

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on January 30, 2008 in Room 519-S of the Capitol.

All members were present except:

Derek Schmidt- excused
Anthony Hensley-excused

Committee staff present:

Gordon Self, Office of Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Scott Wells, Office of Revisor of Statutes
Ryan Hoffman, Kansas Legislative Research Department
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Don McNeeley, Kansas Automobile Dealers Association
Paul Welcome, Johnson County Appraiser
Tony Folsom, Deputy Director, Kansas Department of Revenue (KDOR)

Others attending:

See attached list.

Chairman Allen reminded Committee members of the Joint Assessment & Taxation Committee and Senate Commerce Committee meeting on Friday, February 1, at 8:30 a.m. in Room 123-S for the purpose of hearing **SB 497**.

Senator Apple moved to amend a previously introduced sales tax exemption bill by including Linn County Fair Association and Anderson County Fair Association in the bill. Senator Bruce seconded the motion, and the motion passed.

Don McNeeley, Kansas Automobile Dealers Association, requested introduction of a bill regarding the extension of the sales tax exemption on motor vehicle manufacturer rebates. (Attachment 1)

Senator Bruce moved to introduce Mr. McNeeley's requested legislation. Senator Jordan seconded the motion, and the motion passed.

Discussion was held on **SB 444**—Property tax exemption for certain tangible personal property with purchase price less than \$1,500. Richard Cram, Kansas Department of Revenue (KDOR), said he estimates the State would lose approximately one million dollars if this bill passed. Senator Donovan noted this would be a minimal cost to counties when spread across the state. Paul Welcome, Johnson County Appraiser, said in Johnson County roughly 3,000 items equal approximately 80% of the appraised value of “other personal property”, and roughly 12,000 items equal approximately 20% of the appraised value of “other personal property.”

Senator Bruce moved to amend **SB 444** by giving the Revisor of Statutes, Gordon Self, liberty to make technical amendments as needed. Senator Jordan seconded the motion, and the motion passed.

Senator Jordan moved to pass **SB 444** as amended favorable for passage. Senator Donovan seconded the motion, and the motion passed.

Tony Folsom, Deputy Director, KDOR Property Valuation Department (PVD), gave a review of the new Computer Assisted Mass Appraisal (CAMA) System (Orion). (Attachment 2) The current system has been used since the 1989 tax year, however, the system is based on 1975 technology. In 2003 Tyler Technologies, Inc. was selected as the vendor to provide a new statewide CAMA System, referred to as Orion. In 2004, Orion was installed in Douglas, Johnson and Riley Counties. Mr. Folsom reviewed the costs of the current system and the Orion system that is being implemented. He said he knew of no additional

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:30 A.M. on January 30, 2008 in Room 519-S of the Capitol.

costs to counties with the Orion system in staff or hardware. KDOR made the decision to use only one appraisal system statewide due to the ease of using the same database and training sessions for the system throughout the state. KDOR is implementing the Orion system in a few counties at a time. Currently there are 29 counties using the system. KDOR wants all counties on the ORION/CAMA system by the end of 2010.

Paul Welcome, Johnson County Appraiser, updated the Committee on how the Orion System is working in Johnson County. (Attachment 3) The experience has been challenging and a struggle for his staff. They have found various issues and deficiencies with the system. Johnson County has a separate contract for software support with Tyler Technologies. However, most counties will not be able to afford an additional support system contract. Mr. Welcome stated a large part of the problem is with Tyler Technologies because Tyler's customer support is deficient. The software has the potential to be a good valuation system, but it is not there yet. Mr. Welcome is not satisfied with the overall product, but also emphasized it is extremely important the state have only one appraisal system in place.

Margaret Archer, Osage County Appraiser, testified on Osage County's experience with the Orion System. (Attachment 4) She was eager to implement the system so she could electronically store multiple years of appraisal information. PVD has provided additional attention and assistance to her. Converting to the Orion System has been a very difficult task. She disagreed with Mr. Folsom that no additional costs have been incurred by counties. Osage County has incurred approximately \$25,000 in hard costs to date, and she anticipates an additional \$10,000 in overtime costs.

In response to Senator Donovan, Mr. Folsom said \$3 of each car title fee goes to CAMA funding. In response to Senator Apple, Mr. Folsom said KDOR and individual counties make the decision on the time line of implementation of Orion. Ms. Archer said the timing is an internal decision within the county made by the County Commissioners and the County Appraiser. At some point, KDOR will stop support for the old appraisal system.

Training of county employees was discussed. All training classes are held in Topeka, and counties must provide their employees' expenses to attend. The KDOR pays for the actual cost of the training classes, thus there is no charge to employees for the class. Ms. Archer said this could be quite a financial burden to some counties because of the distance from Topeka, especially those in Western Kansas. Mr. Folsom said KDOR has twelve laptop computers and is working toward holding classes in remote locations. However, KDOR has not yet held any classes outside of Topeka.

Being no further business, the meeting adjourned at 11:35 a.m. The next meeting will be January 31.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: 1-30-08

NAME	REPRESENTING
Dennis Kriesel	KS Assn of Counties
Olivia Brien	Gifted Shadowing Sen. Lee
Josh Dohrmann	KS Page for Sen. Bruce
Eric Engelland	Page for Terry Bruce
Tyler Patterson	Page for Terry Bruce
Debbie Marshall	^{Butler County} KS Farm Bureau
Eldon Marshall	Butler County Farm Bureau
Tony A. Scott	KSCPA
Don McNEELY	KADA
Brno Harrison	KFB
TK Shively	KCS
John Beveren	Practical, Smart, & Assoc
Marg Archer	Osage County Appraiser
JAY Kramer	CARER Group
Whitney Damon	KS Sport Hunting Assn / Hint Oak, LLC
Ken CORbet	KS Sport ✓ ✓ & Ravenwood
Jan Koehler	Locust Point Gun Club, Inc
Paul WELDON	JOHNSON County Appraiser

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: 1-30-08

NAME	REPRESENTING
Cynthia Dunham	Johnson County Legal
Nate Michel	Hein Law Firm
Shahira Stafford	KS Grain + Feed Assn.
Jeanie Barts	Kansas Farm Bureau / Marion County Farm Bureau
Vanda Easley	State Farm
Stella Spiking	State Farm
Christy Campbell	L.G.R.
Larry R Boer	LKW
John Kuzman	Kansas Farm Bureau
Jayson Smith	Kansas FARM Bureau
Dale Weishaar	Kansas Farm Bureau
John Donley	KS Livest. Ass'n.
Berend Hoops	KDUP
Ben Cleaves	DOR
David R. Corbin	KDOR
DANette Higley	KDOR
Charlie Small	KDOR
Tony Folsom	KDOR

Richard Crum

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KANSAS AUTOMOBILE DEALERS ASSOCIATION

January 30, 2008

To: Chair Barbara Allen
And the Senate Committee on Assessment & Taxation

From: Don McNeely, KADA President

Re: Bill Introduction Request – Extension of the Sales Tax Exemption on Motor
Vehicle Manufacturer Rebates

Madam Chair Allen and Members of the Committee:

My name is Don McNeely, President of the Kansas Auto Dealers Association, a state trade association representing the franchised new car and truck dealers in the state of Kansas. I appear before you this morning to request introduction of an amendment to K.S.A. 79-3601 regarding the extension of the sales tax exemption on motor vehicle manufacturer rebates.

During the 2006 Session, the Kansas Legislature enacted legislation that exempted motor vehicle manufacturer rebates from Kansas sales tax. Due to the uncertainty of the actual fiscal impact to the State, the exemption is scheduled to sunset on June 20, 2009. This proposal seeks to remove the sunset on the sales tax exemption.

On behalf of the Kansas Automobile Dealers Association, I respectfully request the introduction of this bill proposal. Thank you.

Attachment

[Home](#) > [Statutes](#) > [Statute](#)

[Previous](#)

[Next](#)

79-3602

Chapter 79.--TAXATION

Article 36.--KANSAS RETAILERS' SALES TAX

79-3602. Definitions. Except as otherwise provided, as used in the Kansas retailers' sales tax act:

- (a) "Agent" means a person appointed by a seller to represent the seller before the member states.
- (b) "Agreement" means the multistate agreement entitled the streamlined sales and use tax agreement approved by the streamlined sales tax implementing states at Chicago, Illinois on November 12, 2002.
- (c) "Alcoholic beverages" means beverages that are suitable for human consumption and contain .05% or more of alcohol by volume.
- (d) "Certified automated system (CAS)" means software certified under the agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state and maintain a record of the transaction.
- (e) "Certified service provider (CSP)" means an agent certified under the agreement to perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases.
- (f) "Computer" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions.
- (g) "Computer software" means a set of coded instructions designed to cause a computer or automatic data processing equipment to perform a task.
- (h) "Delivered electronically" means delivered to the purchaser by means other than tangible storage media.
- (i) "Delivery charges" means charges by the seller of personal property or services for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating and packing.
- (j) "Direct mail" means printed material delivered or distributed by United States mail or other delivery services to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. Direct mail includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. Direct mail does not include multiple items of printed material delivered to a single address.
- (k) "Director" means the state director of taxation.
- (l) "Educational institution" means any nonprofit school, college and university that offers education at a level above the twelfth grade, and conducts regular classes and courses of study required for accreditation by, or membership in, the North Central Association of Colleges and Schools, the state board of education, or that otherwise qualify as an "educational institution," as defined by K.S.A. 74-50,103, and amendments thereto. Such phrase shall include: (1) A group of educational institutions that operates exclusively for an educational purpose; (2) nonprofit endowment associations and foundations organized and operated exclusively to receive, hold, invest and administer moneys and property as a permanent fund for the support and sole benefit of an educational institution; (3) nonprofit trusts, foundations and other entities organized and operated principally to hold and own receipts from intercollegiate sporting events and to disburse such receipts, as well as grants and gifts, in the interest of collegiate and intercollegiate athletic programs for the support and sole benefit of an educational institution; and (4) nonprofit trusts, foundations and other entities organized and operated for the primary purpose of encouraging, fostering and conducting scholarly investigations and industrial and other types of research for the support and sole benefit of an educational institution.
- (m) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic or similar capabilities.
- (n) "Food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" does not include alcoholic beverages or tobacco.
- (o) "Gross receipts" means the total selling price or the amount received as defined in this act, in money, credits, property or other consideration valued in money from sales at retail within this state; and embraced within the provisions of this act. The taxpayer, may take credit in the report of gross receipts for: (1) An amount equal to the selling price of property returned by the purchaser when the full sale price thereof, including the tax collected, is refunded in cash or by credit; and (2) an amount equal to the allowance given for the trade-in of property.
- (p) "Ingredient or component part" means tangible personal property which is necessary or essential to, and which is actually used in and becomes an integral and material part of tangible personal property or services produced, manufactured or

compounded for sale by the producer, manufacturer or compounder in its regular course of business. The following items of tangible personal property are hereby declared to be ingredients or component parts, but the listing of such property shall not be deemed to be exclusive nor shall such listing be construed to be a restriction upon, or an indication of, the type or types of property to be included within the definition of "ingredient or component part" as herein set forth:

- (1) Containers, labels and shipping cases used in the distribution of property produced, manufactured or compounded for sale which are not to be returned to the producer, manufacturer or compounder for reuse.
 - (2) Containers, labels, shipping cases, paper bags, drinking straws, paper plates, paper cups, twine and wrapping paper used in the distribution and sale of property taxable under the provisions of this act by wholesalers and retailers and which is not to be returned to such wholesaler or retailer for reuse.
 - (3) Seeds and seedlings for the production of plants and plant products produced for resale.
 - (4) Paper and ink used in the publication of newspapers.
 - (5) Fertilizer used in the production of plants and plant products produced for resale.
 - (6) Feed for animals, fowl and aquatic plants and animals, the primary purpose of which is use in agriculture or aquaculture, as defined in K.S.A. 47-1901, and amendments thereto, the production of food for human consumption, the production of animal, dairy, poultry or aquatic plant and animal products, fiber, fur, or the production of offspring for use for any such purpose or purposes.
- (q) "Isolated or occasional sale" means the nonrecurring sale of tangible personal property, or services taxable hereunder by a person not engaged at the time of such sale in the business of selling such property or services. Any religious organization which makes a nonrecurring sale of tangible personal property acquired for the purpose of resale shall be deemed to be not engaged at the time of such sale in the business of selling such property. Such term shall include: (1) Any sale by a bank, savings and loan institution, credit union or any finance company licensed under the provisions of the Kansas uniform consumer credit code of tangible personal property which has been repossessed by any such entity; and (2) any sale of tangible personal property made by an auctioneer or agent on behalf of not more than two principals or households if such sale is nonrecurring and any such principal or household is not engaged at the time of such sale in the business of selling tangible personal property.
- (r) "Lease or rental" means any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration. A lease or rental may include future options to purchase or extend.
- (1) Lease or rental does not include: (A) A transfer of possession or control of property under a security agreement or deferred payment plan that requires the transfer of title upon completion of the required payments;
 - (B) a transfer or possession or control of property under an agreement that requires the transfer of title upon completion of required payments and payment of an option price does not exceed the greater of \$100 or 1% of the total required payments; or
 - (C) providing tangible personal property along with an operator for a fixed or indeterminate period of time. A condition of this exclusion is that the operator is necessary for the equipment to perform as designed. For the purpose of this subsection, an operator must do more than maintain, inspect or set-up the tangible personal property.
- (2) Lease or rental does include agreements covering motor vehicles and trailers where the amount of consideration may be increased or decreased by reference to the amount realized upon sale or disposition of the property as defined in 26 U.S.C. 7701(h)(1).
- (3) This definition shall be used for sales and use tax purposes regardless if a transaction is characterized as a lease or rental under generally accepted accounting principles, the internal revenue code, the uniform commercial code, K.S.A. 84-1-101 et seq. and amendments thereto, or other provisions of federal, state or local law.
- (4) This definition will be applied only prospectively from the effective date of this act and will have no retroactive impact on existing leases or rentals.
- (s) "Load and leave" means delivery to the purchaser by use of a tangible storage media where the tangible storage media is not physically transferred to the purchaser.
- (t) "Member state" means a state that has entered in the agreement, pursuant to provisions of article VIII of the agreement.
- (u) "Model 1 seller" means a seller that has selected a CSP as its agent to perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases.
- (v) "Model 2 seller" means a seller that has selected a CAS to perform part of its sales and use tax functions, but retains responsibility for remitting the tax.
- (w) "Model 3 seller" means a seller that has sales in at least five member states, has total annual sales revenue of at least \$500,000,000, has a proprietary system that calculates the amount of tax due each jurisdiction and has entered into a performance agreement with the member states that establishes a tax performance standard for the seller. As used in this subsection a seller includes an affiliated group of sellers using the same proprietary system.
- (x) "Municipal corporation" means any city incorporated under the laws of Kansas.
- (y) "Nonprofit blood bank" means any nonprofit place, organization, institution or establishment that is operated wholly or in part for the purpose of obtaining, storing, processing, preparing for transfusing, furnishing, donating or distributing human blood or parts or fractions of single blood units or products derived from single blood units, whether or not any remuneration is paid therefor, or whether such procedures are done for direct therapeutic use or for storage for future use of such products.
- (z) "Persons" means any individual, firm, copartnership, joint adventure, association,

corporation, estate or trust, receiver or trustee, or any group or combination acting as a unit, and the plural as well as the singular number; and shall specifically mean any city or other political subdivision of the state of Kansas engaging in a business or providing a service specifically taxable under the provisions of this act.

(aa) "Political subdivision" means any municipality, agency or subdivision of the state which is, or shall hereafter be, authorized to levy taxes upon tangible property within the state or which certifies a levy to a municipality, agency or subdivision of the state which is, or shall hereafter be, authorized to levy taxes upon tangible property within the state. Such term also shall include any public building commission, housing, airport, port, metropolitan transit or similar authority established pursuant to law.

(bb) "Prescription" means an order, formula or recipe issued in any form of oral, written, electronic or other means of transmission by a duly licensed practitioner authorized by the laws of this state.

(cc) "Prewritten computer software" means computer software, including prewritten upgrades, which is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of two or more prewritten computer software programs or prewritten portions thereof does not cause the combination to be other than prewritten computer software. Prewritten computer software includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the purchaser. Where a person modifies or enhances computer software of which the person is not the author or creator, the person shall be deemed to be the author or creator only of such person's modifications or enhancements. Prewritten computer software or a prewritten portion thereof that is modified or enhanced to any degree, where such modification or enhancement is designed and developed to the specifications of a specific purchaser, remains prewritten computer software, except that where there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for such modification or enhancement, such modification or enhancement shall not constitute prewritten computer software.

(dd) "Property which is consumed" means tangible personal property which is essential or necessary to and which is used in the actual process of and consumed, depleted or dissipated within one year in (1) the production, manufacture, processing, mining, drilling, refining or compounding of tangible personal property, (2) the providing of services, (3) the irrigation of crops, for sale in the regular course of business, or (4) the storage or processing of grain by a public grain warehouse or other grain storage facility, and which is not reusable for such purpose. The following is a listing of tangible personal property, included by way of illustration but not of limitation, which qualifies as property which is consumed:

(A) Insecticides, herbicides, germicides, pesticides, fungicides, fumigants, antibiotics, biologicals, pharmaceuticals, vitamins and chemicals for use in commercial or agricultural production, processing or storage of fruit, vegetables, feeds, seeds, grains, animals or animal products whether fed, injected, applied, combined with or otherwise used;

(B) electricity, gas and water; and

(C) petroleum products, lubricants, chemicals, solvents, reagents and catalysts.

(ee) "Purchase price" applies to the measure subject to use tax and has the same meaning as sales price.

(ff) "Purchaser" means a person to whom a sale of personal property is made or to whom a service is furnished.

(gg) "Quasi-municipal corporation" means any county, township, school district, drainage district or any other governmental subdivision in the state of Kansas having authority to receive or hold moneys or funds.

(hh) "Registered under this agreement" means registration by a seller with the member states under the central registration system provided in article IV of the agreement.

(ii) "Retailer" means a seller regularly engaged in the business of selling, leasing or renting tangible personal property at retail or furnishing electrical energy, gas, water, services or entertainment, and selling only to the user or consumer and not for resale.

(jj) "Retail sale" or "sale at retail" means any sale, lease or rental for any purpose other than for resale, sublease or subrent.

(kk) "Sale" or "sales" means the exchange of tangible personal property, as well as the sale thereof for money, and every transaction, conditional or otherwise, for a consideration, constituting a sale, including the sale or furnishing of electrical energy, gas, water, services or entertainment taxable under the terms of this act and including, except as provided in the following provision, the sale of the use of tangible personal property by way of a lease, license to use or the rental thereof regardless of the method by which the title, possession or right to use the tangible personal property is transferred. The term "sale" or "sales" shall not mean the sale of the use of any tangible personal property used as a dwelling by way of a lease or rental thereof for a term of more than 28 consecutive days.

(11) (1) "Sales or selling price" applies to the measure subject to sales tax and means the total amount of consideration, including cash, credit, property and services, for which personal property or services are sold, leased or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

(A) The seller's cost of the property sold;

(B) the cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller and any other expense of the seller;

(C) charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;

(D) delivery charges;

(E) installation charges; and
 (F) the value of exempt personal property given to the purchaser where taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise.

(2) "Sales or selling price" shall not include:

(A) Discounts, including cash, term or coupons that are not reimbursed by a third party that are allowed by a seller and taken by a purchaser on a sale;

(B) interest, financing and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale or similar document given to the purchaser;

(C) any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale or similar document given to the purchaser;

(D) the amount equal to the allowance given for the trade-in of property, if separately stated on the invoice, billing or similar document given to the purchaser; and

(E) commencing on July 1, 2006, (and ending on June 30, 2009), cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of the original sale.

Delete



(mm) "Seller" means a person making sales, leases or rentals of personal property or services.

(nn) "Service" means those services described in and taxed under the provisions of K.S.A. 79-3603 and amendments thereto.

(oo) "Sourcing rules" means the rules set forth in K.S.A. 2006 Supp. 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and amendments thereto, which shall apply to identify and determine the state and local taxing jurisdiction sales or use taxes to pay, or collect and remit on a particular retail sale.

(pp) "Tangible personal property" means personal property that can be seen, weighed, measured, felt or touched, or that is in any other manner perceptible to the senses. Tangible personal property includes electricity, water, gas, steam and prewritten computer software.

(qq) "Taxpayer" means any person obligated to account to the director for taxes collected under the terms of this act.

(rr) "Tobacco" means cigarettes, cigars, chewing or pipe tobacco or any other item that contains tobacco.

History: L. 1937, ch. 374, § 2; L. 1941, ch. 382, § 1; L. 1947, ch. 463, § 1; L. 1953, ch. 447, § 1; L. 1957, ch. 509, § 1; L. 1960, ch. 58, § 1; L. 1963, ch. 493, § 1; L. 1967, ch. 499, § 1; L. 1968, ch. 383, § 1; L. 1970, ch. 389, § 1; L. 1971, ch. 321, § 1; L. 1977, ch. 337, § 1; L. 1978, ch. 415, § 1; L. 1980, ch. 322, § 1; L. 1981, ch. 389, § 1; L. 1982, ch. 418, § 1; L. 1985, ch. 330, § 1; L. 1988, ch. 386, § 1; L. 1989, ch. 301, § 1; L. 1992, ch. 280, § 58; L. 1994, ch. 2, § 1; L. 1995, ch. 118, § 1; L. 1995, ch. 242, § 2; L. 1998, ch. 130, § 29; L. 1998, ch. 181, § 1; L. 1999, ch. 154, § 1; L. 2000, ch. 140, § 8; L. 2003, ch. 147, § 5; L. 2006, ch. 202, § 1; July 1.

MEMORANDUM

TO: Honorable Barbara Allen, Chairperson
Senate Committee on Assessment and Taxation

FROM: Tony R. Folsom, Deputy Director

DATE: January 30, 2008

RE: Review of New CAMA System (Orion)

Background

Prior to reappraisal that was to occur in 1989, it was recognized that in order for reappraisal to be completed and to result in consistent and uniform and equal valuations, there needed to be a single statewide computer assisted mass appraisal (CAMA) system. In 1985 the Legislature passed K.S.A. 79-1477 which directed the Secretary of Revenue to provide for the development of a statewide CAMA system for the effective and efficient administration of the appraisal, assessment and equalization laws, methods for updating appraisal data on an annual basis and methods for preparation and publishing of annual statistical reports and ratio studies. This statute remains in effect today.

In 1985 the current CAMA system was purchased and statewide implementation was started. The current system has been used to value properties since the 1989 tax year. During that time, our single statewide CAMA system has been the envy of several other state oversight agencies due to a single statewide system is efficient when it comes to training, standardized operating procedures, compliance oversight, providing hands-on assistance and technical support, providing software enhancements and having a statewide database of recognizable property characteristics for research purposes.

However, the current system is based on 1975 technology. In the mid to late 1990's the county appraisers indicated they needed a new updated CAMA system. It was becoming increasingly difficult to find people who were knowledgeable and willing to maintain the current system. Especially in the larger counties, the viability of the current system was becoming questionable.

In 1998 KDOR received approval to begin the process of replacing the statewide CAMA system. A committee of KDOR staff and county users created a Specifications and Design Document, which was attached to the Request for Proposals posted in early 2003. In late 2003 Tyler Technologies, Inc. was selected as the vendor to provide a new statewide CAMA system referred to as Orion. The Orion system is a web-based relational database and runs on SQL server. We worked with Tyler to determine the appropriate operating hardware sizing requirements for small, medium and large counties.

Development and Implementation

In 2004, the Kansas-tailored Orion system was installed in 3 beta counties: Douglas, Johnson and Riley. During 2005 and 2006, the system was installed in the remaining 7 beta counties: Atchison, Osage, Saline, Montgomery, Sedgwick, Grant and Sheridan. As beta counties, they assisted with further development of the Kansas version of Orion and to work out any problems with the system.

In an effort to reduce hardware and ongoing maintenance costs for the state and counties, KDOR in 2007 implemented hosting the Orion environment on a set of centralized servers located in Topeka. Counties utilizing centralized hosting access their data through a web connection. This setup also allows counties access to the Orion system in a pre-production mode so their staff can become familiar with the system prior to converting over to full production. At this time, counties are provided the option of either hosting the system locally on their own servers or utilizing the centralized servers. If a county opts for centralized hosting and then determines during the remaining implementation period that they would rather have their own local servers we purchase the servers for them and install the system locally. Currently, we have 29 counties that are using or will be using centralized hosting in the near future and 13 counties that are hosting the system locally on their own servers.

Costs

The total cost of the project to the state through final implementation in 2010 will be \$6.4 million. Funding for the project comes out of the VIPS/CAMA fund. This amount includes costs for the original Kansas-tailored system requirements, software design and development, licenses, hardware costs for the state and counties, maintenance and support through implementation in all 105 counties by the end of 2010. The hardware costs include purchasing a predetermined number of PC's for each county, and if the county is opting for local hosting, the state purchases the servers and installs them in the county. Also, if a county has opted for centralized hosting and they need to have their Digital Subscriber Line (DSL) access increased in order for the system to work properly, the state is covering this cost when the state is the Internet Service Provider (ISP). After 2010, the state will continue to cover the annual support payments to Tyler Technologies and to the Marshall and Swift company for support of their cost system that has been integrated into the Orion system.

The cost to counties varies depending on whether they have opted for centralized hosting or local hosting and may be broken down into direct and indirect costs related to installing Orion. Direct costs include equipment purchases for county appraiser offices and indirect costs are costs associated with other county offices (clerk, treasurer, register of deeds) interface connections to the Orion system. Another direct cost would be the cost to hire additional staff in the appraiser's office. However, to date, we have not had a county indicate that they have had to add additional staff due to implementation of Orion.

There are no direct costs for counties that opt for **centralized hosting** because the state purchases the servers and hosts them in Topeka and is also purchasing PC's for use in the county appraiser's office. As the centralized servers need replacement, the state will cover the cost. As the PC's in county appraiser offices need replacement, counties will be responsible for the cost. Indirect costs for centralized hosting include Microsoft licensing fees for other county offices (clerk, treasurer, register of deeds) to connect to the Orion system. We estimate this cost to be approximately \$430 per PC that is connected to the system. Also, there will be costs for counties to change their tax interface programs for the systems to interface with Orion. We do not have an estimate of this cost at this time, but we are researching the issue.

The direct costs to counties that opt for **local hosting** will include approximately \$7,140 for racks to mount the servers, switches and cables to connect the servers, and if a county does not already have one, an additional server to be used for tape backups. The county will be responsible for software maintenance and upgrades. We estimate the amount for backup software maintenance to be \$120 per year and \$3,000 to \$4,000 per year budgeted for future hardware replacements and ongoing support and maintenance. Also, the same indirect licensing and tax interface costs for other county office connectivity will apply.

Training and Support

KDOR is providing training for the new system at no cost to counties. Currently, most of the training classes have been held in Topeka. When training classes are held away from a county's location, the county is responsible for covering motel, travel and per diem costs for their employees to attend the classes. However, we are working on holding some of the future training sessions in various locations throughout the state. Also, the PVD staff has become very proficient in using the new system and our field services section is available to provide onsite assistance to counties as Orion is implemented in the counties. As noted above, centralized hosting assists in training by allowing counties access to the Orion system in a pre-production mode so their staff can become familiar with the system prior to converting over to full production.

Concerning support, the PVD CAMA section provides ongoing support and assistance to counties that have Orion installed. A system has been implemented whereby a county appraiser's office contacts the CAMA section by telephone or e-mail and the staff determines whether the problem is something they can provide assistance to the county or whether the problem needs to be ticketed and placed in our bug tracking system that involves the PVD staff, KDOR IS and/or the vendor Tyler Technologies.

Where We Are Today

Atchison and Douglas counties have used the Orion system to produce valuations for the 2007 and 2008 years and ten additional counties are using Orion to produce valuations for 2008. See below:

Using to produce values for 2008 (12 counties):

Orion Local:

Atchison, Douglas, Grant, Johnson, Montgomery, Osage, Saline and Sheridan.

Orion Centrally Hosted:

Kiowa, Marshall, Nemaha and Washington.

Test Mode and may use to produce values for 2009 (33 counties):

Orion local:

Miami, Riley, Sedgwick, Shawnee and Wyandotte.

Orion Centrally Hosted:

Cheyenne, Clay, Cloud, Comanche, Dickinson, Doniphan, Ellsworth, Jefferson, Lincoln, Logan, Mitchell, Norton, Ottawa, Pawnee, Phillips, Pottawatomie, Republic, Rush, Russell, Smith, Stafford, Wabaunsee, Wallace, Wichita.

Anderson, McPherson, Morris and Rice are not set up with Orion, but should be in the near future.

Potential next set of counties (starting in March 2008)(19 counties):

Chase, Crawford, Geary, Gove, Greeley, Hamilton, Haskell, Kearny, Kingman, Labette, Morton, Pratt, Rawlins, Reno, Rooks, Seward, Sherman, Stanton and Stevens.

To: Senate Assessment and Taxation committee
From: Paul A. Welcome, CAE ASA RMA
Subject: Johnson County ORION Software experience
Date: January 30, 2007

One of the main reasons Johnson County chose to be a beta site for the new ORION system was that the current KSCAMA software system (designed in 1980's and implemented in 1989 reappraisal) used a mainframe computer that needs to be retired because of its age and lack of upgrades and expenditures for that hardware. With the County appraiser moving from the older system, the County's Records and Tax Administration's County Clerk tax roll application which is the last remaining software on the mainframe hardware will soon be moving to new software architecture. Both offices could not move from the system at the same time due to county staff resources.

Johnson County's experience with the new ORION product has been challenging and a struggle for the county appraiser and the staff. Some of our issues arise from staff learning a new and complex software system. ORION implementation has been difficult for everyone involved and this past year has been more frustrating and disappointing than I have ever expected or experienced with software implementation. We were naïve in our expectations of software stability. While the product is maturing in some aspects, much remains to be resolved.

When one buys a new car you expect it to run and all the systems to work as advertised. Our experience with Tyler is different as we have found various issues and deficiencies with the system. Our daily experience of having to find issues, report issues, and then for the county to wait for software corrections or enhancements from Tyler Technologies is frustrating and draining for the staff. What is important is the counties that follow the beta counties should theoretically have an easier conversion, better training and a more proven software than the original beta counties. With that being said, the system development has moved slowly forward with the State and beta counties involvement while the vendor attempts to correct coding deficiencies and to make changes necessary for product improvement.

There has been talk about having more than one system for the state. Having been in a state with multiple systems and worked at the state agency level, it would be difficult, if not impossible, for the state agency to understand the different valuation systems. Also, the state agency would have a much more difficult, if not impossible, task assisting county appraiser's and overseeing a local county appraiser's offices if there were more than one valuation system allowed in the state. **If Kansas allowed multiple valuation systems, this would be a huge mistake for the state.**

From an oversight agency, having one valuation system allows the state to train staff, develop materials, and more easily enable counties to develop consistent valuations throughout the state. Also, local appraisal staff could change jobs in various counties and know the valuation software. This is a savings for the local governments in training costs. Also, taxpayers' dollars are used more wisely when the state

has to support one system than if you purchase and pay for the maintenance costs of various systems. The purchase price is one cost but the annual fees are now running from 15 to 20% annually.

What is Johnson County's experience: From a Clint Eastwood film title we have experienced "*The Good, the Bad and the Ugly*".

Some of the positive aspects for Johnson County are: In 1992 the county wrote a new income approach for our county (commercial income valuation system CIVS) and we had a separate system that we have maintained since 1992. We had a bid several years ago to rewrite the system for approximately \$450,000. Now we have been able to configure ORION to mimic our older system. Now the county will not have a separate system that we will have to maintain. We also configured the system to have the income and expense survey information stored inside the system and we will no longer be required to maintain a separate system for this information.

In addition, we had developed many software products outside the older KSCAMA system to help with our work processes. These were developed over 15 years and now we are planning to use the new ORION software to replace those systems. We have contracted for some of these software enhancements to be part of the ORION system versus having to develop other programs. Some of those systems are: building permits import process (20 cities and one county we receive this information), Final Review program (not delivered on time), image management (not delivered on time), and Notice of Appraised Value (not delivered on time) processes. It is difficult to plan and organize resources when the vendor commits to a date and they are late. Also, Johnson County had specific interfaces written between the older OASIS (County Clerk) collection and assessment administration system (a mainframe application and the county's last mainframe software system) and ORION.

The vendor is usually late on promised delivery dates and the product has to be tested multiple times for poor programming. We have spent approximately \$600,000 for enhancements and data conversion to the basic system that the state has bought to help us now and in the future. Generally, the system has design problems for larger counties and those issues have to be resolved in the upcoming year.

Has it been frustrating? Yes and at times we wanted to throw in the towel and quit! However, we are still trying our best to make it work. If Tyler can resolve the deficiencies, and that is the key, then potentially we will have a good system. We will have the state of the art in drawings (APEX used by the fee appraisal industry), image management, and adequate reporting tools will be developed with their next release (Customer Service Reports (CSR) and release 10). For the valuation approaches: the income approach has replaced our custom software and is running well; and the sales comparison will be similar to the older system. However, Tyler must correct some print preparation issues for larger counties. Finally, the cost approach will use *Marshall and Swift valuation services*, a national costing service, used by the appraisal industry and updated annually into our software. Marshall and Swift Corporation has committed to rewrite the costing engine to help with the speed of the costing of parcels and giving the user adequate information about incorrect data issues.

Reporting and noticing issues have to be resolved as we enter those processes. The software needs to catch up with large parcel count counties for the system to be workable valuation software.

One issue I have is the Tyler Corporation commitment for local support as the state continues with the remaining county rollout. Tyler should have a staff person in Topeka as the liaison with Tyler Corporation. In the past, the state had two individuals from Tyler (software design and configuration development for the state). Then the state had one individual dedicated for Douglas County implementation and Johnson County has its own support contract. Now Tyler recently replaced our contact with a new staff person from Tyler and she is based in Plano, Texas. I believe it is important to have a dedicated Tyler resource in Topeka. Also, Tyler needs to have more programmer support to solve our open ORION issues. Johnson County alone has 79 open issues for Tyler to resolve. If Tyler's support falls short of excellent service during the county's and state's implementation process, the system will fail. They need to stabilize the system for the end users.

This software has the potential to be a good valuation system. But it is not there yet. We are not satisfied with the overall product. Tyler must resolve the many outstanding issues and provide the high quality level of support that Kansas needs to make this software work.

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SENATE ASSESSMENT & TAXATION COMMITTEE
1-30-2008

I have been the Osage County Appraiser since 1999. Prior to this, I worked for Property Valuation and the Shawnee County Appraiser's Office. I have been involved with mass appraisal since 1987. I have been involved with the Orion software since the original committee was formed to assist with the selection of the software vendor.

Osage County has 12,500 real estate parcels. We are a bedroom community for Topeka and rely heavily on agriculture. The Appraiser's office has a staff of nine people.

County Appraiser's requested new software to assist them with the task of valuing real estate for ad valorem purposes. Several large counties needed new software so that they could abandon the costly main frame server. All counties needed new software so the cost tables could better reflect the current cost to build. Small jurisdictions were anxious to have new software that allowed multiple years of appraisal information to be stored electronically. On the old software only the current year information was maintained.

Osage County has been a "go live" county since June of 2007. We are no longer maintaining the old software and are updating the Orion system. Currently, we are generating the 2008 values off of the Orion system. We anticipate requesting a 30 day extension for the mailing of valuation notices.

Because we are a Beta county we have experienced numerous problems with the software. We report these problems to Property Valuation on a daily basis. Problems are typically fixed within 24 hours of us reporting them. If the problem requires the developer's attention it is done in a timely fashion or Property Valuation provides a "work around." This "work around" is another method to continue work while the developer has a chance to fix the problem.

When we volunteered to be a Beta county we were well aware that we would be one of the counties to discover the errors and report these issues to Property Valuation. In return for this frustration, Property Valuation has provided additional attention and assistance for Osage County.

Osage County has not completed the appraisal cycle. This will not be complete until we certify 2008 values to the County Clerk in June.

Converting to the new software has been a very difficult task. No additional staff was hired but overtime is expected to be incurred before the valuation notices are sent. The county has had to incur approximately \$25,000 in hard costs to date. I would anticipate an additional \$10,000 in overtime costs.

I am still an avid supporter of the Orion software. The state will have a much better product when the conversion process is over.

Margaret D. Archer
Osage County Appraiser

Assessment & Taxation
Date 1-30-08
Attachment # 4