

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Richard Carlson at 9:00 A.M. on February 25, 2009 in Room 519-S of the Capitol.

All members were present except:

Representative Kenny Wilk- Excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Ryan Hoffman, Legislative Research Department

Scott Wells, Office of Revisor of Statutes

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Phil Perry, Director of Governmental Affairs, Home Builders Association of Greater Kansas City

Tom Woods, T.E. Woods Construction

Mike Taylor, Unified Government-Wyandotte County/Kansas City, Kansas

Robert Vancrum, Greater Kansas City Chamber of Commerce

Mike Brown, Brown Midwest (written only)

Erik Sartorius, City of Overland Park (written only, which I believe you have)

Tony Folsom, KDOR

Others attending:

See attached list.

Representative Owens requested a bill introduction that would prohibit any financial institution in the state of Kansas from reopening a credit account once it has been closed by a customer without the written consent of the customer. Representative Carlson seconded. The motion carried.

**HB 2543 - Assessment for property tax purposes of newly constructed residential property.**

Chris Courtwright, Legislative Research Department, said that under current law, individuals who purchase newly constructed residences have their property taxes for the year they purchase the property based on the partial construction value determined as of January 1. **HB 2543** would base the property taxes on the full value of the newly constructed property and would have the taxes at the new rate prorated for the number of months the property is occupied. County or district appraisers would be responsible for determining the date of occupancy. If a new assessment was made after the deadline for filing appeals, the bill would allow the property owner to pay all taxes under protest or appeal the assessment the following year.

Gordon Self, Office of Revisor of Statutes, explained a recent Attorney General's opinion on the original version of **HB 2543**, in which the bill, as constituted in that draft, was an unconstitutional classification. Mr. Self explained the details of the ruling. After that opinion came down, the proponents worked on legislation, which is contained in **Substitute for House Bill No. 2543** (Attachment 1).

Phil Perry, Director of Governmental Affairs, Home Builders Association of Greater Kansas City, said the proponents worked with Mr. Self to address questions raised by the Attorney General. The new bill has been simplified and basically means that improvements to property, basically the home, would be classified as inventory and therefore would be exempt from taxation until it was occupied as a residence or as a commercial office. This change will bring the legislation into alignment with the constitution.

He called attention to his testimony that contained detailed facts and examples of comparable taxes under the current and new system(Attachment 2). Their association believes that this bill is a critical step toward stimulating the state's housing market at this critical juncture and will level the playing field for home builders and new-home buyers in Kansas. He spoke of the difference in tax structures between Missouri and Kansas that were advantages for Missouri builders.

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 25, 2009 in Room 519-S of the Capitol.

Gordon Self said there were two versions of the bill and this bill does not contain the *prorata* language. Mr. Perry said that was an oversight, and would have to be changed. Discussion followed regarding the pros and cons of the bill concerning the homeowner. There is no fiscal note for the state, and from the information they have received it will be a positive note for the taxing entities at the county and local levels.

Tom Woods, T. E. Woods Construction, said this bill would eliminate what their industry considers "the inventory tax" for homebuilders. He spoke of his experience in building homes in both Missouri and Kansas and the advantages of the passage of the bill to their industry (Attachment 3). He spoke of factors people consider when purchasing a home and said his company and their buyers both want good schools, police and fire protection, parks and recreation and other community services. These are qualities that help them sell new homes. If they can generate more revenue for these services while keeping new-home prices low and making property tax payments more fair and streamlined, it's a win for home builders and home buyers.

Mike Taylor, Unified Government-Wyandotte County/Kansas City, Kansas stood in support of **HB 2543**. They are confident the bill will benefit area homebuilders, will fuel the continued construction of new homes in Wyandotte County and would be positive for a communities economy(Attachment 4).

Robert Vancrum, Greater Kansas City Chamber of Commerce, appeared in favor on **HB 2543**. He said that the current means of assessment means that new home buyers actually enjoy a long tax free period in many cases where a previously owned buyer must pay taxes from day one. Missouri adopted the tax treatment embodied in this bill nearly two decades ago. Many builders that used to be active in Kansas are now exclusively building across the state line (Attachment 5).

It was noted that written testimony was received from: 1) Mike Brown, Brown Midwest; 2) Erik Sartorius, City of Overland Park; and 3) David Lindstrom, Johnson County resident and business owner (Attachment 6) A memorandum from Tony Folsom, Deputy Director, Kansas Department of Revenue was distributed. It provided an overview of the law and posed discussion questions regarding various sections of the bill(Attachment 7).

John Federico, Homebuilders Association of Greater Kansas City, testified that **HB 2543** is an equalization bill. It puts the homebuilders association on equal footing with other industries. He gave an example of a person buying a pre-existing home compared to a owner of a new home under the current law. He suggested that perhaps the focus should be put on the fairness of the current law to the two homeowners that are using the same city and county services (No written testimony).

### **HB 2500 - Property tax exemption for certain housing for certain low income mothers.**

Ryan Hoffman, Legislative Research Department, said **HB 2500** would add a property tax exemption for all real property and tangible personal property used exclusively for housing for limited or low income, single parent mothers in need of financial assistance. In order to qualify for the property tax exemption, the individual would have to be enrolled in a program to receive life training skills, and the program would have to be operated by a charitable or religious organization. The bill would exempt from property taxation all intangible property, including monies, notes, and other evidence of debt, as well as the income derived from any of the mentioned that belongs exclusively to the organization and is used exclusively for the purposes of low-income housing for single mother.

Representative Siegfried testified in support of **HB 2500**. He said the bill is intended to provide property tax relief for three duplexes that are the foundation for a charitable outreach to single parent mothers. These mothers lack the financial and other life skills to properly care for their families. He introduced Chad Cook for the details of the bill(Attachment 8).

Chad Cook explained the outreach program offered by the College Church of the Nazarene, located in Olathe. He explained that the Board of Tax Appeals denied the request for exemption because the property did not fit within a statutory exemption for residential housing. Unfortunately, there is not a

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 25, 2009 in Room 519-S of the Capitol.

statutory exemption within K.S.A. 79-201b that this housing and life skills training program fits. Therefore, College Church supports **HB 2500** since it would provide a new exemption under which the property of College Church would qualify (Attachment 9).

There was a question concerning the changes in BOTA, and whether a new exemption would complicate the process. Richard Cram agreed to check and return with that information.

The meeting adjourned at 10:30 A.M. The next meeting is February 26, 2008.



By

AN ACT concerning property taxation; relating to exemptions; newly constructed building or other structure on residential or office property; procedures; duties of county or district appraiser.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) Notwithstanding any provision of law to the contrary, for all taxable years commencing after December 31, 2008, any newly constructed building or other structure on real property intended for residential uses which is a single family or multi-family unit of four units or less and to be sold by the builder thereof shall be deemed the inventory of such builder and shall be exempt from all property or ad valorem taxes levied under the laws of this state until conveyed, leased or otherwise occupied for residential or office purposes.

(b) The county or district appraiser may consider a property occupied for residential purposes upon personal verification or when any two of the following conditions have been met:

(1) An occupancy permit has been issued for the property;

(2) a deed transferring ownership from one party to another who is the person or persons occupying the newly constructed property has been filed with the register of deeds' office subsequent to the date of the first permanent utility service;

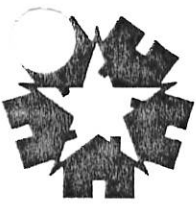
(3) a utility company providing service in the county has verified a transfer of service for property from one party to another who is the person or persons occupying the newly constructed property; or

(4) the person or persons occupying the newly constructed property has registered a change of address with any local, state or federal governmental office or agency.

(c) In implementing the provisions of this section, the county or district appraiser may use occupancy permits, building permits, deeds, utility connection documents, including telephone connections or other official documents as may be necessary to discover the existence of newly constructed properties. No utility company shall refuse to provide verification monthly to

the county or district appraiser of a utility connection to a newly occupied single family building or structure.

Sec. 2. This act shall take effect and be in force from and after January 1, 2009, and its publication in the statute book.



**HOME BUILDERS ASSOCIATION  
OF GREATER KANSAS CITY**



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**Testimony on H.B. 2543  
Phil Perry, Director of Governmental Affairs  
House Committee on Taxation  
February 25, 2008**

Mr. Chair and committee members, Good morning, and thank you for the opportunity to speak to you today. Our association and our industry believes H.B. 2543 is a critical step toward stimulating the state's housing market at this critical juncture and will level the playing field for home builders and new-home buyers in Kansas.

Property taxes are critical to the continued fiscal success of various levels of government. This proposal can increase property tax collections at a time that is very important to all levels of government. The current law allows many new-home owners to enjoy a "tax holiday" by avoiding paying their fair share of property taxes for more than a year after buying a new home. And it discourages investment in residential construction with a property tax that is in effect an "inventory tax" that no other comparable industry in Kansas pays on its products in inventory.

Simply put, House Bill 2543 would begin the assessment of property taxes on a newly constructed home on the first day of the month following the closing date for a new homeowner. It would also eliminate the inventory tax on model homes and speculative homes built in Kansas, and it would remove the confusing current system used that assesses property taxes based upon an arbitrary and complicated percentage of a home's completion.

Let me give you an example of how the system currently works. Attached you will find a listing of various scenarios that exist in the marketplace today. These scenarios are based on a \$200,000 home (lot valued at \$40,000, improvements valued at \$160,000). Using the second example, a builder pulls a permit and starts construction on a new home in September 2007, then the appraiser's office will view the property and construction in November/December 2007 and list the improvements at 20% completed, which will be the value the property is appraised at on January 1, 2008. If the builder completes the improvements in June, 2008 and sells the house, the new homeowner will receive a property tax bill the following December, 2008 that covers the property and 20% of the estimated cost of the improvements. On January 1, 2009, the house will be placed on the tax rolls at 100% with a tax bill received the

*Do Business With A Member*

**HS Taxation  
2-25-08  
Attachment 2**

following December, 2009. This how the systems works presently. Under H.B. 2543, if the exact same scenario takes place, on July 1, 2008 the house would be placed on the tax roles at 100%. This tax would be then be collected in December, 2008.

Based upon experiences in other states, including Missouri, this simple change would be a win for government bodies and public services that receive revenue from property taxes. I think many Kansans would be surprised to learn that new-home owners are exempt from their fair share of property taxes for up to a year and don't receive a full property tax bill for more than a year after they buy a new home.

Consideration of this bill comes at a critical time for the home-building industry. No doubt you are aware of the importance of new-home construction to the Kansas economy. Housing contributes nearly \$6 billion to the Kansas economy, accounting for 13 percent of the state's gross domestic product. More than 35,000 Kansas jobs are supported by the home-building industry, generating more than \$2 billion in household earnings.

The current market correction taking place in the home-building industry is having a significant impact. New-home permits in Kansas are their worst in more than a decade. This represents a decline of nearly 4,000 homes. We are already experiencing the pinch of what this correction means to our communities and our economy through lost jobs and lower economic productivity. We expect this trend to continue. New home permits in 2007 were just over 6,300. That is a more than 40 percent decline from the peak during the recent housing boom.

At a time like this, it is urgent that we look at policies and approaches that can stimulate the housing economy. The current property tax system poses a disincentive to home builders. Since model homes and speculative construction are subject to inventory taxes, builders are encouraged to limit new-home construction. That poses a dual risk. Right now, it means fewer homes will be built and jobs will be eliminated. Down the road as the housing market begins to recover, it will also unfortunately mean fewer homes will be available for sale. That could delay the housing market recovery in our state.

Yet perhaps the most distressing impact of the current system is its chilling effect on housing affordability. Earlier this year, the National Association of Home Builders published reports on government fees and their impact on housing affordability. The report found that an \$819 fee paid by a home builder added \$1,000 to the ultimate cost of the home. The association then studied what impact that increase had on housing affordability in 354 metropolitan areas across the nation. The impact on households in Kansas is stunning. On the Kansas side of the metropolitan Kansas City, a total of 873 households were priced out of the market for every \$1,000 increase in new home prices. That was the 12th largest impact in the nation. A total of 703 households were priced out for every \$1,000 increase in



Wichita, the 47th highest total out of 354 markets. Topeka saw 181 households affected along with 77 in Lawrence.

In our state and our region, household incomes have not been keeping pace with rapidly increasing home prices. Since 2000, the median household income in Kansas has remained relatively steady. At the same time, housing prices have soared nearly 40 percent. Working families in Kansas are very sensitive to housing price increases. Our new-home buyers already pay their fair share for new development. The toll inventory taxes add to the cost of a new home are simply another burden for the state's working families who want to take advantage of new-home ownership. It is critical that we make housing more affordable in anyway we can. This bill is a step in that direction.

Ultimately we have to ask ourselves, does it make sense to limit our economic growth, reduce our property tax revenues and perpetuate a system that is outdated and ineffective? Does it make sense that some new-home owners don't pay their fair share of property taxes for as much as a full year after they move in? Does it make sense that Kansas new-home buyers pay hundreds and in many cases thousands of dollars in inventory taxes on new homes? Does it make sense that we are discouraging new-home production at a time when we need a stimulus in the residential market?

You will be hearing from Tom Woods, T.E. Woods Construction, who builds in Kansas and Missouri, Mike Taylor, Director of Media/Public Relations for Unified Government, Wyandotte County/KCK, and Bob Vancrum of the Greater Kansas City Chamber of Commerce. You have also been provided written testimony from Mike Brown, Brown Midwest, a builder in Johnson County who is trying to stay competitive and price conscious, and Erik Sartorius, Asst. City Mgr/Director of External Affairs, Overland Park, KS. We believe this bill makes sense for home builders, for new-home buyers, for our communities, and for our public services that rely on property tax revenues.

I thank you for the opportunity to address you today and I urge you to support House Bill 2543 to make the property tax system for new-homes in our state make more sense for Kansans. Thank you.

Property Tax Scenarios for a \$200,000 home /\$40,000 lot, Statewide average mill rate of 116.68  
 Under HB 2543, Land value is 100% for full year, improvements are a prorated value of 100%, based upon date of occupancy

1) % completion of Jan 1 valuation	0 % (No const/lot only)
Lot valuation	\$40,000
Improvements Valuation	\$0
Total Valuation	\$40,000
Assessed Valuation (11.5%)	\$4,600
Current property tax billing	\$536.73
Effective date for occupancy	1-Sep
Proposed property tax billing	\$1,245.21
2) % completion on Jan 1 valuation	20%
Lot valuation	\$40,000
Improvements Valuation	\$32,000
Total Valuation	\$72,000
Asessed Valuation	\$8,280
Current property tax billing	\$966.11
Effective date for occupancy	1-Jul
Proposed propety tax billing	\$1,610.19
3) % completion on Jan 1 valuation	40%
Lot valuation	\$40,000
Improvements Valuation	\$64,000
Total Valuation	\$104,000
Asessed Valuation	\$11,960
Current property tax billing	\$1,395.46
Effective date for occupancy	1-May
Proposed propety tax billing	\$1,975.16
4) % completion on Jan 1 valuation	60%
Lot valuation	\$40,000
Improvements Valuation	\$96,000
Total Valuation	\$136,000
Asessed Valuation	\$15,640
Current property tax billing	\$1,824.88
Effective date for occupancy	1-Mar
Proposed propety tax billing	\$2,146.91
5) % completion on Jan 1 valuation	100%
Lot valuation	\$40,000
Improvements Valuation	\$160,000
Total Valuation	\$200,000
Asessed Valuation	\$23,000
Current property tax billing	\$2,683.64
Effective date for occupancy	1-Mar
Proposed propety tax billing	\$2,146.91
6) % completion on Jan 1 valuation	100%
Lot valuation	\$40,000
Improvements Valuation	\$160,000
Total Valuation	\$200,000
Asessed Valuation	\$23,000
Current property tax billing	\$2,683.64
Effective date for occupancy	Model Home
Proposed propety tax billing	\$536.74

**Testimony on House Bill 2543  
by Tom Woods, President  
T.E. Woods Construction  
House Committee on Taxation  
February 25, 2008**

Mr. Chair and committee members, good morning. As a home builder, a developer and small businessman, House Bill 2543 would impact me and my customers in significant and positive way. I build homes in both Kansas and Missouri and work under two different sets of rules when it comes to property taxes and inventory taxes. In Jackson County, Missouri, we use an occupancy-based assessment system similar to the one in this bill. In Wyandotte County, Kansas, we work under the completion-based assessment system. Our experience is that there is a significant difference in the value we provide our consumers in both states based primarily on our permit fees and taxes.

For example, we build the same model homes in both Wyandotte County and in Independence, Mo. The land and infrastructure costs in both municipalities are relatively the same. The prices we pay our subcontractors and suppliers are also the same. Yet the homes we are building in Wyandotte County are between \$5,000 and \$7,000 higher in price than the same home in Independence.

Among the most significant carrying costs we have in Wyandotte County are property taxes. When we pay property taxes on model homes, homes in our inventory and even homes under construction in Kansas, we have a cost we don't have on the Missouri side. It certainly puts our homes in Kansas at a competitive disadvantage. At a time when affordability is a critical issue for our consumers, it's a hard sell to convince someone to spend \$5,000 to \$7,000 more for the exact same home on the other side of the state line.

Our company chose to invest in Wyandotte County because we think there is potential for strong growth. The key is potential. The recovery in the housing industry and the development of new housing choices in Kansas depends on taking steps to encourage and support growth. The potential Wyandotte County and the rest of Kansas has depends on making the right decisions to keep these communities and neighborhoods sustainable and competitive.

Our experience with an occupancy-based assessment has been very positive. It creates a streamlined process that doesn't leave anything to the imagination. I'm not left wondering every December whether I should stop work on a home to keep the property taxes lower or wondering what my property tax bill will be when the percentage completion of my home is determined on an arbitrary scale. Cost certainty is a critical issue for home builders, particularly at a time when there is so little certainty among our consumers. It's difficult to plan when you are unsure what your costs will be, and it's difficult to convince consumers of the value of living in Kansas when it can be cheaper to live somewhere else.

As both a former mayor of Blue Springs, Missouri, and a member of the Blue Springs School District advisory board, I worked closely with the Missouri legislature to amend the state's statutes in 1989 to allow for the assessment of property taxes upon occupancy. Jackson County was among the first to take advantage of occupancy-based assessment. Our fast-growing local school districts supported it because it allowed them to generate more revenue and get the money faster. And it was good for builders because they were no longer charged with an inventory tax that no other business pays on their inventory in stock. Occupancy-based assessment has been an overwhelming success for our county.

Our company and our buyers want to pay their fair share. We want good schools, police and fire protection, parks and recreation and other community services. These are qualities that help us sell new homes. If we can generate more revenue for these services while keeping new-home prices low and making property tax payments more fair and streamlined, it's a win for home builders and home buyers.



# Testimony

Unified Government Public Relations  
701 N. 7<sup>th</sup> Street, Room 620  
Kansas City, Kansas 66101

Mike Taylor, Public Relations Director  
913.573.5565 mtaylor@wycokck.org

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## House Bill 2543 Taxation on Newly Constructed Homes

Delivered February 25, 2008  
House Committee on Taxation

The Unified Government of Wyandotte County/Kansas City supports House Bill 2543. After being initially skeptical about this measure, our staff and elected leaders now believe the changes proposed in the bill will be a positive economic development tool for Wyandotte County.

Despite mortgage rate troubles and a large inventory of homes in the Kansas City metro, Kansas City, Kansas and Wyandotte County continued to be in the top five communities for new home construction in 2007. We issued 330 new home permits last year, more new housing permits than Shawnee, Gardner and Lenexa and only about two dozen fewer than Overland Park. That 330 is a decline however from recent years. From 2003 through 2006, new housing permits in KCK numbered about 500 a year.

After decades of having very few new homes built in our community, it is a welcome turnaround to be the fifth hottest housing market in Kansas City. We'd like to be number one someday, and we think House Bill 2543 could be a tool that helps us reach that goal.

In his recent State of the Government Address, Mayor Joe Reardon proposed a program to encourage the construction of Energy Star certified homes in KCK by giving a rebate equal to one year of city/county property taxes. The hope is that plan will create a niche which will attract builders who want to build "green" homes and bring people who want to buy them. Again, to Wyandotte County, new home construction and bringing new residents to our community is a major plank in our overall economic development platform.

Since construction of the Kansas Speedway and the Village West entertainment district, the population of Wyandotte County has stabilized, new single family housing permits have increased by nearly 250 percent, retail sales have increased by 56 percent and assessed valuation for the county has exceeded \$1.1-billion. We want those trends to continue.

The Unified Government is confident House Bill 2543 will benefit area homebuilders, will fuel the continued construction of new homes in Wyandotte County and in the long run be a positive for our communities economy.

TESTIMONY TO HOUSE TAXATION COMMITTEE

By Robert Vancrum, Kansas Government Affairs,  
Greater Kansas City Chamber  
In Support of HB 2543

Chairman Wilk and Other Honorable Representatives:

The Greater Kansas City Chamber of Commerce would like to add its support for this piece of legislation. Homebuilders are generally small, closely held businesses, of the type that comprise 90% of our membership and which create most of the jobs across the state of Kansas in any given year. They also are an important part of the local economy in Northeast Kansas and certainly have been greatly impacted by giant fluctuations in the availability of credit in recent months over which they had no control.

As the Homebuilders Association has pointed out, few other private businesses are taxed on their unsold inventories. Furthermore, our peculiar means of assessment means that new home buyers actually enjoy a long tax free period in many cases where a previously owned buyer must pay taxes from day one. That makes little sense. They also point out that Missouri adopted the tax treatment embodied in this bill nearly two decades ago – I have no knowledge of that, but certainly the industry should. I do know that many builders that used to be active in our state are now exclusively building across the state line.

I'd be happy to stand for questions at any appropriate time.

# BROWN MIDWEST

*For Living. For Life.*

**Testimony on House Bill 2543  
by Mike Brown, President  
Brown Midwest  
House Committee on Taxation  
February 6, 2008**

Mr. Chair and committee members, good morning. The issue of property taxes on new homes impacts me and my customers directly. I'm a home builder and developer, and my customers are the people who buy my homes. We pay these taxes, and I'm here to tell you that the current system treats us both unfairly.

I oftentimes hear fees such as property taxes on model homes and speculative inventory referred to as "home builder taxes." Rest assured, such taxes do not exist. There are no home builder taxes – there are only "home buyer taxes." Property taxes are a cost of doing business for a builder. They are a component of the home, just like lumber, appliances and labor. It's a carrying cost that I must factor into the price of my home. I may pay the taxes to our state and local governments but ultimately it is my customers – my homebuyers – who pay the tax when they buy a home from me.

When we factor taxes into the price of a home, it impacts home buyers in several ways. First the buyer is going to be paying a price inflated by taxes. When taxes are rolled into the price of a new-home, they also get rolled into the mortgage. That means that inventory taxes and property taxes added to the cost of a home get paid with interest for up to 30 years. Over the lifetime of a loan, consumers can end up paying more in interest than the original value of the tax bill.

The National of Association of Home Builders recently published a studying what impact adding costs such as property taxes can have on new-home affordability. The report found that for every \$819 a home builder pays in taxes and fees, it adds \$1,000 to the ultimate cost of the home. For a new-home priced at \$250,000, the average full property tax bill would be \$3,354. For a model or spec home with two years of property taxes built into the price, that would add \$8,190 to the cost of the home. That hike alone would price thousands of Kansas families out of the market for a home.

Anything that harms affordability harms the housing industry and our broader economy. Credit is tight and consumers are having more difficulty qualifying for mortgage. Anything we can do to alleviate that burden, even in a small way, will pay dividends toward helping our economy toward recovery.

From the perspective a home builder, this puts me at a competitive disadvantage, especially when it comes to competing against homes built in Missouri. The vast majority of metro Kansas City homes built in Missouri are taxed using the occupancy-based assessment spelled out in this bill. We already carry a higher burden in terms of taxes and fees that our neighbors. We are certainly losing opportunities in today's market.

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HS Taxation  
2-25-08  
Attachment 6

An equally frustrating element for home builders is the lack of common sense in the current law. If I build a model home in my community, I'll ultimately pay full property taxes on that home even though no one lives there and uses the services I'm paying for. Yet if I build a new home for a family of four and they take possession in February, they won't receive a full property tax bill for nearly two full years. That's despite the fact that they use our schools, fire and police protection and other public services supported by property taxes. These vital services are missing out on revenue they desperately need.

I have no doubt that changing our property tax assessment will have a positive impact on home building in our state. Without the burden of an inventory tax, home builders will be more likely to undertake speculative construction and open more model homes. That will boost our economic output and make us more competitive with homes in Missouri. Combine that with the addition of adding the full rate of new homes to the property tax rolls more quickly and we will increase revenues for our local governments.

I'm often asked by elected officials and public policy makers what government can do to make it easier to build and sell homes. This bill is a great example of what you can do. It's such a simple change yet it means that I can market model homes to consumers without additional carrying costs. It means I can carry an inventory of speculative homes without paying an inventory tax. And ultimately it means I can help a family achieve their dream of homeownership. That is the ultimate goal for those of us lucky enough to be part of the home-building industry.

As a home builder, I can tell you that without a doubt this is one of the most difficult times our industry has faced in recent memory. We are facing declining demand for new homes fueled by a soft economy, a lack of consumer confidence in housing and stricter mortgage loan requirements. Yet nearly every day I walk into the office, I learn something of a new price hike for a material or higher fee that means it will cost more for me to build a new home. I strongly support House Bill 2543 because it will make Kansas housing more affordable and more attainable for our consumers while streamlining a confusing and frustrating process.

Especially in today's market, just a few dollars here and there can impact the ability of a consumer to finance a home purchase and qualify for a mortgage. You can make homeownership more attainable for Kansas consumers, and you can even do it in a way that makes my business more successful and helps us support our schools, government and other public services. Thank you for your consideration, and I urge you to support House Bill 2543.

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Testimony Before The  
House Taxation Committee  
Regarding  
House Bill 2543  
By Erik Sartorius

February 5, 2008

The City of Overland Park appreciates the opportunity to appear before the committee and present testimony in support of House Bill 2543. The legislation would somewhat insulate homebuilders from slowing economic activity, while at the same time aiding local governments in providing services when the economy is strong and rapidly expanding.

In the metropolitan Kansas City area, there are myriad communities in which homebuilders can site their projects. In this very competitive market, every tool available is utilized. HB 2543 would provide the Kansas side of the region a useful tool and help level the playing field with the Missouri portion of our region.

The residential home building industry has developed into an important component of the Kansas economy. The challenges this industry is facing, from increasing materials costs to the issues surrounding mortgages and a growing number of foreclosures, leave growing cities concerned. House Bill 2543 can provide some help to the industry, and may help the industry maintain a decent building pace, rather than risk seeing some suspend or greatly reduce their operations.

The City of Overland Park believes House Bill 2543 will bring a competitive level playing field to the Kansas City metropolitan region. It is our understanding that the bill's sponsors continue to work with other parties in fine-tuning the legislation, and we are confident the final product will resolve those concerns. We ask that the committee report HB 2543 favorably for passage.



**DML INCORPORATED**  
**DML OF MISSOURI, INC.**  
A FRANCHISEE OF BURGER KING CORPORATION  
13209 WOODSON ST.  
OVERLAND PARK, KS 66209  
913 851-6025  
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February 22, 2008

Representative Kenny A. Wilk  
State Capitol, Room 242-W  
300 S.W. Tenth Ave.  
Topeka, KS 66612

Dear Chairman Wilk,

As a resident and business owner in Johnson County, I strongly support House Bill 2543 which would move our state from the completion-based assessment system to the occupancy-based approach.

I believe the occupancy-based assessment would treat taxpayers more uniformly, improve reliability and consistency, and help our taxing jurisdictions get revenue they need to provide desired services more quickly. It is a win-win for the taxpayers.

Thank you for your service and leadership. Keep up the good work!

Sincerely,

A handwritten signature in black ink, appearing to read "David A. Lindstrom".

David A. Lindstrom

|| STORE #5785 - 11174 ANTIOCH RD, OVERLAND PARK, KS 66210 913 451-8083  
|| STORE #6995 - 700 E. RED BRIDGE RD, KANSAS CITY, MO 64131 816 943-0211  
|| STORE #9554 - 1500 W. AMITY, LOUISBURG, KS 66063 913 837-3400  
|| STORE #12679 - 13640 METCALF AVE, OVERLAND PARK, KS 66223 913 402-8600

6-4

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MEMORANDUM

TO: Honorable Kenny Wilk  
Chairman, House Taxation Committee

FROM: Tony R. Folsom, Deputy Director

DATE: February 6, 2008

RE: HB 2543 – Assessment of Newly Constructed Residential Property

2007 House Bill 2543, as introduced, provides that newly constructed residential property which is a single family or multi-family unit of four units which has never been occupied shall not be assessed as improved real property until the property is occupied or the first day of January of the second year following the year in which construction of the improvements was completed. Such properties will be valued and assessed throughout the year as construction is completed and occupancy occurs.

The bill raises several issues that need to be acknowledged and discussed. Today, I am simply attempting to bring some of these issues to the forefront as you consider this proposal.

**Current Law:**

Under current law, newly constructed residential property is valued on January 1<sup>st</sup> of the valuation year the same as all other real property. The assessment is based on what is present on the parcel on January 1<sup>st</sup>. As an example, if the property is only 50% constructed, then the assessment is based on a 50% completion and the land valuation is included. See K.S.A. 2006 Supp. 79-503a and K.S.A. 79-1455.

**Discussion:**

- Version that defines any newly constructed building or other structures on real property intended for residential uses, which is a single family or multi-family unit of four units or less and to be sold by the builder thereof shall be deemed the “inventory” of such builder and exempt from taxation until conveyed, leased, or otherwise occupied for residential purposes.

- If define as inventory, then the exemption cannot be limited to a specified number of years, but would be exempt as long as it is held for sale.
- Would properties that have newly constructed improvements that have never been occupied be assessed as vacant lots or as residential improved lots? If as vacant lot, the assessment rate is 12% and if as improved it is 11.5%.
- Language indicates that the improvements are considered “inventory” and exempt until conveyed, leased, or otherwise occupied for residential purposes. Does this mean the property could be used for some other purpose, such as an office, prior to being conveyed, leased or otherwise occupied for residential purposes?
- There is the possibility that there will be properties being assessed after tax levies have been established, which will have an effect on county clerks' and treasurers' procedures. **If the improvements are placed on the tax roll after the tax roll has been finalized for the year (mid-October), the county clerk will send an additional tax bill to the owner of the property for the improvement value and the total taxes will be due within 45 days as an added tax.**
- In Section 1 subsection (a) multi-family units of four units or less are included. When does occupancy occur in such a structure? Is it when one unit is occupied or do all units have to be occupied?
- Section 1 subsection (a) appears to put the burden on county appraisers to track when such properties have been conveyed, leased or otherwise occupied. Other exemptions the burden is on the owner of the property to notify the county appraiser. See K.S.A. 79-214.
- Section 1 subsection (c) provides that utility companies will be required to provide monthly verification to county appraisers concerning utility connections. However, the verification is limited to single-family buildings or structures and does not include multi-family units.
- Section 1 subsection (d) provides that the owner of newly constructed property who is aggrieved by the assessment may pay all taxes under protest or may appeal the assessment the following year to the county appraiser as provided by law. There is no problem in allowing the payment under protest. However, the second part of the sentence appears to allow the owner to file an equalization appeal on the prior years' valuation. Current statutes provide that an equalization appeal may only be filed during the tax year at issue upon receiving notification of the valuation for the current year. Allowing appeals on the prior years' valuation will prolong the appeals process and add additional workload to county appraisers during a busy time of the year.

- Section 1 subsection (f) requires a county appraiser to place the “full amount of the assessed valuation” on the tax book upon the first day of the month following lease, conveyance, or occupancy. Is the value as of January 1<sup>st</sup> or as of the first day of the month following lease, conveyance, or occupancy? If it is the value assigned as of the first day of the month following the date of lease, conveyance, or occupancy, this differs from all other properties that are valued as of January 1 and may create a constitutional uniform and equal violation.
- Section 1 subsection (f) the last sentence provides that: “The first full year that the property is 100% occupied will be considered new construction and improvements for the full year.” Does this mean the property has to be fully occupied or does it mean occupied for the entire year? Also, when does occupancy occur in a duplex or four-plex? Is it when one unit is occupied or do all units have to be occupied?
- Section 2 of the bill provides that the act shall be in effect on January 1, 2009. Do the provisions of the bill apply to properties that were constructed prior to 2009 or do the provisions only apply to properties constructed after January 1, 2009?

STATE OF KANSAS

ARLEN SIEGFREID

REPRESENTATIVE, 15TH DISTRICT  
1403 W. PRAIRIE TERRACE  
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HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

MEMBER: FEDERAL AND STATE AFFAIRS  
SOCIAL SERVICES BUDGET  
TAXATION

I want to thank Chairman Wilk and the Tax Committee for taking the time to hear HB2500. The bill is intended to provide property tax relief for three duplexes which are the foundation for a charitable outreach to single parent mothers who lack the financial and other life skills to properly care for their families. The program is part of a community ministries outreach of College Church titled "Second Mile Friends". It is a Christian ministry which is having a positive impact on the future of single mothers, their children, and society in general. I personally believe it demonstrates a sincere and successful effort by a Christian Church to respond to cultural problems the legislature deals with every year. I believe it is a mistake to tax this ministry and reduce the resources available to sustain this important outreach. I respectfully ask your support for HB2500.

Thank you for your consideration.

*Arlen H. Siegfried*  
*15th District*

February 25, 2008

Chairperson Wilk and Members of the House Taxation Committee:

Thank you for the opportunity to speak to you in support of HB 2500. My name is Chad Cook. I am a life-long Kansan currently residing in Overland Park. While I am licensed to practice law in Kansas specializing in real estate and corporate transactional law, today I am representing College Church of the Nazarene located in Olathe as a member of the congregation and as a member of the Church Board.

Among the many ministries and social services provided by College Church, it owns a six-plex in Olathe where it runs a program that provides rent-free housing to low income families within the community, primarily single mothers and their children who are imminently homeless and in need of financial assistance and social services. One family lives in each of the six units of the property at any one time. College Church provides the free housing up to two years for each family as long as the program participants are working toward financial independence. During the period of program participation College Church provides the families with social services such as life skills training, counseling and education. Each family is assigned to a mentor from within College Church, who meets with the family on a regular basis to assist them with job related issues, child care, budgeting, healthcare, nutrition and other social service needs. A part of the program is a budgeting and savings plan that requires the residents to save a set amount each month and then when they move out after two years the families have a small nest egg to help move in to their own place. Clearly there is a great need in our community and College Church set out to meet this need. Thankfully, College Church has had many success stories over the years with many of the residents obtaining high school equivalencies and associates or bachelors degrees.

College Church applied for property tax exemption under K.S.A. 79-201 Second, which is the general statute that exempts property used for educational, scientific, religious, benevolent or charitable purposes. Obviously our use fits within this description. However, the Board of Tax Appeals denied the request for exemption because if there is a more specific statute that grants an exemption for a particular use, then the application must be considered under the more specific statute. Since the College Church property is used for housing of low-income individuals, the property must fit within a statutory exemption for residential housing.

Unfortunately, there is not a statutory exemption within K.S.A. 79-201b that this housing and life skills training program fits. Therefore, College Church supports HB 2500 since it would provide a new exemption within which the property of College Church would comply. Please note that for our Board of Tax Appeals hearing, we had the support of the Johnson County Treasurer. In addition, I have spoken with the Honorable Mayor Michael Copeland of Olathe who is in full support of HB 2500 and will be submitting a letter of support to this committee.