and distance to market as a allowable expense. They used the landlord's typical expenses.

If you have not received a letter scheduling you for a hearing on October 13 or 14, 1998, hold tight! I talked to The State Board of Tax Appeals today, and they plan to hold the remaining hearing in January 1999. They will be contacting you by the letter in the near future.

I hope this list will benefit you in preparing for your hearing. If you have any questions, please give us a call or stop by the office. The Appraiser is scheduled to be in Logan County on September 17, 1998, you can reach him at our number which is 785-672-4821. If you are not able to reach him here you can call him at 785-769-3902, this number will ring his pager. You will need to leave your phone number so he can return your call.

Sincerely,



Donna M. Cox  
Logan County Deputy Appraiser

enc.

Under the provisions of K.S.A. 79-2804i, if a city (to whom special assessments are owed) is the successful bidder at a foreclosure sale, it shall be required to pay the delinquent real estate taxes plus the costs and expenses of sale, but shall not be required to pay any delinquent special assessments which are a result of improvements made or work done by or on behalf of the city or any interest and penalties on said delinquent special assessments. A portion of said payment will be returned to the city under the provisions of K.S.A. 79-2805, which prescribes that the proceeds of the foreclosure sale are to be prorated to each fund, if practicable, based upon its proportionate interest in the entire lien for taxes and interest included in the foreclosure action. Cited herein: K.S.A. 79-2804i; 79-2805; 1976 Senate Bill No. 386.

TRH

- 89-63 **TAXATION—PROPERTY VALUATION, EQUALIZING ASSESSMENTS, APPRAISERS AND ASSESSMENT OF PROPERTY; STATEWIDE REAPPRAISAL—DUTIES AND AUTHORITIES OF PROPERTY VALUATION AND COUNTY AND DISTRICT APPRAISERS; METHODS OF ESTABLISHING VALUATIONS; PASTURE AND RANGELAND.** Representative Gayle Mollenkamp, One Hundred Eighteenth District, Russell Springs, May 22, 1989.

K.S.A. 1988 Supp. 79-1476 requires the director of property valuation to develop a classification system for all land devoted to agricultural use based on criteria established by the United States department of agriculture soil conservation service. Land is classified according to "quality" insofar as it is grouped by predicted production capability. The value of a particular tract of land may be further adjusted by the local appraiser to reflect adverse conditions peculiar to that tract. Cited herein: K.S.A. 1988 Supp. 79-1476; Kan. Const., Art. 11, §§ 1, 12.

JLM

- 89-64 **INSURANCE—REGULATION OF CERTAIN TRADE PRACTICES—UNFAIR METHODS OF COMPETITION OR UNFAIR AND DECEPTIVE ACTS OR PRACTICES; TITLE INSURANCE.** Debra K. Schauf, State Representative, Eighty-First District, Mulvane, May 22, 1989.

"Gross operating revenue," as that term is used in 1989 House Bill No. 2502, includes revenue received from transactions other than title insurance. For purposes of determining whether 20% of gross operating revenue received in the previous six months is derived from controlled business, revenue received from transactions involving land

**Issue 4: Are procedures for estimating livestock carrying capacities appropriate?**

Many landowners have had concerns about estimated carrying capacities. In reality, tracts on similar soils right across the road from each other can have substantially differing actual carrying capacities. Most of the differences are likely to be the result of past management practices. If a tract has been overgrazed, the tract probably will sell for less than a tract that has been appropriately grazed. Had both tracts been under the same management level, the grass production would have been about the same. The question that arises from this situation is: "Should producers who overgraze their land to obtain more current income be permitted to have lower taxes for a considerable time into the future because their management practices have caused their land to have a lower value?" Because Kansas has opted to define grazing capacity based on the soil-mapping unit, use values will be estimated assuming all land having the same soil-mapping unit is managed the same. The established procedures estimate carrying capacity using a conservative typical management assumption.

Taxing all grazing land assuming typical management is appropriate because the individual who abuses his land by overgrazing is not rewarded with lower taxes. Land normally will not return to its full or typical capability as soon as the operator stops the overgrazing. It may take a number of years for the property to again attain its typical productive capability. About the only individual who has a legitimate concern about taxation being based on typical management is the one who buys abused land where taxes are determined using typical rather than actual productivity. As a result, rational buyers of overgrazed land should be willing to pay less than what abused land normally sells for so that a higher percentage of the income produced by the abused land can go to pay taxes.

Procedures used for assigning values to grazing land are similar to those for dry and irrigated cropland. Because those estimating per acre net incomes are familiar with these procedures, it is appropriate to continue the procedures for grazing land. Although explaining the procedure to taxpayers may prove difficult, most taxpayers understand the surveyed average cash rental rate per acre, the assumption of typical management, and standard management practices.

Established procedures are used to identify the typical carrying capacity for the district. It should be possible to use this information to inform concerned taxpayers that the productive capability of the soils they have in their pastures is some percentage better or

worse than the typical pasture in their district. However, those landowners possessing overgrazed properties may not wish to believe this information. If a political decision is made that the current condition of pastures should be considered, it may be possible to develop an adverse influence table similar to that used for canopy adjustments.

Another issue regarding pasture and range is the allocation of crop reporting district averages among the counties in each district. Cash rental rates are determined for crop-reporting districts. Because the range production indices are estimated for each county and the average carrying capacity for a county should decline as rainfall declines, there should be a decline in carrying capacities within the crop reporting districts as the average rainfall decreases.

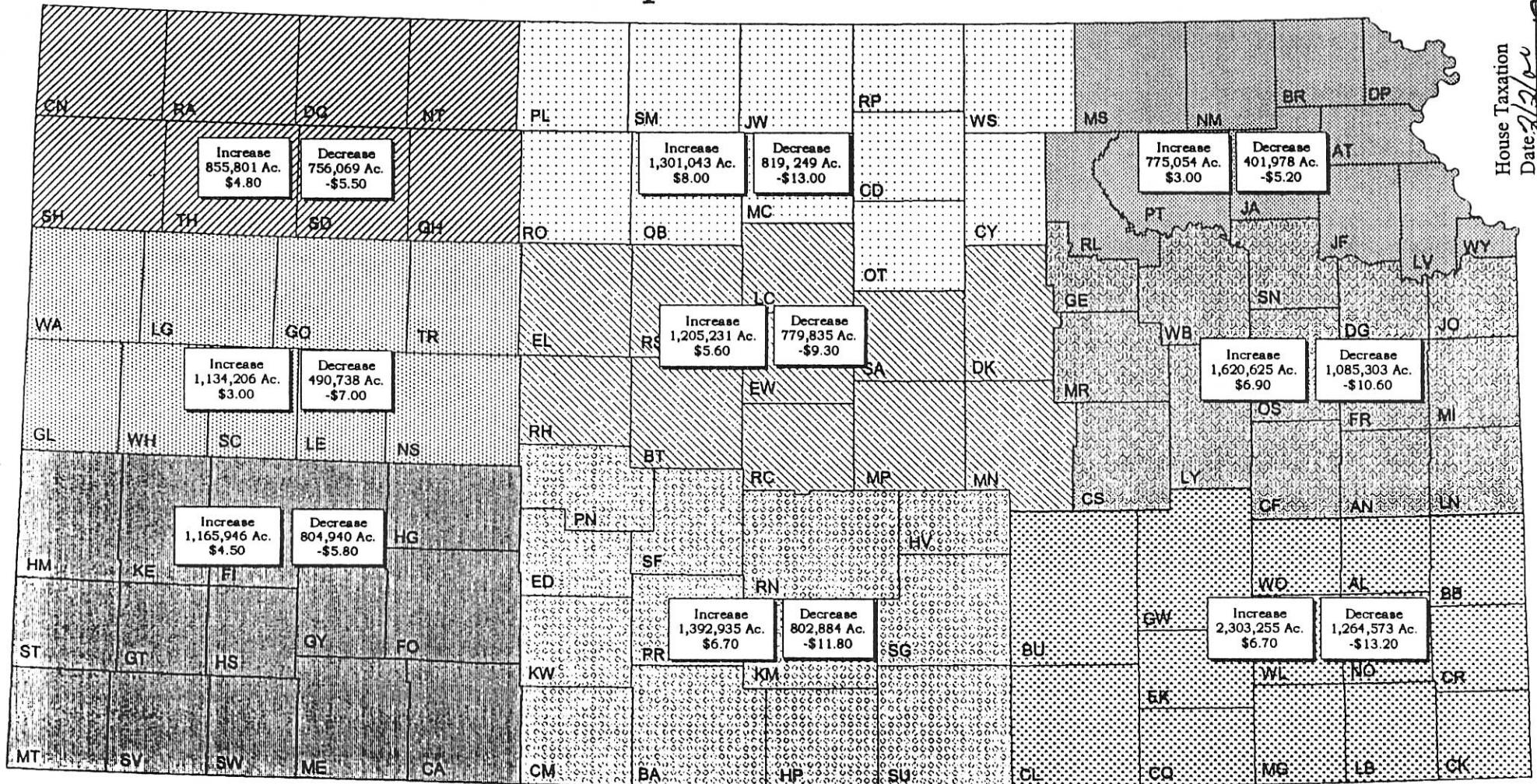


# KANSAS AGRICULTURAL USE VALUE MAP

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

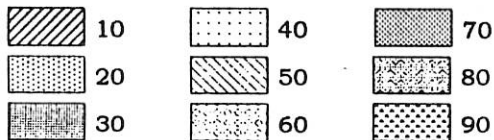
5-15

House Taxation  
Date 2/2/00  
Attachment # 13



15

### Crop Reporting Districts



Effect of HB #2715  
Acreage  
\$ per acre



February 1, 2000  
Map #AG00-002

**Individual Concern 3: For those counties where there are protected levies, there will be some land that cannot be used productively.**

Even though the soil-mapping unit may indicate a productive use and use value, the location indicates the land is likely to be waste as far as use value is concerned.

**Individual Concern 4: Some values appear to be way off base.**

Another illustration was given in which the use value of pasture is higher than cropland. This occurs on somewhat regular basis. Also, land that is primarily sand has very low dry land productivity in western Kansas, although when irrigated, it becomes some of the most productive irrigated land. Using the 'water stress adjusted SRPG' values discussed elsewhere might take care of this problem.

**Individual Concern 5: Government payments should be included in net income.**

This should occur, according to the appraiser, because so much of farm income comes from government programs that to exclude government payments gives unrealistically low use values.

**Individual Concern 6: County appraisers should be able to adjust for observable value differences based on differing rents.**

There are areas where it is impossible to provide livestock with water at a reasonable price, particularly when it is impossible to find water for a well. In these cases, the only alternative may be to haul water. As a result, rents are reduced and use value should be reduced as well. If there is a difference in rental rates observable because of factors directly affecting the net income expected such a factor as water availability, county appraisers should be able to adjust the use value applied to that property. One possible approach is to adjust the appraised value in the same proportion that the rental rate is reduced. Any adjustment of this nature would have to be supported by documented rental rates for tracts with and without water.

**Individual Concern 7: There should be a recovery of tax savings accrued to landowners benefiting from use value if the use of the land is changed from agricultural to some other use.**

Before implementing irrigation-adjusted SRPG values for irrigated soils, it would be best to obtain the irrigation-adjusted SRPG indices for a county or two to examine how much productivity values really change. If for most soils, the irrigation-adjusted SRPG is some constant multiple of the dry cropland SRPG for all soils, then using the SRPG for irrigation will have little or no impact on values.

### Recommendation 5

- ♦ County appraisers should have the authority to make changes in property values used for individual soil-mapping units when the reasons are justified, documented, and approved.

Currently county appraisers have little or no authority to make changes in the use values associated with individual soil-mapping units. Appraisers can propose changes to the Division of Property Valuation. The operating assumption is that the value of the tract on which the change is proposed should be kept at its currently approved value until the change is approved. Appraisers should be given authority to make changes. However, each change should be justified in writing. In addition, if the value of a particular soil-mapping unit is changed because of inherent soil productivity, it should be changed for all instances of that soil-mapping unit. The exception to this would be if there are extenuating circumstances causing a soil-mapping unit on one particular tract to have a greater or lesser value than stipulated by the Division of Property Valuation. Generally, the reason stated for making the value adjustment should not be associated with the productivity of the soil.

If it is believed that the value of agricultural property is valued correctly relative to every other county, then county appraisers could be required to net out their adjustments. In other words, appraisers would be required to have a set of positive land value adjustments equal in value to the sum of negative land value adjustments. Such a procedure should minimize the number of adjustments made by appraisers and cause them to make adjustments only for situations in which they believe the recommended values are not acceptable.

Changes recommended by a county appraiser should be approved by some entity other than the Division of Property Valuation staff. For example, there might be an approval board for each crop-reporting district. The boards might include two or three county appraisers, an individual who is knowledgeable about the factors included in the soil SRPG index, and two or three others appointed by the Division of Property Valuation.

### Recommendation 6

- ♦ Educational programs should be offered for property owners in Kansas to acquaint them with data sources, goals, computational procedures, and expected results of the current Use Value estimation system.

The current method used to estimate use values in Kansas is complex, using large amounts of data from several different sources to determine values. It is apparent that many property owners do not understand the current system. An educational program should be implemented to acquaint property owners with the current use value estimation system. Explaining the goals of the system, indicating what entities are involved in the calculations, and advising the means of addressing identifiable problems within the system could eliminate some of the mystery associated with the current system. The intent of the educational program should be to explain the system and inform the participants how the state—and thus they themselves—are better off because of current use value estimation procedures.

### Summary and Conclusions

The Division of Property Valuation for Kansas uses a very detailed, comprehensive, and complex set of procedures to determine the use value of agricultural properties. Of the thirty states reviewed for this project, no other state goes to the effort of determining a fair and equitable net income for each soil-mapping unit in each county for each of three uses. With respect to the goal of having each agricultural property owner pay taxes equal to a percentage of the expected long-term average net income, no other state does better. The procedures are fair, understandable with a little effort, and have sufficient detail included to take into account all the productive characteristics of the multitude of soil-mapping units found throughout the state. Based on the goals articulated for use value in Kansas and the

thirty states included in the review, the current Kansas system is the best system in the United States.

In addition, the cost of collecting data, analyzing results, and estimating use values is most likely higher per dollar of taxes collected than that of most states. Kansas has a good system, but the state and its people are paying for it.

After spending considerable time evaluating the current system and comparing the system with that of other states, several recommendations have been presented that can improve the operation of the system relative to desired goals. One of the goals of use value estimation is that the use values are relatively stable over time. Most of the recommendations will improve the stability of use values and thus the stability of taxes. The change that will most improve stability is setting the capitalization rate. The rate might be fixed at the current or some other appropriate rate, but the very act of making the capitalization rate constant will insure that use values will rise and fall with average agricultural net incomes.

Two recommendations are directly concerned with irrigated land use values. First, the SRPG index can be adjusted for irrigation using the moisture stress variable in the SRPG equation. In effect, the moisture stress variable can be excluded causing the resulting SRPG value to be the productivity index if there is no moisture stress. The result of implementing this suggestion would be a better productivity index value for irrigated land. Sandy soils have severe moisture stress when farmed as dry cropland in western Kansas, but are very productive if that moisture stress is reduced using irrigation. Using the dry cropland SRPG values does not lead to this same result.

A second and perhaps more difficult to implement recommendation is that irrigation costs be based more on actual pumping depths than on well depth. Implementing this recommendation would be costly because pumping depths are not collected and stored as public information in the way that well depths are. The most practical way of obtaining the information would be to initially estimate pumping costs using a very shallow well. This would underestimate expenses and would overestimate net income, use values, and the resulting taxes. Landowners would be permitted to document their average pumping depths and have their irrigation expenses estimated for the documented depth. When property owners document their well pumping depths as greater than the default shallow well depth, the result would be a lower net income, lower use value, and thus lower taxes.

ited

The current system is very detailed and is applied in a very rigid fashion. Adjustments can be made for standard adverse influences only. Because the uses of Kansas's soils vary widely, it is recommended that county appraisers be given more latitude in making adjustments. However, there should be controls and requirements for making adjustments. In addition, having them approved by an independent board knowledgeable of the factors included in calculating soil productivity and use should be required.

Finally, it is recommended that an effort be expended to educate agricultural property owners in Kansas about the data sources, the reason eight-year averages are used, and the goals of the use value taxation system in Kansas. Education concerning the goals and procedures of the current system should go a long way toward alleviating the concerns of Kansas's taxpayers. The Kansas Department of Revenue and the citizens of Kansas should be proud of the system currently in place even if none of the recommendations in this report are implemented.

#### References

Adams, Roy D., and John Regan. (May 1993) Productivity Valuation Versus Market Valuation of Iowa Farmland 1968-1990. *Journal of the American Society of Farm Managers and Rural Appraisers* 57(1): 108-111.

Kansas Department of Revenue, Division of Property Valuation. (March) 2000. *Statistical Report of Property Assessment and Taxation.*

Kansas Department of Revenue, Telephone conversations with author, July 6, 2000.



# PUBLIC POLICY STATEMENT

## SENATE COMMITTEE ON ASSESSMENT AND TAXATION

**RE: SB 129 and SB 179 – prohibiting soil classifications in pasture calculations and allowing adverse influences to impact agricultural land use valuations.**

**February 14, 2001  
Topeka, Kansas**

**Presented by:  
Leslie J. Kaufman, Associate Director  
Public Policy Division  
Kansas Farm Bureau**

Chairman Corbin and members of the Senate Committee on Assessment and Taxation, thank you for the opportunity to appear today in support of SB 129 and SB 179 regarding use value appraisal of agricultural land. I am Leslie Kaufman. I serve as an Associate 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 process.

SB 129 will, in part, prohibit the use of soil classifications when determining the landlord's income from pasture or rangeland. Farm Bureau policy is specific that "equitable procedues for determination of net income are set forth in law." The law, or statute, provides:

*Senate Assessment & Taxation  
2-14-01  
Attachment 6*

“The net rental income normally received by the landlord from pasture or rangeland within each county or homogeneous region shall be used as the basis for determining agricultural income from such land. The net rental income from pasture and rangeland which is normally received by the landlord shall be determined by deducting expenses normally incurred from the gross income normally received by the landlord.” K.S.A. 2000 Supp. 79-1476.

The statute, or law, clearly states how net rental income on pasture and rangeland should be calculated and it does not provide for the inclusion of soil classifications in the calculation. Although including that factor in the formula may have been well intentioned, as we read K.S.A. 79-1476, it does not meet the statutory methodology: net rental income minus expenses. As such, we support the prohibition on soil classification from the determination of the landlord's net rental income on pasture and rangeland.

SB 129 and SB 179 both allow the county or district appraiser to apply adverse influence factors to valuations and deviate from the schedules provided them by the director of property valuation. This specific point was debated and new policy was enacted by our farmer and rancher members when they gathered this past fall at the 82<sup>nd</sup> Annual Meeting of Kansas Farm Bureau. The following policy statements were adopted:

- ✓ We support the legislature's clear statutory statement that appraisal judgment and appraisal standards be incorporated throughout the data collection and analysis and establishment of agriculture land valuations. (K.S.A. 79-1476);
- ✓ Local appraisers shall be allowed to adjust valuations in cases where adverse factors have an unusual impact on net income;
- ✓ Use value appraisal, and its core components, including determination of net income, the capitalization rate and appraisal judgment, must continue to be an integral part of the Kansas property tax system; and
- ✓ The Department of Revenue is encouraged to properly utilize the system in order to assure equity and stability in valuation of agricultural land.

As you can tell by our policy statements, Farm Bureau strongly supports the provisions of SB 129 and SB 179. We thank you for the opportunity to appear before you today and would ask that you look favorably on these measures.





*Since 1894*

**Written Testimony**

presented by

**Kansas Livestock Association**

regarding

**Senate Bill 129, SB 179**

before the

**SENATE ASSESSMENT AND TAXATION COMMITTEE**

**Wednesday, February 14, 2001**

*Senate Assessment & Taxation  
2-14-01  
Attachment 7*

February 14, 2001

Written Testimony of the Kansas Livestock Association

To: Senate Assessment and Taxation Committee

Re: SB 129, SB 179

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. We apologize for not being present this morning; today is the start of our legislative meeting with members from across the state.

KLA supports the concepts contained in SB 129, SB 179. Throughout the past five years KLA has participated on the Secretary of Revenue's Use Value Advisory Committee. The advisory committee was formed to review the use value appraisal system and update the data used to compute values. The committee has reviewed at length a number of items dealing with the three types of agricultural land in Kansas-irrigated cropland, dry land cropland, and pastureland.

It is our understanding that SB 129 has two main purposes: (1) to remove the use of soil classification in the valuation of pastureland; and, (2) return discretionary use of "adverse influences" to county appraisers. It is also our understanding that SB 179 contains only the second provision. We support these bills.

Kansas law provides that agricultural lands be valued for tax purposes based upon the "agricultural income or productivity attributable to the inherent capabilities of such land in its current usage under a degree of management reflecting median production levels". In other words, agricultural land is valued based upon its inherent ability to produce income under normal management. K.S. A 79-1476 further defines how the valuation of pastureland should be completed. The statute directs the director of property valuation to value pastureland based upon the "net rental income normally received by the landlord..." (See SB 129, page 2, line 33) Current law further defines how the net rental income is to be calculated. Net rental income is calculated by taking the gross income and subtracting expense amounts.

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

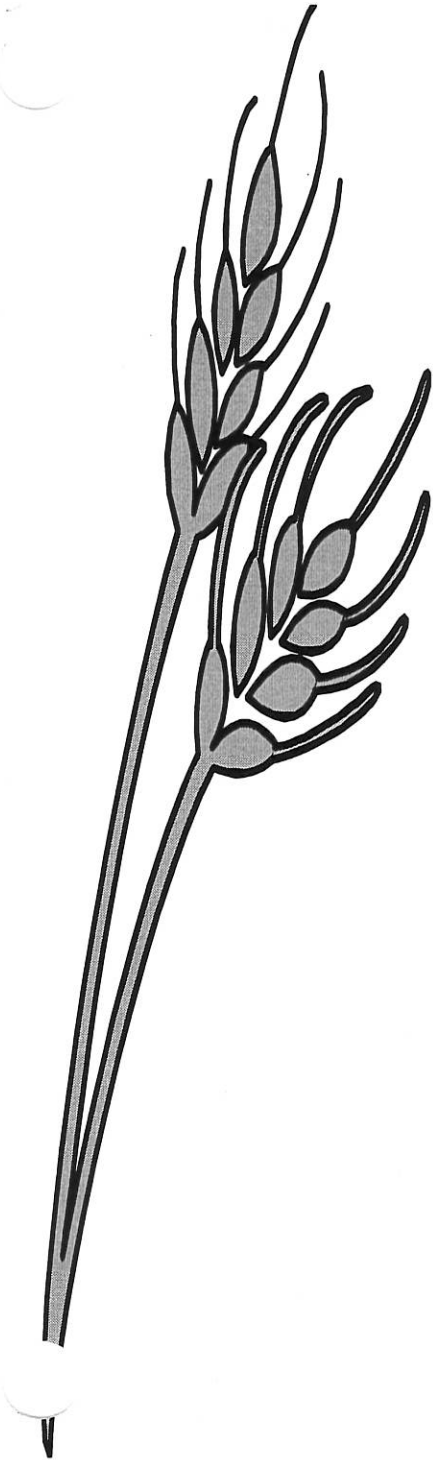
valuation of the property. From the information we learned last year, it appears that completely eliminating this factor could unintentionally cause some parcels to increase in value and others to decrease.

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

The second portion of SB 129 and the amendments contained in SB 179 allow county or district appraisers to apply "adverse influences" to valuations. We strongly support the return of this authority to the local appraisers. We recognize that K.S.A. 79-1476 outlines a process for *mass* appraisal of agricultural lands. However, even in a mass appraisal system, there must be flexibility for the county appraisers to make adjustments to values based upon unique characteristics of property. Weather, management practices, erosion, or invasive species can change the environment or value of a pasture over time. County appraisers need the flexibility to adjust for those changes.

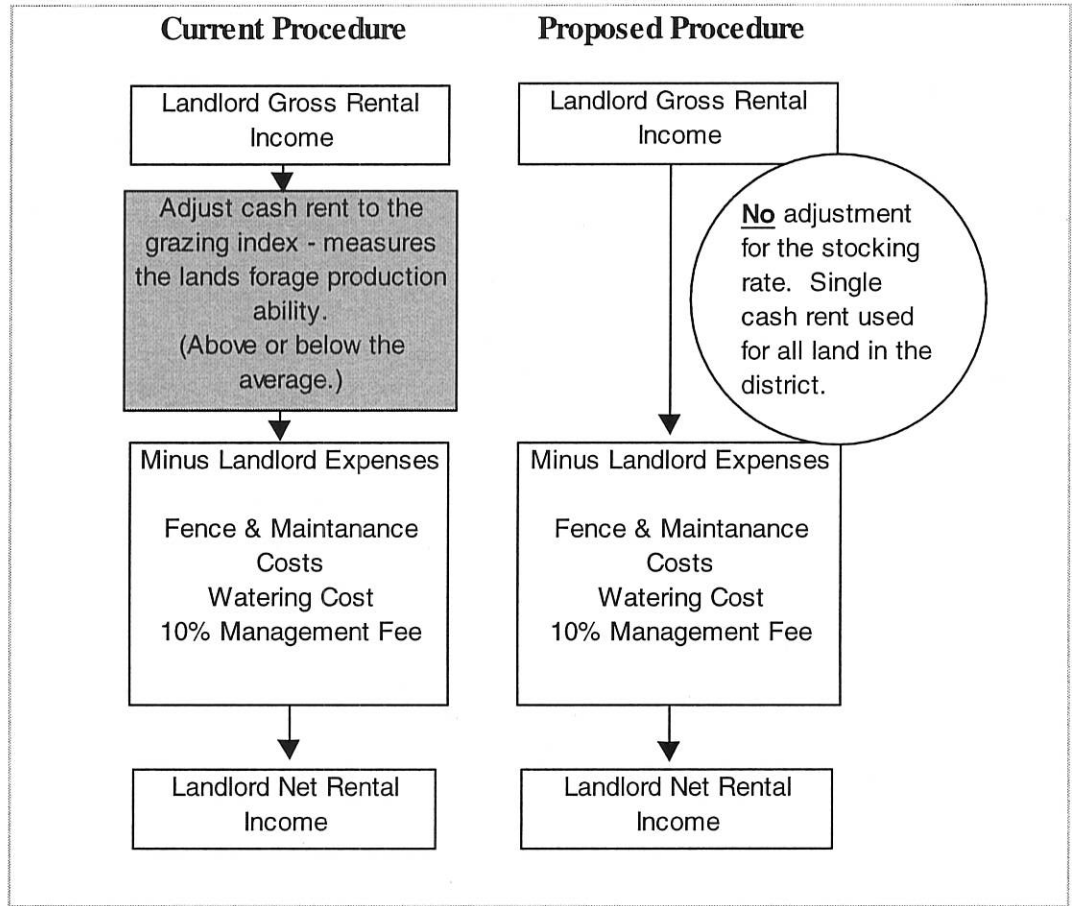
In conclusion, we support both bills.

Thank you for your time and consideration. If you have questions, please contact Allie Devine, Kansas Livestock Association, (785) 273-5115.



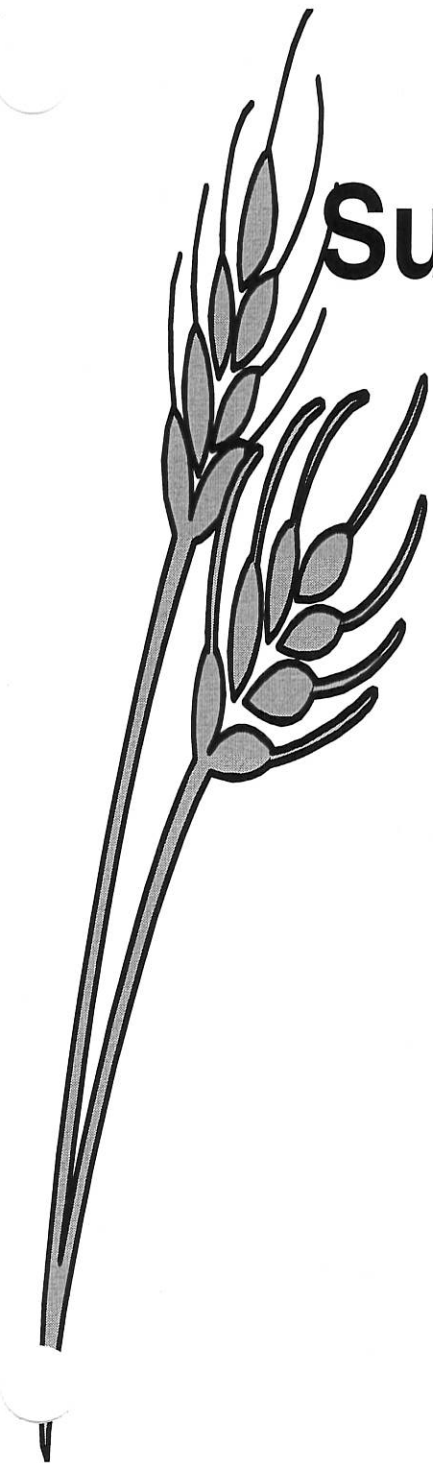
# SB 129

## Proposed Procedure Change (No Adjustment for Land Productivity)



*Senate Assessment & Taxation  
2-14-01  
Attachment 8*

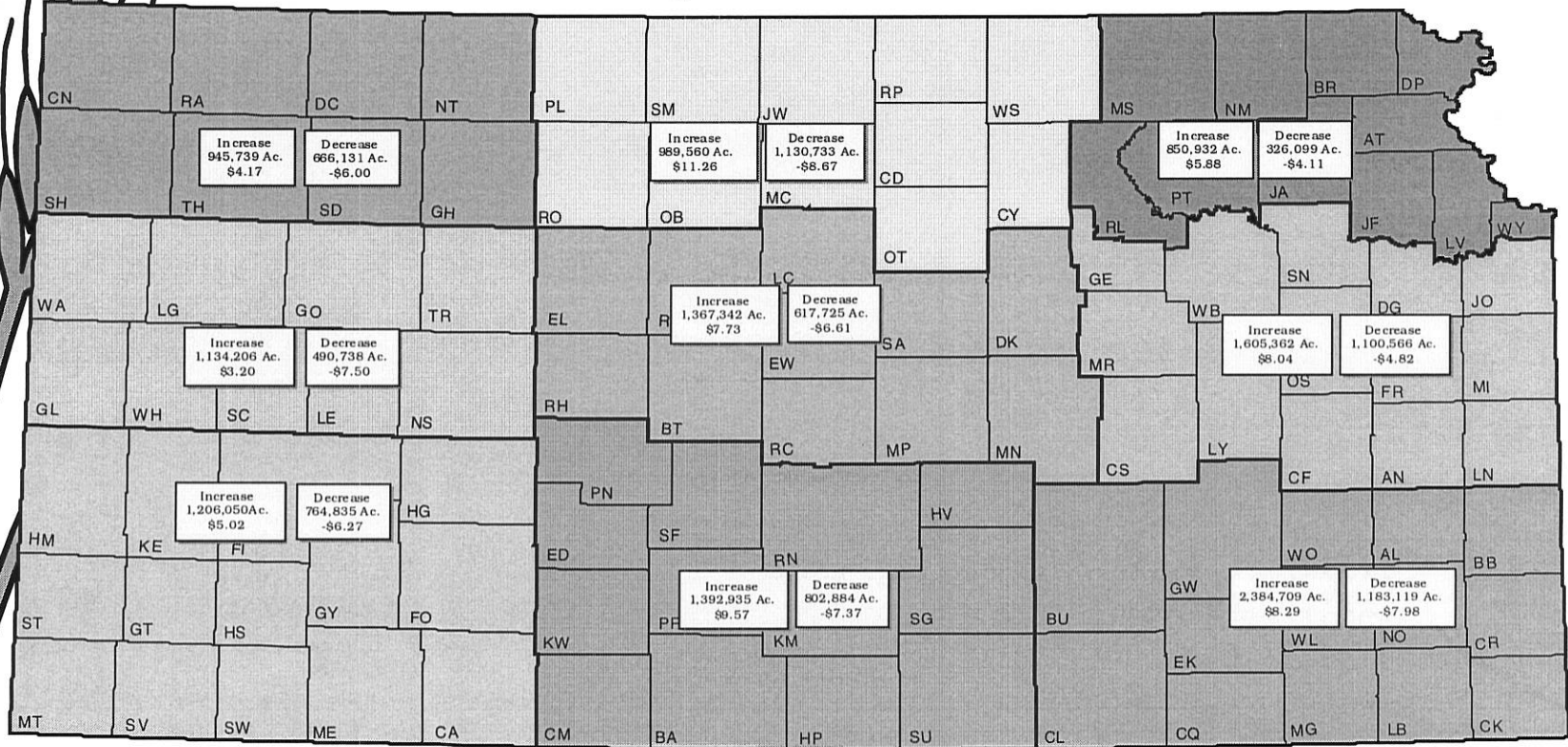
# Summary of Procedure Change



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

# KANSAS AGRICULTURAL USE VALUE MAP

## Average Value Change Per Acre of Native Pasture per SB #129

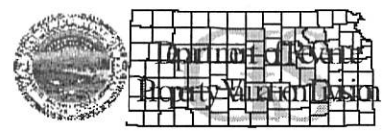


February 2, 2001

Crop Reporting Districts

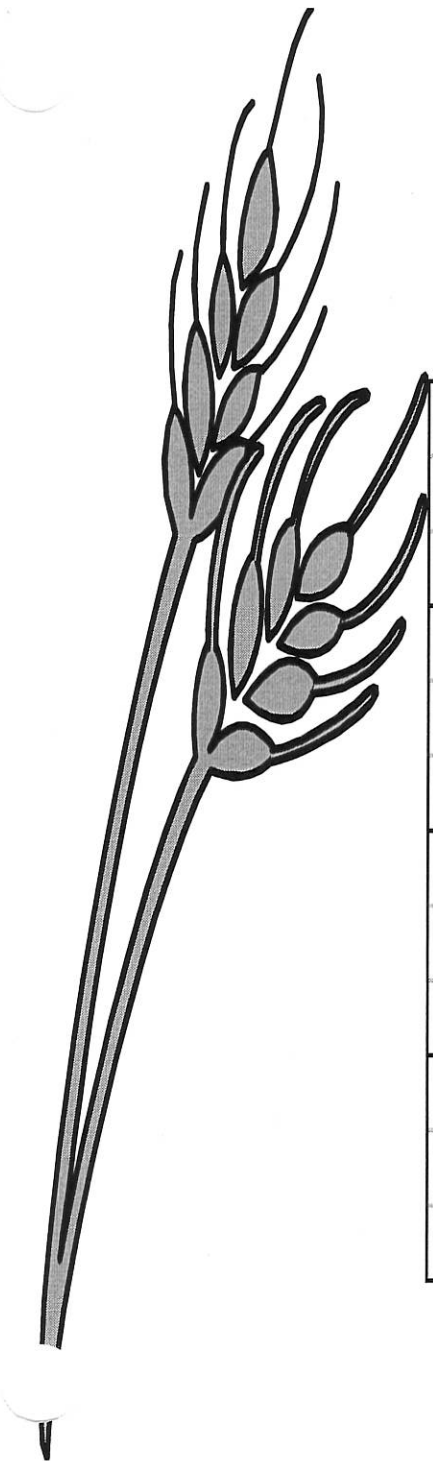
	10		40		70
	20		50		80
	30		60		90

Effect of SB #129  
Acreage  
\$ per acre



Map #AG01-001

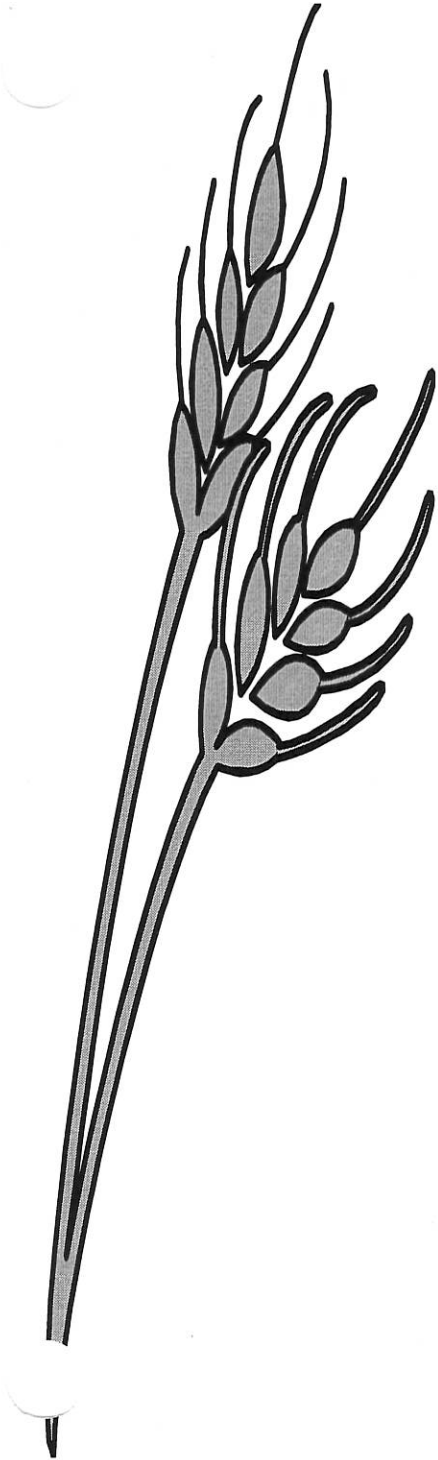
# District Changes



	NW - 10		NC - 40		NE - 70	
Acres	945,739	666,131	989,560	1,130,733	850,932	326,099
Change	\$4.17	-\$6.00	\$11.26	-\$8.67	\$5.88	-\$4.11
	WC - 20		C - 50		EC - 80	
Acres	1,134,206	490,738	1,367,342	617,725	1,605,362	1,100,566
Change	\$3.20	-\$7.50	\$7.73	-\$6.61	\$8.04	-\$4.82
	SW - 30		SC - 60		SE - 90	
Acres	1,206,050	764,835	1,392,935	802,884	2,384,709	1,183,119
Change	\$5.02	-\$6.27	\$9.57	-\$7.37	\$8.29	-\$7.98
	State Wide					
Acres	11,876,836	7,082,830				
Change	\$7.27	-\$6.83				

# Example in WC - 20

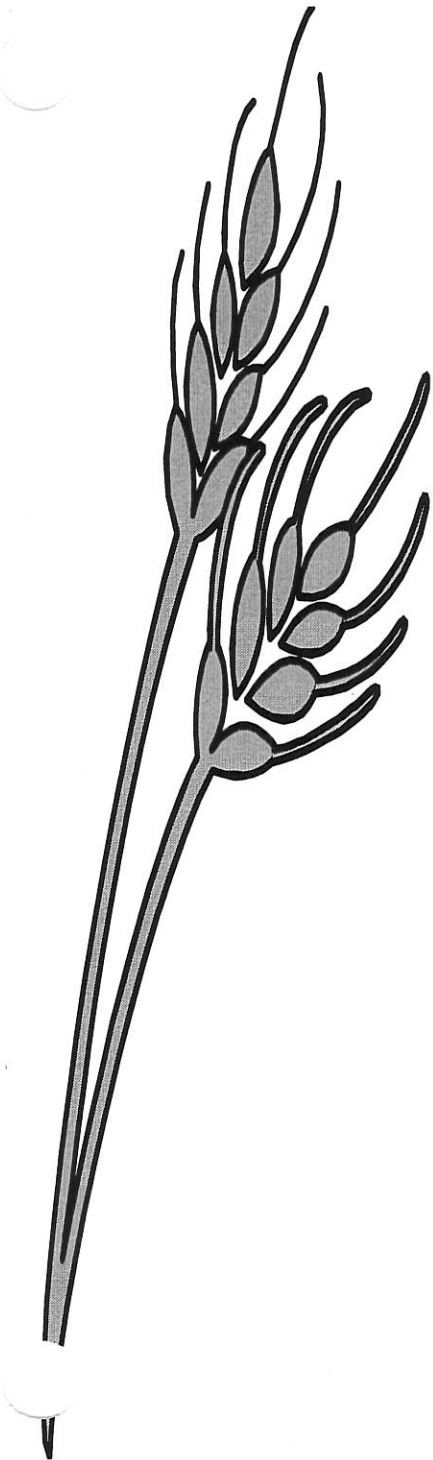
- Approximately 1,134,206 grass acres would go up \$ 3.20 per acre and about 490,738 grass acres would go down \$ 7.50 per acre.
- Counties that would go down - Trego and Ness.
- Counties that would go up - Gove, Greeley, Lane, Logan, Scott, Wallace and Wichita.





# Effect of SB 129

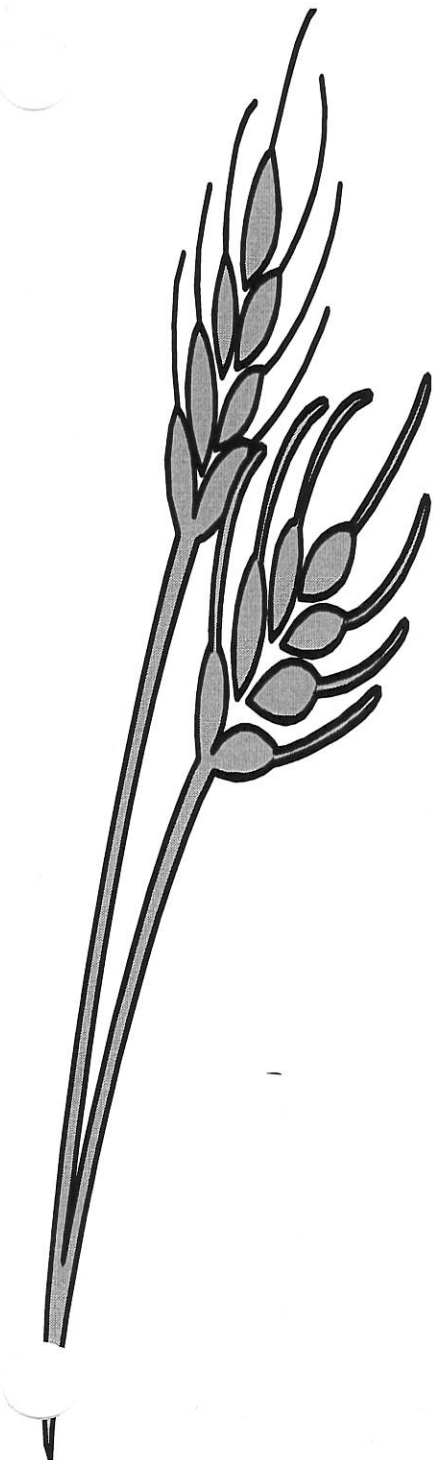
Example from WC - 20



- Grassland example #1 (LG county)
  - ◆ It takes 25 acres per cow/calf pair.
  - ◆ 8-year LNI = \$3.01 per acre.
  - ◆ Value = \$21 per acre.
- Grassland example #2 (TR county)
  - ◆ It takes 12 acres per cow/calf pair.
  - ◆ 8-year LNI = \$6.06 per acre.
  - ◆ Value = \$42 per acre.
- Using the single cash rental rate -  
LG = \$35 and TR = \$34 per acre.

# Effect of SB 129

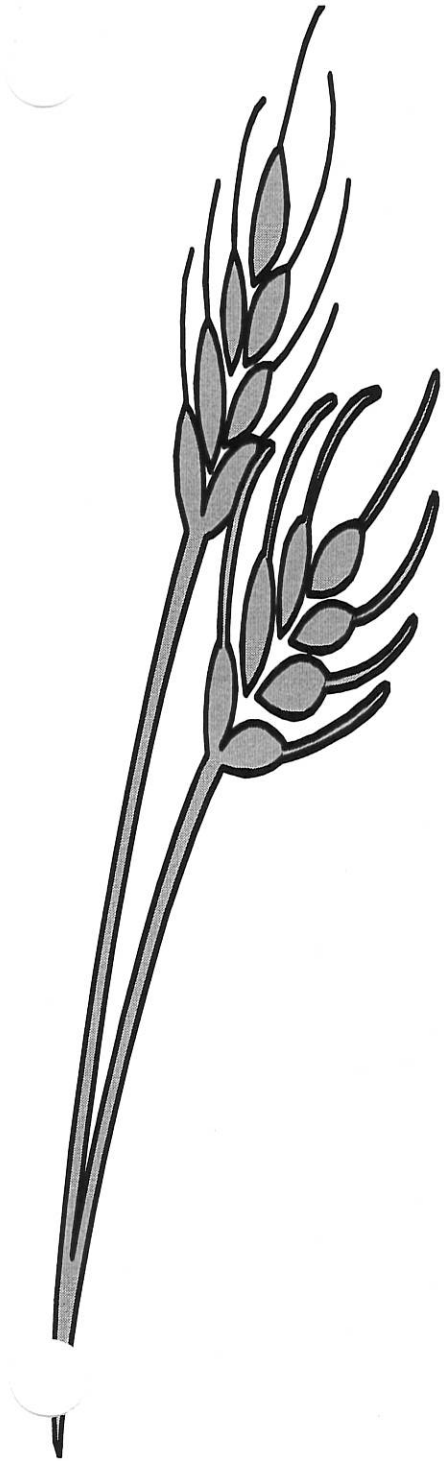
Example from SE - 90



- Grassland example #1 (BU county) <sup>Butler</sup>
  - ◆ It takes 12 acres per cow/calf pair.
  - ◆ 8-year LNI = \$4.86 per acre.
  - ◆ Value = \$34 per acre.
- Grassland example #2 (CR county) <sup>Crawford</sup>
  - ◆ It takes 5 acres per cow/calf pair.
  - ◆ 8-year LNI = \$13.30 per acre.
  - ◆ Value = \$97 per acre.
- Using the single cash rental rate -  
BU = \$68 and CR = \$72 per acre.

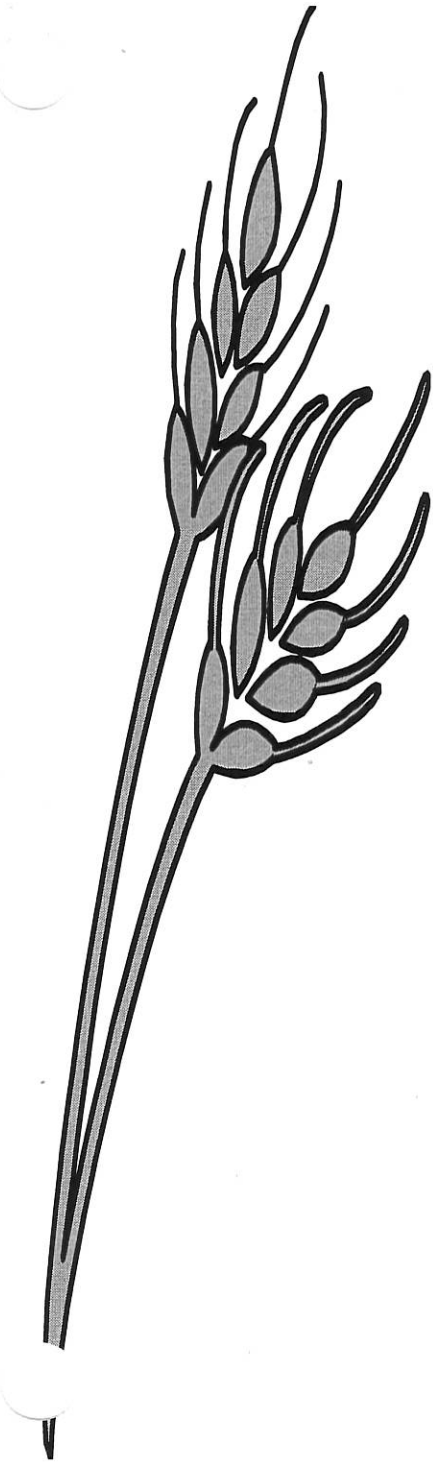
## Example in SW - 30

- Approximately 1,206,050 grass acres would go up \$ 5.02 per acre and about 764,835 grass acres would go down \$ 6.27 per acre.
- Counties that would go down - Clark, Ford and Hodgeman.
- Counties that would go up - Finney, Grant, Gray, Hamilton, Haskell, Kearny, Meade, Morton, Seward, Stanton and Stevens.



# Calculations for Grass Land

LNI developed using SB 129



District	Cash Rent	Fence & Maintenance Costs	Livestock Watering Costs	Management Charge	Landlord Net Rental Income
Northwest	\$10.00	\$3.21	\$0.70	\$1.00	\$5.09
West Central	\$9.00	\$3.72	\$0.70	\$0.90	\$3.68
Southwest	\$9.00	\$3.68	\$0.70	\$0.90	\$3.72
North Central	\$13.94	\$3.45	\$0.70	\$1.39	\$8.40
Central	\$12.88	\$2.92	\$0.70	\$1.29	\$7.97
South Central	\$10.97	\$2.65	\$0.70	\$1.10	\$6.52
Northeast	\$15.98	\$7.94	\$0.70	\$1.60	\$5.74
East Central	\$17.65	\$3.29	\$0.70	\$1.77	\$11.90
Southeast	\$16.90	\$3.61	\$0.70	\$1.69	\$10.90

## SB 129

### Native Grass Land Comparison Using Single Cash Rent Grouped by Crop Reporting District - Sorted by \$ Per Acre Change in Value

A	B	C	D	E	F	G	H	I	J	K	L
CRD	County	2001 Wt Average 8-Yr. LNI	2001 8- Yr. LNI per SB 129	2001 Wt Average Value	2001 Value per SB 129	Dollar Per Acre Change	Percent Change	Native Grass Acres	2001 County Grass Value	2001 County Grass Land Value per SB 129	Value Change in County
10	Cheyenne	4.44	5.47	33	40	\$7	21%	252,382	8,328,609	10,095,284	1,766,675
10	Rawlins	4.77	5.47	33	37	\$4	12%	278,871	9,202,743	10,318,227	1,115,484
10	Sheridan	4.91	5.47	34	37	\$3	9%	196,547	6,682,603	7,272,245	589,641
10	Sherman	5.00	5.47	36	39	\$3	8%	128,001	4,608,043	4,992,047	384,004
10	Thomas	5.40	5.47	37	38	\$1	3%	89,938	3,327,695	3,417,633	89,938
10	Decatur	5.93	5.47	41	38	-\$3	-7%	221,643	9,087,367	8,422,438	-664,929
10	Norton	6.51	5.47	44	37	-\$7	-16%	221,835	9,760,743	8,207,898	-1,552,845
10	Graham	6.61	5.47	44	36	-\$8	-18%	222,653	9,796,730	8,015,506	-1,781,224
20	Scott	4.22	4.98	31	36	\$5	16%	65,045	2,016,382	2,341,605	325,223
20	Lane	4.43	4.98	29	33	\$4	14%	127,062	3,684,804	4,193,053	508,249
20	Logan	4.33	4.98	31	35	\$4	13%	294,296	9,123,178	10,300,363	1,177,184
20	Wallace	4.50	4.98	32	35	\$3	9%	249,395	7,980,637	8,728,822	748,185
20	Wichita	4.56	4.98	31	34	\$3	10%	73,782	2,287,227	2,508,572	221,345
20	Gove	4.63	4.98	33	35	\$2	6%	287,197	9,477,485	10,051,878	574,393
20	Greeley	4.69	4.98	33	35	\$2	6%	37,430	1,235,188	1,310,048	74,860
20	Ness	5.98	4.98	41	34	-\$7	-17%	245,592	10,069,282	8,350,136	-1,719,146
20	Trego	6.07	4.98	42	34	-\$8	-19%	245,146	10,296,125	8,334,958	-1,961,167
30	Kearny	3.67	4.84	28	37	\$9	32%	150,372	4,210,417	5,563,766	1,353,348
30	Haskell	3.92	4.84	30	37	\$7	23%	20,845	625,347	771,261	145,914
30	Seward	3.86	4.84	28	35	\$7	25%	123,295	3,452,266	4,315,332	863,066
30	Hamilton	4.01	4.84	28	33	\$5	18%	176,745	4,948,864	5,832,590	883,726
30	Meade	4.12	4.84	30	35	\$5	17%	276,242	8,287,263	9,668,474	1,381,211
30	Finney	4.15	4.84	30	34	\$4	13%	174,262	5,227,848	5,924,894	697,046
30	Stevens	4.23	4.84	33	37	\$4	12%	84,028	2,772,908	3,109,019	336,110
30	Stanton	4.43	4.84	32	35	\$3	9%	44,113	1,411,609	1,543,948	132,338
30	Gray	4.58	4.84	32	34	\$2	6%	64,036	2,049,136	2,177,207	128,071
30	Morton	4.61	4.84	34	36	\$2	6%	40,105	1,363,561	1,443,771	80,209
30	Grant	4.68	4.84	35	36	\$1	3%	52,009	1,820,308	1,872,317	52,009
30	Clark	5.77	4.84	39	33	-\$6	-15%	422,745	16,487,069	13,950,597	-2,536,472
30	Ford	5.81	4.84	39	33	-\$6	-15%	138,178	5,388,923	4,559,858	-829,065
30	Hodgeman	5.81	4.84	38	31	-\$7	-18%	203,912	7,748,665	6,321,279	-1,427,386

*Senate Assessment & Taxation*

*2-14-01*

02/09/2001

*Attachment 9*

## SB 129

### Native Grass Land Comparison Using Single Cash Rent Grouped by Crop Reporting District - Sorted by \$ Per Acre Change in Value

A	B	C	D	E	F	G	H	I	J	K	L
CRD	County	2001 Wt Average 8-Yr. LNI	2001 8- Yr. LNI per SB 129	2001 Wt Average Value	2001 Value per SB 129	Dollar Per Acre Change	Percent Change	Native Grass Acres	2001 County Grass Value	2001 County Grass Land Value per SB 129	Value Change in County
40	Osborne	6.89	8.62	47	59	\$12	26%	257,776	12,115,456	15,208,763	3,093,308
40	Rooks	6.85	8.62	47	59	\$12	26%	255,730	12,019,291	15,088,046	3,068,755
40	Smith	6.99	8.62	49	60	\$11	22%	220,285	10,793,980	13,217,118	2,423,138
40	Phillips	7.20	8.62	50	60	\$10	20%	255,769	12,788,466	15,346,159	2,557,693
40	Jewell	8.72	8.62	59	58	-\$1	-2%	199,160	11,750,460	11,551,300	-199,160
40	Mitchell	8.84	8.62	61	60	-\$1	-2%	112,323	6,851,713	6,739,390	-112,323
40	Washington	9.76	8.62	66	59	-\$7	-11%	232,400	15,338,376	13,711,579	-1,626,797
40	Ottawa	9.86	8.62	68	59	-\$9	-13%	198,073	13,468,978	11,686,319	-1,782,659
40	Cloud	10.77	8.62	71	57	-\$14	-20%	143,546	10,191,801	8,182,150	-2,009,651
40	Republic	10.75	8.62	74	59	-\$15	-20%	112,664	8,337,114	6,647,158	-1,689,956
40	Clay	11.28	8.62	76	58	-\$18	-24%	132,566	10,075,016	7,688,828	-2,386,188
50	Ellis	6.52	8.14	47	59	\$12	26%	279,189	13,121,875	16,472,140	3,350,266
50	Russell	6.67	8.14	45	55	\$10	22%	282,286	12,702,876	15,525,738	2,822,861
50	Rush	7.05	8.14	48	55	\$7	15%	108,445	5,205,368	5,964,484	759,116
50	Barton	7.27	8.14	49	55	\$6	12%	108,477	5,315,365	5,966,226	650,861
50	Lincoln	7.35	8.14	48	54	\$6	13%	202,901	9,739,259	10,956,666	1,217,407
50	Ellsworth	7.50	8.14	52	57	\$5	10%	223,933	11,644,514	12,764,179	1,119,665
50	Saline	7.60	8.14	58	62	\$4	7%	162,111	9,402,431	10,050,875	648,444
50	Marion	8.86	8.14	63	58	-\$5	-8%	228,694	14,407,701	13,264,233	-1,143,468
50	McPherson	9.04	8.14	64	58	-\$6	-9%	129,354	8,278,671	7,502,545	-776,125
50	Rice	9.00	8.14	62	56	-\$6	-10%	107,841	6,686,158	6,039,110	-647,048
50	Dickinson	9.53	8.14	69	59	-\$10	-14%	151,835	10,476,643	8,958,289	-1,518,354
60	Kiowa	5.50	7.06	39	50	\$11	28%	209,872	8,185,017	10,493,612	2,308,595
60	Barber	5.70	7.06	39	49	\$10	26%	490,789	19,140,779	24,048,671	4,907,892
60	Comanche	5.55	7.06	38	48	\$10	26%	335,532	12,750,210	16,105,528	3,355,318
60	Edwards	5.69	7.06	39	49	\$10	26%	84,469	3,294,301	4,138,994	844,693
60	Pratt	5.89	7.06	40	48	\$8	20%	88,559	3,542,366	4,250,839	708,473
60	Stafford	5.93	7.06	40	48	\$8	20%	117,071	4,682,856	5,619,427	936,571
60	Pawnee	6.37	7.06	44	48	\$4	9%	66,642	2,932,261	3,198,830	266,569
60	Kingman	7.33	7.06	52	50	-\$2	-4%	215,981	11,231,000	10,799,039	-431,962
60	Harper	8.15	7.06	56	49	-\$7	-13%	151,788	8,500,128	7,437,612	-1,062,516
60	Sumner	8.50	7.06	57	48	-\$9	-16%	114,763	6,541,508	5,508,638	-1,032,870
60	Harvey	8.46	7.06	60	50	-\$10	-17%	50,200	3,011,992	2,509,993	-501,999
60	Reno	8.57	7.06	59	49	-\$10	-17%	177,804	10,490,464	8,712,419	-1,778,045
60	Sedgwick	8.74	7.06	62	50	-\$12	-19%	92,348	5,725,565	4,617,391	-1,108,174

# SB 129

## Native Grass Land Comparison Using Single Cash Rent Grouped by Crop Reporting District - Sorted by \$ Per Acre Change in Value

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70	Marshall	7.51	8.99	53	63	\$10	19%	184,898	9,799,611	11,648,594	1,848,983	
70	Riley	7.49	8.99	54	64	\$10	19%	161,812	8,737,874	10,355,999	1,618,125	
70	Wyandotte	7.75	8.99	53	61	\$8	15%	13,109	694,789	799,663	104,874	
70	Doniphan	8.34	8.99	58	63	\$5	9%	85	4,953	5,380	427	
70	Jefferson	8.30	8.99	57	62	\$5	9%	75,878	4,325,063	4,704,455	379,392	
70	Leavenworth	8.29	8.99	60	65	\$5	8%	73,885	4,433,125	4,802,552	369,427	
70	Pottawatomie	8.79	8.99	65	67	\$2	3%	339,697	22,080,291	22,759,685	679,394	
70	Atchison	8.90	8.99	64	65	\$1	2%	1,566	100,218	101,784	1,566	
70	Jackson	9.09	8.99	64	63	-\$1	-2%	167,127	10,696,157	10,529,030	-167,127	
70	Nemaha	9.76	8.99	69	64	-\$5	-7%	104,805	7,231,517	6,707,494	-524,023	
70	Brown	10.75	8.99	75	63	-\$12	-16%	54,167	4,062,548	3,412,540	-650,008	
80	Wabauensee	8.66	10.54	61	75	\$14	23%	368,724	22,492,185	27,654,326	5,162,141	
80	Johnson	8.92	10.54	61	72	\$11	18%	23,075	1,407,602	1,661,432	253,830	
80	Chase	9.18	10.54	65	74	\$9	14%	416,239	27,055,544	30,801,696	3,746,152	
80	Morris	9.39	10.54	67	75	\$8	12%	283,066	18,965,447	21,229,979	2,264,531	
80	Geary	9.66	10.54	70	77	\$7	10%	143,299	10,030,895	11,033,985	1,003,090	
80	Douglas	10.31	10.54	73	75	\$2	3%	107,825	7,871,211	8,086,861	215,650	
80	Franklin	10.40	10.54	74	75	\$1	1%	152,081	11,253,964	11,406,044	152,081	
80	Shawnee	10.32	10.54	72	73	\$1	1%	111,053	7,995,795	8,106,848	111,053	
80	Anderson	10.75	10.54	75	74	-\$1	-1%	184,044	13,803,333	13,619,289	-184,044	
80	Lyon	10.67	10.54	76	75	-\$1	-1%	298,244	22,666,518	22,368,275	-298,244	
80	Linn	10.87	10.54	81	78	-\$3	-4%	128,575	10,414,591	10,028,866	-385,726	
80	Coffey	11.55	10.54	89	81	-\$8	-9%	191,346	17,029,828	15,499,057	-1,530,771	
80	Miami	11.80	10.54	83	74	-\$9	-11%	81,031	6,725,590	5,996,310	-729,281	
80	Osage	12.00	10.54	86	76	-\$10	-12%	217,325	18,689,972	16,516,720	-2,173,253	
90	Cowley	7.96	9.86	54	67	\$13	24%	424,188	22,906,129	28,420,567	5,514,438	
90	Chautauqua	8.26	9.86	57	68	\$11	19%	347,879	19,829,086	23,655,752	3,826,666	
90	Butler	8.59	9.86	59	68	\$9	15%	575,195	33,936,498	39,113,252	5,176,754	
90	Crawford	8.64	9.86	63	72	\$9	14%	81,454	5,131,610	5,864,697	733,087	
90	Elk	8.99	9.86	62	68	\$6	10%	341,201	21,154,447	23,201,652	2,047,205	
90	Greenwood	9.22	9.86	63	67	\$4	6%	614,793	38,731,985	41,191,158	2,459,174	
90	Bourbon	10.07	9.86	69	68	-\$1	-1%	183,759	12,679,371	12,495,612	-183,759	
90	Wilson	10.28	9.86	71	68	-\$3	-4%	175,707	12,475,164	11,948,044	-527,120	
90	Montgomery	10.44	9.86	71	67	-\$4	-6%	193,651	13,749,234	12,974,630	-774,605	
90	Cherokee	10.72	9.86	80	73	-\$7	-9%	73,723	5,897,842	5,381,781	-516,061	
90	Woodson	11.42	9.86	80	69	-\$11	-14%	198,706	15,896,476	13,710,711	-2,185,765	
90	Allen	11.58	9.86	81	69	-\$12	-15%	124,465	10,081,681	8,588,099	-1,493,582	
90	Labette	12.03	9.86	84	69	-\$15	-18%	103,844	8,722,859	7,165,206	-1,557,653	
90	Neosho	12.31	9.86	84	67	-\$17	-20%	129,265	10,858,235	8,660,735	-2,197,500	
									18,959,666	1,014,118,223	1,052,096,065	37,977,843
									\$ per acre	53.49	55.49	
									Overall State Increase		3.74%	

**Opposition to Senate Bill 129 & Senate Bill 179**

Presented to:

Senate Assessment and Taxation Committee

Presented by:

Rick Stuart, CAE  
Jefferson County Appraiser

Presented on behalf of:

Kansas County Appraiser's Association

February 14, 2001

*Senate Assessment & Taxation  
2-14-01  
Attachment 10*



The Kansas County Appraisers Association (KCAA) stands in opposition to Senate Bill 129 and Senate Bill 179. There are two suggested changes to the statutes for Senate Bill 129 and the second change is also in Senate Bill 179.

**Change #1:**

"The net rental income normally received by the landlord from pasture or rangeland within each county or homogeneous region shall be used solely as the basis for determining agricultural income from such land, and soil classifications for such land shall not be considered."

This change would establish one (1) county value per acre for all pasture or rangeland regardless of the quality. Making this change would be regressive, in that below average quality land would increase and above average quality ground would decrease.

An attachment using data from Jefferson County further shows this. A brief explanation of the attached spreadsheet is given below.

Column B - Soil map unit.

Column C - Number of acres of pasture in that soil map unit.

Column D - Use value for 2001 as provided by Property Valuation Division (PVD).

Column E - Multiplying number of acres by value per acre.

Column F - Average acre value using current proposal. Average value was calculated by total of Column E divided by total of Column C.

Column G - Multiplying number of acres by average acre value.

Those highlighted in red indicate the values would go down with those in black increasing. Twenty four (24) of the 35 soil types, or 69%, will decrease and 58% of the total acres would decrease. Even though the overall value would increase slightly, the large percentage of decreases indicate a very large shift to the lower valued soil types.

No changes to the current procedure was recommended by the International Association of Assessing Officers (IAAO) report titled, *Agricultural Use Value Study - State of Kansas*. Based upon that report and the information from Jefferson County, we believe this proposed change would create great inequity in the valuation of pasture or rangeland.

**Change #2:**

"Notwithstanding the foregoing, any county or district appraiser may apply adverse influencing factors to any such value and deviate from such value accordingly."

This proposed change is also in Senate Bill 179. In the IAAO report, the recommendation is to leave the current guidelines and process for requesting any additional adverse influence in place. There is the recognition that not all adjustment by county appraisers would be exactly the same and equity statewide would not be obtainable.

Again, KCAA requests that this proposed change not be implemented.

SB129 use values 020101.doc

	A	B	C	D	E	F	G
1				2001	JEFFERSON COUNTY		
2				AG USE	VALUE	COMPARISONS	
3	2/1/01						
4	USE TYPE	MAP UNIT	# OF	2001	2001	2001 AVG	SB129
5		SYMBOL	ACRES	\$ / ACRE	\$ VALUE	\$ / ACRE	VALUE
6	NATIVE	Be	12.66	108	1,367	67	848
7	GRASS	Eb	0.9	107	96	67	60
8		Ec	61.36	107	6,566	67	4,111
9		Ju	1.34	107	143	67	90
10		Kb	3057.15	107	327,115	67	204,829
11		Kc	4551.65	107	487,027	67	304,961
12		Re	162.4	107	17,377	67	10,881
13		Ki	0.03	106	3	67	2
14		Km	29.15	106	3,090	67	1,953
15		Sb	83.08	106	8,806	67	5,566
16		Wc	108.31	106	11,481	67	7,257
17		Wh	23.77	106	2,520	67	1,593
18		Gy	645.45	68	43,891	67	43,245
19		Mb	140.01	68	9,521	67	9,381
20		Mc	3757.88	68	255,536	67	251,778
21		Mh	560.64	68	38,124	67	37,563
22		Mo	4069.95	68	276,757	67	272,687
23		Mv	512.78	68	34,869	67	34,356
24		Oc	1082.46	68	73,607	67	72,525
25		Sc	5162.04	68	351,019	67	345,857
26		Ss	457.02	68	31,077	67	30,620
27		Sv	192.77	68	13,108	67	12,916
28		Vc	2068.77	68	140,676	67	138,608
29		Vo	10130.66	68	688,885	67	678,754
30		So	1502.77	66	99,183	67	100,686
31		Gb	80.94	63	5,099	67	5,423
32		Gc	408.03	63	25,706	67	27,338
33		Hc	21.5	58	1,247	67	1,441
34		Pb	58.22	58	3,377	67	3,901
35		Pc	6201.79	58	359,704	67	415,520
36		Ph	600.57	58	34,833	67	40,238
37		Vx	11990.33	53	635,487	67	803,352
38		Kv	251.79	47	11,834	67	16,870
39		Sw	5758.83	47	270,665	67	385,842
40	TOTAL		63747.00		4,269,795		4,271,049
41							
42							
43							
44							
45							
46	SB129 use values 020101.xls						

SENATOR JANIS K. LEE  
 ASSISTANT MINORITY LEADER  
 STATE SENATOR, 36TH DISTRICT  
 BARTON, ELLSWORTH, JEWELL,  
 LINCOLN, MITCHELL, OSBORNE,  
 PHILLIPS, REPUBLIC, RUSSELL  
 AND SMITH COUNTIES  
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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS  
 RANKING MINORITY MEMBER: ASSESSMENT & TAXATION  
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 LEGISLATIVE EDUCATIONAL  
 PLANNING  
 REAPPORTIONMENT  
 VICE-CHAIR: HEALTH CARE REFORM  
 LEGISLATIVE OVERSIGHT  
 LONG TERM CARE TASK FORCE

## Chairman Corbin and Senate Assessment and Taxation Committee Members

Thank you for holding this hearing on SB 129 and 179.

My testimony concerns the process which is commonly referred to as the use value appraisal of agricultural land as set forth in K.S.A. 79-1476 and more specifically the ability of county or district appraisers to have the authority to apply influence factors when they determine the valuation of a certain parcel of agricultural property falls outside of the perimeters of the current system.

Under the current application of the use value appraisal system by the Department of Property Valuation, county appraisers have little or no authority to make changes in the use values associated with individual soil-mapping units. There is virtually no room for local acknowledgment of any unique characteristics which might cause there to be a variation for the valuation rendered through the agricultural use value formula.

PVD contends that with the implementation of the soil rating for plant growth (SRPG) system all abnormal situations - commonly known as adverse influences have been accounted for. Over the years PVD has developed only four categories where they might allow for variations in the valuation - if certain conditions are met. (attachment #1 pages 2 and 3).

While I do not disagree that in most circumstances the SRPG system may be more accurate than were the "old soil productivity" groupings, I do not believe that the SRPG's can account for all of the variations in valuations which may occur across the state.

Last year the legislature instructed PVD to have a study conducted of Kansas' "Agricultural Use Value" process the objectives of which was to examine, evaluate, and recommend changes of the procedures that PVD uses to calculate the use value for agricultural properties.

This report contained six recommendations. (attachment #2) This testimony concerns recommendation #5 which is explained in attachment # 3.

*Senate Assessment & Taxation  
 2-14-01  
 Attachment 11*

**PVD has readily admitted that the current SRPG's which are being used for all agricultural land may not be appropriate for irrigated land. PVD is in the process of having a study done to develop SRPG's appropriate specifically to irrigated land. This demonstrated my belief that any system of valuation is not so exact as to cover every unique characteristic which might potentially occur among the thousands of parcel of land across the state. Therefore county appraisers must be given the authority to apply influence factors when they can demonstrate that the valuation adjustments are justified.**

**Y When we work either of these bills, I will be requesting that the committee consider two amendments. The first would be to strike the word "adverse" as found in SB 179, page 3, line 12. The purpose of this change would be to allow an appraiser the latitude of changing the value either up or down as the case may justify.**

**The second amendment will address the recommendation's suggestion (page 58) which states that the changes should be approved by some entity other than PVD. That entity would be a group consisting of three county appraisers - one from crop reporting districts # 1, 2, and 3, one from districts # 4, 5, and 6 and one from districts # 7, 8, and 9 plus an individual from PVD. The county appraisers association would select the three appraisers.**

**Thank you for your consideration of these bill. I stand for questions.**

Mark S. Beck, Director  
Kansas Department of Revenue  
915 SW Harrison St.  
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# 1

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Division of Property Valuation

April 27, 1998

To: All County Appraisers  
From: Mark S. Beck  
Subject: Agricultural Land Valuations

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

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

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

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

### 1. Canopy Cover

- a. County appraiser views parcel;
- b. County appraiser delineates area impacted on map;
- c. County appraiser determines appropriate reduction from actual inspection and makes the appropriate reduction:
  1. 0-25% cover = No reduction
  2. 25-50% cover = 20% reduction
  3. 50-75% cover = 30% reduction
  4. 75-100% cover = 50% reduction
- d. County appraiser establishes adverse influence file for parcel.

### 2. Salinity and Alkalinity

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

### 3. Water Table Fluctuation

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

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

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

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



## Executive Summary

This report is prepared as part of the International Association of Assessing Officers (IAAO) Technical Assistance Project concerning agricultural use values in the state of Kansas. The project team consisted of Dr. Jean Adams and Dr. Roy Adams, retired professor of Economics from Iowa State University; Dr. Darrel D. Kletke, Professor of Agricultural Economics at Oklahoma State University; David Wheelock, IAAO Executive Director and Roland Ehm, IAAO Director of Research.

The first sections of this report:

1. Explains why use valuation is appealing and discusses basic components of the procedure.
2. Shows how changes of the capitalization rate can have large effects on assessed values;
3. Discusses how risk and inflation affect valuation and the choice of the proper capitalization rate;
4. Demonstrates that a significant change in the assessed value of agricultural land would result in noticeable redistributions of the impact of property taxes – both within counties and among counties; and
5. Explains how using a multi-year average of net incomes in the valuation process adds stability to assessments, but also can keep assessments high during agricultural economic downturns.

Other objectives of this project were to examine, evaluate, and recommend changes in the procedures that the Division of Property Valuation, Department of Revenue for the State of Kansas, uses to calculate use values for agricultural properties. These objectives were accomplished by first reviewing current procedures. This involved a detailed analysis of all steps involved: where the data came from, how the data were manipulated, and the appropriateness of the results obtained. The results were placed in context by examining use value procedures in the fifty other states. Based on these efforts, six recommendations were made:

1. The statewide capitalization rate should be fixed at the current (or some other) rate. Rates applied in each county should continue to be adjusted by the local tax rate.
2. Procedure descriptions for 1997 and subsequent years should be revised to reflect procedures currently in effect. Particularly, when in a future year the mix of crops occupying more than 5 percent of the acres changes, the net incomes for prior calendar years should not be recalculated.
3. Because well depth is not a good measure of how far water is being pumped, it is recommended that a measure more nearly reflecting the lift be used.
4. Irrigated soils should be assigned a Soil Rating for Plant Growth (SRPG) value based on the assumption that the soils are irrigated and thus moisture stress will be reduced.
5. County appraisers should have the authority to make changes in property values used for individual soil-mapping units when the reasons are justified and changes are approved.
6. Educational programs should be offered to property owners in Kansas to acquaint them with data sources, goals, computational procedures, and expected results.

Use value estimation procedures are already well developed. Each tract should be valued correctly relative to all other tracts. Implementation of the recommendations generated in this report will help improve an already excellent system.

Before implementing irrigation-adjusted SRPG values for irrigated soils, it would be best to obtain the irrigation-adjusted SRPG indices for a county or two to examine how much productivity values really change. If for most soils, the irrigation-adjusted SRPG is some constant multiple of the dry cropland SRPG for all soils, then using the SRPG for irrigation will have little or no impact on values.

### Recommendation 5

- ♦ County appraisers should have the authority to make changes in property values used for individual soil-mapping units when the reasons are justified, documented, and approved.

Currently county appraisers have little or no authority to make changes in the use values associated with individual soil-mapping units. Appraisers can propose changes to the Division of Property Valuation. The operating assumption is that the value of the tract on which the change is proposed should be kept at its currently approved value until the change is approved. Appraisers should be given authority to make changes. However, each change should be justified in writing. In addition, if the value of a particular soil-mapping unit is changed because of inherent soil productivity, it should be changed for all instances of that soil-mapping unit. The exception to this would be if there are extenuating circumstances causing a soil-mapping unit on one particular tract to have a greater or lesser value than stipulated by the Division of Property Valuation. Generally, the reason stated for making the value adjustment should not be associated with the productivity of the soil.

If it is believed that the value of agricultural property is valued correctly relative to every other county, then county appraisers could be required to net out their adjustments. In other words, appraisers would be required to have a set of positive land value adjustments equal in value to the sum of negative land value adjustments. Such a procedure should minimize the number of adjustments made by appraisers and cause them to make adjustments only for situations in which they believe the recommended values are not acceptable.

Changes recommended by a county appraiser should be approved by some entity other than the Division of Property Valuation staff. For example, there might be an approval board for each crop-reporting district. The boards might include two or three county appraisers, an individual who is knowledgeable about the factors included in the soil SRPG index, and two or three others appointed by the Division of Property Valuation.

### **Recommendation 6**

- Educational programs should be offered for property owners in Kansas to acquaint them with data sources, goals, computational procedures, and expected results of the current Use Value estimation system.

The current method used to estimate use values in Kansas is complex, using large amounts of data from several different sources to determine values. It is apparent that many property owners do not understand the current system. An educational program should be implemented to acquaint property owners with the current use value estimation system. Explaining the goals of the system, indicating what entities are involved in the calculations, and advising the means of addressing identifiable problems within the system could eliminate some of the mystery associated with the current system. The intent of the educational program should be to explain the system and inform the participants how the state—and thus they themselves—are better off because of current use value estimation procedures.

### **Summary and Conclusions**

The Division of Property Valuation for Kansas uses a very detailed, comprehensive, and complex set of procedures to determine the use value of agricultural properties. Of the thirty states reviewed for this project, no other state goes to the effort of determining a fair and equitable net income for each soil-mapping unit in each county for each of three uses. With respect to the goal of having each agricultural property owner pay taxes equal to a percentage of the expected long-term average net income, no other state does better. The procedures are fair, understandable with a little effort, and have sufficient detail included to take into account all the productive characteristics of the multitude of soil-mapping units found throughout the state. Based on the goals articulated for use value in Kansas and the