

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on February 17, 2004, in Room 519-S of the Capitol.

All members were present except:
Senator Lana Oleen- excused

Committee staff present:
Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:
Senator John Vratil
Joan Wagnon, Secretary, Kansas Department of Revenue
Ken Grotewiel, Kansas Water Office
April Holman, Kansas Action for Children
Marlee Carpenter, Kansas Chamber of Commerce
Senator Janis Lee
Mark Beck, Director of Property Valuation

Others attending:
See Attached List.

SB 390—Indexing threshold limits for homestead property tax refunds

Senator John Vratil testified in support of **SB 390**. He noted that the threshold limit of \$25,000 has not been changed since it was originally adopted in 1997. The bill would increase the limit to \$26,300, which is the current equivalent of the purchasing power of \$25,000 in 1997. The bill also would index the threshold limit by making an annual cost of living adjustment provided by the Internal Revenue code. He commented that, with the enactment of the bill, the Legislature will not be required to adjust the threshold limit every four or five years to maintain the same purpose and affect as originally adopted. (Attachment 1)

In response to questions concerning the fiscal impact, staff informed the Committee that the fiscal note is \$96,000 for Fiscal Year 2005 for the initial indexation. After that, it would grow at two or three percent per year or whatever the percentage of increase in cost-of-living is determined under the federal Internal Revenue Code.

Senator Corbin called the Committee's attention to additional information on previously heard bill, **SB 370** concerning an income tax deduction for long-term care insurance premium costs. He reminded the Committee that the sponsor of the bill, Senator Barnett, requested that the Legislative Research Department prepare the information at the hearing on February 10. (Attachment 2)

SB 477—Confidentiality and disclosure requirements of tax information

Joan Wagnon, Secretary, Kansas Department of Revenue, testified in support of **SB 477**. She explained that the intent of the bill is to apply the confidentiality provisions to all excise tax types while balancing the legitimate need for information by members of other branches of government which are building programs, sometimes without any information about what the consequences would be. She went on to discuss the specific proposed substantive changes which would expand access to tax and/or license related information. She noted that the Governor or legislators receiving information relevant to determining the fiscal impact of a legislative proposal would be subject to the same confidentiality restrictions and penalties as Department employees. She requested that the bill be amended to add "staff of the Legislative Research Department and the Revisor of Statutes" to the list of persons who could receive specific taxpayer information. In addition, she requested that the bill be amended to allow the release of licensing information to criminal justice

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 17, 2004, in Room 519-S of the Capitol.

agencies and law enforcement officers as provided under current law. (Attachment 3) In conclusion, Secretary Wagon emphasized that the bill was carefully drafted to ensure that the open records law would not allow the Department to inadvertently release information that should not be released.

Senator Allen began a discussion concerning the enforcement of the confidentiality requirement with regard to legislators. Secretary Wagon indicated that she would not object to legislators being removed from the list of persons allowed to receive confidential information from the Secretary. She noted that the Department's main concern has been that the Secretary of Revenue has been unable to share information with other state agencies that is necessary to develop or implement a policy.

Ken Grotewiel, Assistant Director of the Kansas Water Office, testified in support of the provision in **SB 477** which allows the Secretary of Revenue to provide "water protection fee" information from returns and applications for registration to the Secretary of the Department of Agriculture and to the Director of the Kansas Water Office for the purpose of verifying revenues deposited into the State Water Plan Fund. He explained that, without complete access to this information, the state cannot determine whether the fees have been paid as required by law. Mr. Grotewiel noted that the bill would have a negligible fiscal impact on the administrative costs of the Kansas Water Office. (Attachment 4)

April Holman, Kansas Action for Children, testified in support of **SB 477** as a step in the right direction to allow more people access to information regarding specific business incentives in order to evaluate their effectiveness. She noted that, in order to strengthen corporate accountability, Minnesota requires that local, regional, and state development agencies file annual disclosure reports until the subsidized company has received its job creation and wage goals. Ms. Holman suggested that the bill should go farther to make this information public. She proposed that the bill be amended on pages 6, 7, and 10 in the paragraph allowing the Secretary of Revenue to disclose specific taxpayer information to the Governor, Secretary of Commerce, or any state senator or representative if such information is relevant to determining the fiscal impact of a legislative proposal by adding "and the legislative proposal would decrease state revenues by more than \$20 million." She explained that the intent of the \$20 million threshold is to pick up only extraordinary tax subsidies. In addition, she proposed that the bill be amended on pages 6 and 9 to allow the Secretary to disclose specific information to the Secretary of Commerce relevant to enterprise zone sales tax exemptions. (Attachment 5)

Marlee Carpenter, Kansas Chamber of Commerce, testified in opposition to **SB 477**. The Chamber has concerns about the portion of the bill dealing with the release of information to the Legislature and the Secretary of Commerce. Ms. Carpenter acknowledged that accurate and consistent fiscal notes are very important in the legislative process. However, she contended that allowing confidential taxpayer information to be released is not the way to fix the issue. She cautioned that there is no guarantee that the information will stay confidential after it is released. She pointed out that there are no provisions in the bill regarding the possibility that the Department may accidentally release inaccurate information. She noted that, when there are major initiatives that affect specific taxpayers, those taxpayers will release this confidential information on a regular basis on their own. She contended it should be on their terms, not the Department of Revenue's terms. (Attachment 6)

There being no others wishing to testify, the hearing on **SB 477** was closed.

SB 415—Classification of property for property tax purposes

Senator Janis Lee testified in support of **SB 415**, noting that it was introduced as a result of numerous conversations with several county appraisers and the Property Valuation Division. She explained that current law requires that, in order for property to be appraised at residential value, it must be located on property that is contiguous to a dwelling or home. However, many times residents of small rural towns purchase a garage or storage shed for use as a garage or storage that is not contiguous to their dwelling but across the alley or down the block. Since the building is not on contiguous property, it is not appraised at 11.5% but at the "other" rate of 30%. Senator Lee explained that this interpretation has caused problems for appraisers and inequities for taxpayers. In her opinion, the new language on page 2, lines 19 through 22, would more accurately reflect the actual intention of the law. (Attachment 7)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 17, 2004, in Room 519-S of the Capitol.

Mark Beck, Director of Property Valuation, testified in support of **SB 415**. He explained that K.S.A. 79-1459, which defines residential property to “include all land and improvements utilized or intended to be utilized as a dwelling or home,” was passed in 1982, prior to classification. It was originally intended for reporting purposes only. Because it appears to be the only definition statute available, it is now used for purposes of classifying property for tax purposes. The bill amends the statute by defining land and improvements used to store household goods and personal effects as residential as long as such property is not used for the production of income. Thus, such land and improvements will be assessed at 11.5% regardless of whether a dwelling or home is on the parcel. Mr. Beck noted that the Division of Property Valuation supports the bill because it assures that similarly used property is valued and assessed the same. He pointed out that zoning would not be involved. (Attachment 8)

There being no others wishing to testify, the hearing on **SB 415** was closed.

Senator Corbin called the Committee’s attention to the minutes of the February 13 meeting.

Senator Donovan moved to approve the minutes of the February 13, 2004, meeting, seconded by Senator Buhler. The motion carried.

The meeting was adjourned at 11:45 a.m.

The next meeting is scheduled for February 18, 2004.

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COMMITTEE ASSIGNMENT
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AND RULES
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INTERSTATE COOPERATION

Vice President Kansas Senate

SENATE ASSESSMENT AND TAXATION COMMITTEE

FEBRUARY 17, 2004

SENATE BILL NO. 390

Senate Bill No. 390 concerns taxation and relates to refunds of homestead property tax. Current law, K.S.A. 79-4509, indicates that only those people who have a household income of less than \$25,000 are eligible to claim a refund of homestead property tax. That threshold limit of \$25,000 has been in effect since 1997 or 1998. Senate Bill No. 390 proposes to increase that threshold limit to \$26,300 which is the current equivalent of the purchasing power of \$25,000 in 1997. The bill also proposes to index the threshold limit by making an annual cost of living adjustment.

My primary motivation in offering this bill is to maintain the purpose and affect of the threshold limit, consistent with the purpose and affect in 1997. I also think it would be helpful if the Legislature was not required to adjust the threshold limit every four or five years to maintain a consistent purpose and affect. The annual increase in the cost of living has an impact on homestead property tax relief and we should reflect that in a cost of living adjustment.

Otherwise, the statute does not have the same purpose and affect as it did when originally adopted by the Legislature.

A handwritten signature in black ink that reads "John Vratil". The signature is fluid and cursive.

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Senate Assessment + Taxation
2-17-04 Attachment 1

Estimated Long-Term Care Insurance Savings

SB 370 would create a tax deduction for Kansans to purchase long-term care insurance. The deduction would begin in tax year 2005, with a deduction of \$500 of the premium cost for qualified long-term care insurance contracts as defined by subsection (b) of section 7702B of Public Law 104-191. In each successive tax year, the deduction would increase by \$100 until it reached \$1,000 for the 2009 tax year. The anticipated cost of the bill is as follows:

Tax Year	Reduction to State General Fund
2006	\$1.4 million
2007	\$1.7 million
2008	\$1.9 million
2009	\$2.2 million
2010	\$2.5 million
2011	\$2.8 million

The anticipated annual cost avoidance of the bill is \$7.8 million State General Fund, however those savings will not be immediately realized, as they can only be achieved when costs for long-term care services for Kansans are diverted from Medicaid by their long-term care insurance. The net effect would be a \$5.0 million State General Fund reduction, once the full effect is realized in Medicaid.

How was this conclusion reached?

First, the average annual cost for a person to stay in a nursing facility under Medicaid is \$29,412 all funds, \$11,765 State General Fund and the average annual cost for a person on the Home and Community Based Services Frail Elderly (HCBS/FE) waiver is \$11,040 all funds, \$4,416 State General Fund. For FY 2003, there were 15,829 persons (1.4 percent of Kansas taxpayers) in nursing facilities on Medicaid and 6,692 persons (0.6 percent of Kansas taxpayers) receiving services through the HCBS/FE waiver.

Second, only 1.3 percent of all state employees and retirees who are eligible access the long-term care insurance offered through the state. Assuming that the same number of Kansans are currently accessing long-term care, the current annual cost avoidance for the state for nursing facilities is \$2.4 million State General Fund and for HCBS/FE waivers is \$379,779 State General Fund.

Last, a \$1,000 tax deduction that 5.0 percent of Kansans will access long-term care insurance, as estimated by the Kansas Department of Revenue. Of that 5.0 percent of Kansans with long-term care insurance, approximately 55,000, 1.4 percent or 770 Kansans would use Medicaid for nursing facility services and 0.6 percent or 330 Kansans would use HCBS/FE waiver services. The annual additional cost avoidance for nursing facility services would be \$6.7 million State General Fund and \$1.1 million State General Fund for HCBS/FE waiver services.

State of Kansas Annual Cost Avoidance

	Estimated Number of People	Estimated Annual All Funds Cost	Estimated Annual SGF Cost	Estimated All Funds Cost Avoidance	Estimated SGF Cost Avoidance
Nursing Facilities					
SB 370 Estimate	770	\$29,412	\$11,765	\$22,647,240	\$9,058,896
Current Estimate	200	\$29,412	\$11,765	\$5,882,400	\$2,352,960
Difference				\$16,764,840	\$6,705,936
HCBS/FE Waiver					
SB 370 Estimate	330	\$11,040	\$4,416	\$3,643,200	\$1,457,280
Current Estimate	86	\$11,040	\$4,416	\$949,440	\$379,776
Difference				\$2,693,760	\$1,077,504
TOTAL					
SB 370 Estimate				\$26,290,440	\$10,516,176
Current Estimate				\$6,831,840	\$2,732,736
Difference				\$19,458,600	\$7,783,440



K A N S A S

JOAN WAGNON, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

Testimony to the Senate Committee on Assessment and Taxation
Joan Wagon

February 16, 2004
Senate Bill 477

Chairman Corbin and Members of the Committee:

I would like to introduce Donnita Thomas, our Records Custodian, who will assist me in addressing your questions. Senate Bill 477 amends several confidentiality provisions associated with tax returns, reports and investigations and licensing applications. This proposal will allow the department to uniformly apply the confidentiality provisions to all excise tax types while balancing the legitimate need for information derived from these records with the intent to keep such information confidential. The proposal will also relocate existing language concerning exceptions to the confidentiality requirements, making the exceptions easier to locate.

The proposed substantive changes would expand access to tax and/or license related information as follows:

- The department may release the information on a sales or other excise tax license (certificate) issued by the department, except for the tax identification number. This will allow individuals and other retailers the ability to verify if a business is registered with the state.
- The Secretary of Revenue may provide specific income, excise, or privilege taxpayer information to the governor, the secretary of commerce or any state senator or representative if such information is relevant to determining the fiscal impact of an introduced legislative proposal. The persons receiving the information would be subject to the same confidentiality restrictions and penalties as department employees. We request that the bill be amended to add "staff of Legislative Research Department and the Revisor of Statutes" to the list of persons who could receive specific taxpayer information.
- The department may share information with the following state agencies for the purpose of administering a specific tax and/or fee:
 - Secretary of Health and Environment: environmental surcharge or solvent fee
 - Secretary of the State Board of Agriculture: water protection fee
 - Secretary of the Kansas Water Office: water protection fee
 - Secretary of Commerce: enterprise zone exemptions and income tax credits

- The department may provide city/county clerks/treasurers with distribution reports of the distributions made to their respective city or county from any tax type, not just retailer's sales and transient guest.
- The department may publish specific statistical reports in their entirety rather than excluding localities or business segments with a limited number of entities being represented.
- The department may publish limited information from liquor license applications, liquor brand registrations, and cigarette and tobacco license applications.

The department respectfully requests that the attached amendment be considered. The amendment would allow the release of licensing information obtained through the administration of various liquor and tobacco acts to criminal justice agencies and law enforcement officers. This is provided for under current law. However, after further review, we determined that our proposal, as introduced, did not provide for this.

1 license number;
 2 (13) provide environmental surcharge or solvent fee, or both, infor-
 3 mation from returns and applications for registration filed pursuant to
 4 K.S.A. 65-34,150 and 65-34,151, and amendments thereto, to the secre-
 5 tary of health and environment or the secretary's designee for the sole
 6 purpose of ensuring that retailers collect the environmental surcharge tax
 7 or solvent fee, or both;

8 (14) provide water protection fee information from returns and ap-
 9 plications for registration filed pursuant to K.S.A. 82a-954, and amend-
 10 ments thereto, to the secretary of the state board of agriculture or the
 11 secretary's designee and the secretary of the Kansas water office or the
 12 secretary's designee for the sole purpose of verifying revenues deposited
 13 to the state water plan fund;

14 (15) provide to the secretary of commerce specific taxpayer infor-
 15 mation relevant to any enterprise zone sales tax exemption pursuant to
 16 subsection (cc) of K.S.A. 79-3606, and amendments thereto, sought by
 17 such taxpayer; and

18 (16) disclose specific taxpayer information to the governor, secretary
 19 of commerce or any state senator or representative if the secretary deter-
 20 mines that such information would be relevant to determining the fiscal
 21 impact of any introduced legislative proposal. The confidentiality of such
 22 information shall be protected and any discussion involving such specific
 23 taxpayer information by a legislative body shall be prohibited.

including staff
 legislative research
 department and
 revisor of statutes

24 (c) Any person receiving any information under the provisions of sub-
 25 section (b), (c) or (d) shall be subject to the confidentiality provisions of
 26 subsection (a) and to the penalty provisions of subsection (f) (d).

27 (f) (d) Any violation of this section shall be a class B, nonperson mis-
 28 demeanor, and if the offender is an officer or employee of this state, such
 29 officer or employee shall be dismissed from office.

30 Sec. 3. K.S.A. 79-1119 is hereby amended to read as follows: 79-
 31 1119. (a) All reports, statements, lists and returns required under the
 32 provisions of article 11 of chapter 79 of the Kansas Statutes Annotated
 33 shall be preserved for three (3) years and thereafter until the director of
 34 taxation orders them to be destroyed.

35 (b) Except in accordance with proper judicial order, or as provided
 36 in subsection (c) of this section, subsection (g) of K.S.A. 17-7511 or 46-
 37 1106, it shall be unlawful for the director of taxation, or any deputy, agent,
 38 clerk or other officer, employee or former employee of the department
 39 of revenue or any other state officer or employee or former state officer
 40 or employee to divulge, or to make known in any way, the amount of
 41 income or any particulars set forth or disclosed in any report, statement,
 42 list, return, federal return or federal return information required under
 43 the provisions of article 11 of chapter 79 of the Kansas Statutes Anno-

Section 2(b)(17) disclose information received pursuant to the liquor control act, club and drinking establishment act, nonalcoholic malt beverage act or the Kansas cigarette and tobacco act and subject to the confidentiality provisions of this act to any criminal justice agency, as defined in K.S.A. 22-4701(c), or to any law enforcement officer, as defined in K.S.A. 21-3110(c)(10), on behalf of a criminal justice agency, when requested in writing in conjunction with a pending investigation.

**Confidentiality of Information Provided
for the Verification of State Water Plan Fund Revenue
to
The Senate Assessment and Taxation Committee**

SB 477

**by Ken Grotewiel
Assistant Director
Kansas Water Office
February 16, 2004**

Mr. Chairman and members of the Committee. I am Ken Grotewiel, Assistant Director of the Kansas Water Office. I am pleased to be here this morning in support of a provision in SB 477 that protects the confidentiality of information provided for the sole purpose of verifying revenues deposited to the State Water Plan Fund.

The portion of this SB 477 that impacts the State Water Plan Fund directly is found in Sec. 2 (b)(14), which amends K.S.A. 2003 Supp. 75-5133(b) to allow the Secretary of Revenue or the Secretary's designee to provide "water protection fee" information from returns and applications for registration filed pursuant to K.S.A. 82a-954, and amendments thereto, to the Secretary of the Department of Agriculture or the Secretary's designee, and to the *Director* of the Kansas Water Office or the *Director's* designee for the sole purpose of verifying revenues deposited into the State Water Plan Fund. Please note that the title of the agency head for the Kansas Water Office is Director, not Secretary as indicated in the bill.

For the Kansas Water Office, the Department of Agriculture and the Department of Revenue to determine whether the appropriate water protection fee is collected and remitted properly, the confidential sharing of information outlined in this bill is essential. Without complete access to this information in the past, the State of Kansas has not been able to determine whether the fees have been paid as required by law.


In these tight budgetary times, it is imperative that the State Water Plan Fund receive all "water protection fee" revenues that it is due. SB 477 will allow the two agencies that best understand the annual water use data, upon which the water protection fee is based, to work with the Department of Revenue to verify revenues deposited to the State Water Plan Fund.

There will be a negligible fiscal impact on the administrative costs of the Kansas Water Office with the changes in this bill.

I would like to thank you, Mr. Chairman, and members of the Committee for your time and attention today. I would be happy to stand for questions.

*Senate Assessment & Taxation
2-17-04
Attachment H*

FISCAL FOCUS

Budget and Tax Policy in  Perspective

Legislative Testimony

April Holman, Kansas Action for Children
Senate Committee on Assessment and Taxation
SB 477
February 17, 2004

Chairman Corbin and Members of the Committee:

My name is April Holman and I am with Kansas Action for Children, which has recently begun a new initiative called Fiscal Focus. The purpose of Fiscal Focus is to improve the economic security of Kansas children and their families and ensure a balanced and fair tax system and budget process that protects the well-being of children and families and a stable system of state revenue.

Like many states, Kansas provides significant subsidies through tax and other incentives to businesses locating in and maintaining operations in the state. The proliferation of these incentives has increased in size and volume in recent years.

However, because of the confidentiality of tax records and an unwillingness of businesses to voluntarily disclose information regarding items such as staffing levels and income taxes paid, the public has no means of evaluating the effectiveness of these measures.

In some states, such as Minnesota and Maine, comprehensive annual reporting requirements have been enacted for companies that have received subsidies..

Minnesota requires that local, regional and state development agencies file disclosure reports annually until the subsidized company has achieved its job creation and wage goals. The Minnesota form includes specific data on costs and benefits, including type of subsidy and its value, the number of jobs created, wages paid, and benefits provided. With this specific data on ongoing outcomes, development practitioners, policymakers and taxpayers can determine a deal's costs and benefits. Strengthening accountability measures would benefit the state because:

- It would allow for an open discussion regarding the actual benefit of ongoing business subsidies.

*Senate Assessment + Taxation
2-17-04
Attachment 5*

- It would provide corporate accountability and ensure that the state's resources are used in the most efficient and effective way.
- It would enable the state to make better informed decisions as to whether a company should receive additional subsidies based on the company's performance with earlier subsidies.

We have requested the introduction of a bill in the House that would move Kansas toward a system providing more accountability for businesses receiving special tax incentives.

Senate Bill 477 also is a step in the right direction in that it allows more people access to information regarding specific business tax incentives. However, we believe that the bill should go even farther to make this information public. Therefore, we would ask that the bill be amended on pages 6, 7, and 10 in the paragraph allowing the Secretary of Revenue to disclose specific taxpayer information to the Governor, Secretary of Commerce or any state senator or representative if the secretary determines that such information would be relevant to determining the fiscal impact of any introduced legislative proposal. We would ask that this be amended to say:

Make public specific taxpayer information if the secretary determines that such information would be relevant to determining the fiscal impact of any introduced legislative proposal and the legislative proposal would decrease state revenues by more than \$20 million.

We would also ask that a similar adjustment be made to the paragraphs on pages 6, and 9 allowing the Secretary of Revenue to disclose taxpayer specific information to the Secretary of Commerce relevant to enterprise zone sales tax exemptions.

Thank you for allowing us the opportunity to testify regarding Senate Bill 477. I would be happy to stand for questions.



**THE KANSAS
CHAMBER**

The Force for Business

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Legislative Testimony

SB 477

Monday, February 16, 2004

**Testimony before the Kansas Senate Assessment and Taxation Committee
By Marlee Carpenter, Vice President Government Relations**

The Kansas Chamber opposes SB 477, allowing confidential taxpayer information to be released to the governor, secretary of commerce or any representative or senator.

The Kansas Chamber acknowledges that accurate and consistent fiscal notes are very important to the legislative process, but allowing confidential taxpayer information to be released is not the way to fix that issue. Even with the confidentially provisions provided in the bill there is no guarantee that the information will stay confidential after it is released.

The Kansas Chamber urges SB 477 not be passed. Thank you for your time and I will be happy to answer any questions.

The Kansas Chamber is the statewide business advocacy group, with headquarters in Topeka. It is working to make Kansas more attractive to employers by reducing the costs of doing business in Kansas. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have nearly 7,500 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, large and medium sized employers all across Kansas.

*Senate Assessment + Taxation
2-17-04 Attachment 6*

SENATOR JANIS K. LEE
 ASSISTANT MINORITY LEADER
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SENATE CHAMBER

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 RANKING MINORITY MEMBER: NATURAL RESOURCES
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 UTILITIES
 REAPPORTIONMENT
 LONG TERM CARE TASK FORCE
 JOINT COMMITTEE ON
 CHILDREN'S ISSUES

Senator Janis Lee Testimony on SB 415

Senator Corbin, and fellow Senate Assessment and Taxation Committee members;

SB 415 was introduced as a result of numerous conversations with several County Appraisers and PVD. The actual language was proposed by PVD as a possible solution to the situations which had been raised by the County Appraisers.

The current interpretation of K.S.A. 79-1459 requires that in order for property to be appraised at residential value it must be located on property that is contiguous to a dwelling or home. In other words, for a garage to be appraised at the 11.5% rate it must be on property that is contiguous to a dwelling or home. Many times in my rural towns someone will purchase a garage or storage shed for use as a garage on property that is not contiguous to their dwelling but rather across the alley or across the block. Their intention is to use the building as a garage (which would normally be appraised at 11.5%) but since it is not on contiguous property it is appraised at the "other" rate of 30%.

This interpretation has caused problems for County Appraisers and inequities for tax payers. The new language on page 2 lines 19 thru 22 would more accurately reflect what I believe is the actual intention of the law. That is - use should be the determiner of the appraisal value not location.

Thank you for your consideration of SB 415.

*Senate Assessment & Taxation
 2-17-04
 Attachment 7*



K A N S A S

JOAN WAGNON, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF REVENUE
DIVISION OF PROPERTY VALUATION

MEMORANDUM

TO: David R. Corbin
Chairman, Senate Committee on Assessment and Taxation

FROM: Mark S. Beck
Director of Property Valuation

DATE: February 17, 2004

SUBJECT: Senate Bill 415

Under current law, residential property is defined to "include all land and improvements utilized or intended to be utilized as a dwelling or home." (K.S.A. 79-1459). As long as a dwelling or home is located on the parcel, the land and improvements are classified as residential and assessed at 11.5%, including improvements such as detached garages and storage structures for household goods and personal effects.

On the other hand, if there is no dwelling or home on the parcel, the parcel and improvements are classified as "other" and assessed at 30%. This classification is used even when such land and off-parcel structures are used to store household goods and personal effects.

K.S.A. 79-1459 was passed in 1982, prior to classification, and was originally intended for reporting purposes only. However, since it appears to be the only definitional statute available, it is now used for purposes of classifying property for tax purposes.

Senate Bill 415 amends K.S.A. 79-1459 to define land and improvements used to store household good and personal effects as residential as long as such property is not used for the production of income. Thus, such land and improvements will be assessed at 11.5% regardless whether a dwelling or home is on the parcel. Since the constitution uses the phrase "Real property used for residential purposes....." as opposed to something more restrictive, we do not perceive a constitutional issue arising from this change.

The phrase "and all personal property listed on residential personal property statements" is stricken because there is no "residential personal property statement" required under current law.

The Division of Property Valuation supports SB 415 because it assures that similarly used property is valued and assessed the same.