

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:07 a.m. on March 16, 2010, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Tom Hawk - excused
Representative Jeff King - excused
Representative Julie Menghini - excused
Representative Virgil Peck - excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Marla Morris, Committee Assistant

Conferees appearing before the Committee:

Representative Barbara Craft,
Gayla Shields, Miami County Treasurer
Larry Baer, Kansas League of Municipality (LKM)
Randall Allen, Kansas Association of Counties
Catherine Logan, Lathrop and Gage, City Attorney/Junction City

Others attending:

See attached list.

Introduction of Bills:

Representative Marvin Kleeb moved to introduce a bill that would statutorily require all taxation and economic development legislation undergo a thorough cost and benefit analysis through economic modeling. The motion was seconded by Representative Siegfried. The motion carried.

Representative Kleeb moved to introduce a bill that would allow a school district to have a sales tax authority on a county-wide public vote. The motion was seconded by Representative Siegfried. The motion carried.

Chairman Carlson requested Dave Corbin, Kansas Department of Revenue, to provide the Committee an update on guided hunts and the policy concerning them that have been discussed in the recent years.

Chairman Carlson opened the hearing on:

HB 2695 - Reduced period of redemption for certain vacant land bid off by county for both delinquent taxes and special assessments

Representative Barbara Craft, spoke in support of **HB 2695** and presented background to her request for the bill. The Junction City area responded to a request from Fort Riley to plan for a future increase in military families. Developments were started, homes were built, and bond issues were passed to build new schools and expand a hospital. Deployments in support of the War on Terrorism changed the course and the families did not come. Developers slowed down, then construction stopped completely. Several developers have failed to pay the taxes and special assessments on their properties, causing a significant negative effect on the revenue for Junction City and Geary County. Under the current law, following a tax sale the original property owner has two years in which to redeem his property, prolonging the period of time in which the city and county receive new revenue for their budgets. **HB 2695** would shorten the time period to one year. It is not retroactive, but prospective from the date the bill goes into effect. **HB 2695** would not be specific to the Fort Riley area, but would apply statewide. She stood for questions.

Staff Chris Courtwright, Kansas Legislative Research Department, provided additional information on **HB 2695**. He discussed current statutory references and time lines for various redemptions. He stood for

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on March 16, 2010, in Room 783 of the Docking State Office Building.

questions.

Gayla Shields, Miami County Treasurer testified in support of **HB 2625** with the support of the Kansas County Treasurer's Association. She requested an amendment to change the current legislation (KSA 19-1207) and provides statutory basis for the County Treasurer in each county to collect all taxes levied against the "parent" parcel (the parcel as a whole), up to and including the tax year prior to the first tax year affected by the plat recording, before such a plat can be recorded by the Register of Deeds (Attachment 2). She stood for questions.

Larry Baer and the Kansas League of Municipality (LKM), supports **HB 2695** on a statewide basis. The LKM supports passage of the bill and sees the benefits to local taxing units because:

- 1) The taxes due would be paid in a more timely manner, within one year rather than two;
- or
- 2) The property would be eligible to go to tax foreclosure sale one year earlier—which results in an earlier collection of delinquent taxes plus returning the property to a tax paying status at an earlier date.

Mr. Baer indicated the changes proposed by **HB 2695** would be consistent with the current provisions regarding properties containing abandoned buildings or structures (Attachment 3). He stood for questions.

Randall Allen, Kansas Association of Counties testified in support of **HB 2695** and gave an example of the current process for vacant properties with delinquent property taxes and special assessments (Attachment 4). Mr. Allen and the Kansas Association of Counties support passage of **HB 2695**. He stood for questions.

Catherine Logan, Lathrop and Gage, City Attorney/Junction City presented testimony in support of **HB 2695** on behalf of David L. Yearout, Director of the Junction City/Geary County Planning and Zoning Department (Attachment 5). She stood for questions.

Chairman Carlson closed the hearing on **HB 2695**.

The next meeting is scheduled for March 17, 2010.

The meeting was adjourned at 10:04 a.m.

HOUSE TAXATION COMMITTEE

DATE: March 16, 2010

NAME	REPRESENTING
Randall Allen	KS. Association of Counties
David Yearout	CITY OF JUNCTION CITY
Larry R. Baker	LIKWA
Michelle Britton	Cap. Strategies
Conneis	NARFE
Linda Funk	KACES
Doug Smith	KLPB
Natalie Bright	KSCPA
Larry Hicks	Geary County Commission



TOPEKA

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BARBARA CRAFT

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COMMITTEE ASSIGNMENTS

MEMBER: EDUCATION
VETERANS, MILITARY AND HOMELAND
SECURITY
VISION 2020
GOVERNMENT EFFICIENCY AND
FISCAL OVERSIGHT

I am here today to speak in support of HB 2695.

After the Base Realignment and Closure Commission (BRAC) announced in 2005 that Fort Riley was scheduled to nearly double in size by 2014, there was a flurry of activity in the communities surrounding the installation.

Lieutenant Governor John Moore and Commanding General Dennis Hardy organized a task force made up of area community leaders which met monthly for two years. At each meeting the Army shared the latest information from the Pentagon to help guide planning for the new families expected to move into the area. The Army reported that 55% of the soldiers were married and most of their families would accompany them to Fort Riley. It was stated that about 6,000 new housing units would be required to house families off-post due to a new policy to downsize the number of family units on-post.

Junction City and other communities in the area all stepped up to accommodate the needs of the military families. In Junction City's case, all of the schools on the base are part of the Geary County USD 475 School District. Anticipating a tremendous growth in student enrollment, Junction City taxpayers passed a \$33 million bond issue to build two new schools one year, then a \$32 million bond issue to expand the local hospital the following year. In addition, at the request of the city commission, the legislature gave Junction City the authority to extend the cap on its bonded indebtedness to help pay for new infrastructure.

Unfortunately, the families did not come as predicted, mostly because of the multiple deployments for soldiers to support the War on Terrorism. After the first couple years, the number of new people moving in began to level off. For the next two years there was little activity in the housing market. In the subdivisions that had been developed, many houses and lots stood empty. Developers slowed down, then stopped construction altogether.

Even though developers were not selling a finished product, they still had the obligation to pay the taxes and special assessments on their property. Some did, but several have not. HB 2695 addresses this problem. Vacant lots with unpaid taxes and specials have had a significant negative effect on the revenue for Junction City and Geary County, at a time when tremendous growth in the population has increased the demand for services. Under current law, following a tax sale the original property owner has two years in which to redeem his property, thus prolonging the period of time in which the city and county receive new revenue for their budgets. HB 2695 would shorten the two years to one year. It is not retroactive, but would be prospective from the date it goes into effect. The bill is not specific to the Fort Riley area, but would apply statewide. It would be beneficial to any municipality facing a similar situation.

Thank you for hearing this bill today. With that, I respectfully ask for your support for HB 2695.

House Taxation

Date: 3-16-10Attachment: 1

Gayla Shields, Miami County Treasurer

TESTIMONY

Before the House Taxation Committee

Regarding House Bill No. 2695

March 16, 2010

Representative Carlson, Chairman, and members of the House Taxation Committee, my name is Gayla Shields, Miami County Treasurer. Thank you for the opportunity to come before you today. I am here with the support of the Kansas County Treasurer's Association and am testifying in support of House Bill No. 2695.

This Amendment changes current legislation (K. S. A. 19-1207) and provides statutory basis for the County Treasurer in each county to collect all taxes levied against the "parent" parcel (the parcel as a whole), up to and including the tax year prior to the first tax year affected by the plat recording, before such plat can be recorded by the Register of Deeds.

Current law allows for plats to be recorded without all taxes being paid, depending upon the date presented. Ramifications of the wording in the current law include the potential of an unsuspecting buyer purchasing a real estate parcel with undetected, unpaid taxes. This can occur because the unpaid taxes are levied against the "parent" parcel. After the plat is recorded, the "parent" parcel no longer exists in its original description and subsequent parcel descriptions are not that of the "parent" parcel. Therefore, when a tax status search is conducted on a "child" parcel (one created from the plat), no prior taxes are obvious. Delinquencies, however, follow the parcel or now many parcels. Plat recordings result in one parcel being divided into a minimum of two parcels and in many cases, being divided into many parcels. This very scenario occurred in Miami County in the fall of 2007.

It is my feeling that as elected officials we have a responsibility to do our best to protect the unsuspecting citizens of Kansas. I stand before you and respectfully ask for your support of this bill. Thank you, again, for allowing me this opportunity.

Miami County Treasurer • 201 South Pearl, Suite 103 • Paola, KS 66071

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House Taxation

Date: 3-16-10

Attachment: 2



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Date: March 16, 2010
To: House Committee on Taxation
From: Larry R. Baer
Assistant General Counsel
Re: HB 2695
Testimony in Support

Thank you for allowing me to appear before you today and present testimony in support of HB 2695 on behalf of the League of Kansas Municipalities and its member cities.

HB 2695 proposes to amend current law relating to the redemption period for vacant real property subject to delinquent taxes and special assessments. Current law allows property owners of vacant land up to two years to redeem property that has been bid off by a county for delinquent taxes and special assessments. HB 2695 would allow property owners only one year to pay the county treasurer the amount for which the real estate was sold plus accrued interest, all delinquent taxes and special assessments, and interest which remains unpaid as of the date of redemption. The bill defines vacant land as any lot, parcel, site or tract of land upon which no permanent buildings or structures are located, including land with site improvements and land that is part of a platted subdivision.

The reduction in the length of time for redemption proposed by HB 2695 has the potential to either accelerate the payment date of delinquent taxes due all taxing entities on vacant land or accelerate the date on which a tax foreclosure sale may be held. In either case, local taxing units stand to benefit because:

- The taxes due would be paid in a more timely manner, within one year rather than two; or
- The property would be eligible to go to tax foreclosure sale one year earlier – which results in an earlier collection of delinquent taxes plus returning the property to a tax paying status at an earlier date.

The changes proposed by HB 2695 would be consistent with the current provisions regarding properties containing abandoned buildings or structures. Current K.S.A. 2009 Supp. 79-2401a(a)(2) contains a nearly identical procedure.

For these reasons the League supports HB 2695 and asks that you pass it out favorably. Thank you.

House Taxation
Date: 3-16-10
Attachment: 3



KANSAS
ASSOCIATION OF
COUNTIES

TESTIMONY

concerning House Bill 2695

**re. Redemption Period on Vacant Properties with Delinquent Property Taxes
and Special Assessments**

House Taxation Committee

Presented by Randall Allen, Executive Director

March 16, 2010

Chairman Carlson and members of the committee, I appreciate the opportunity to present testimony on behalf of our Association *in support of* HB 2695, shortening the redemption period for vacant properties with delinquent property taxes and special assessments.

Once the county clerk finalizes the tax roll each year, it is sent to the county treasurer, who prepares and mails the property tax statements to the last known address of the owner. At this time, the taxes due become a lien against the real property upon which the taxes are levied. The taxpayer may pay the tax in one of two ways. First, he or she may pay the full amount due on or before December 20 of the same year (i.e. the tax year). Alternatively, he or she may pay one-half of the taxes on or before December 20 and the remaining one-half on or before May 10 of the following year. (K.S.A. 79-2004).

If the taxes are not paid in full by May 10 of the year after they are levied, the real estate is subject to what is called a "delinquent tax sale" as provided in K.S.A. 79-2301 et seq. The county treasurer prepares a list of properties for which taxes are unpaid. The list is published once for three consecutive weeks in the county's official newspaper, along with a notice that on or after the first Tuesday of September, the property will be "sold" to the county for the amount of delinquent taxes.

On the day of sale that is designated in the delinquent tax notice, the county treasurer "sells" the property for the amount of unpaid taxes, charges such as special assessments, and interest due on the property (K.S.A. 79-2306). At the sale, the county "bids in" for the delinquent amount. No other bid but the county's is entertained. After the real estate is "bid-in" by the county at the delinquent tax sale, the real estate continues to subject to taxation, and the "bid-in" does not affect title (K.S.A. 79-2319).

It is my understanding that if a vacant property with delinquent taxes and special assessments has been "bid-in" through the process I just described, the property is eligible for judicial foreclosure if the taxes remain unpaid two years after the delinquent tax sale. Here is an example under current law:

November, 2009	General property taxes and special assessments levied on property (i.e. 2009 taxes to finance 2010 budgets)
December 15, 2009	Tax statement mailed by county treasurer to property Owner

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House Taxation
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December 20, 2009	1 st half of property taxes due
May 10, 2010	2 nd half of property taxes due; if unpaid, penalties and interest begin on May 11, 2010
September, 2010	If property taxes are unpaid, the property is “bid-in” by the county for the amount of unpaid taxes, charges, and interest due on the property
September, 2012	Property is eligible for judicial foreclosure. The property may be “redeemed” up to the moment of the Sheriff’s tax sale.

Under current law and the example provided, unpaid taxes levied in late 2009 may result in a foreclosure sale in the fall of 2012, almost three years later. This is commonly referred to as a “Sheriff’s sale.” If HB 2695 were enacted into law, for vacant properties as defined on lines 22-25 of page 2 of the bill, the schedule in the example above would be advanced by one year, from September, 2012 to September, 2011.

Delinquent property tax patterns are routinely recognized by budget preparers in determining the amount of taxes levied. The “tax requirement” in each budgeted fund is typically adjusted by some increment in recognition of a projected property tax delinquency rate. This has the effect of increasing the property taxes for property owners who routinely and consistently pay their property taxes on time. As such, delinquent property taxpayers have a real, adverse impact on other property taxpayers, and it is in the best interest of all taxpayers to encourage delinquent taxpayers to “pay up” and settle their account at the county treasurer’s office at the earliest possible date. It is for this reason that we support this bill. For the vast majority of property taxpayers who pay their property taxes on time, this bill is taxpayer friendly.

Mr. Chairman, thank you for agreeing to hear this bill today and allowing us to testify and present our perspective.

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

HOUSE TAXATION COMMITTEE

HB 2695

Tuesday, March 16, 2010

TESTIMONY

of

David L. Yearout, AICP

on behalf of the

City of Junction City, Kansas

Honorable Richard Carlson, Chair, and Members of the House Taxation Committee, thank you for the opportunity to appear before you today in support to HB 2695. My name is David Yearout. I am a Director of the Junction City/Geary County Planning and Zoning Department. I appear before you today on behalf of the City of Junction City, Kansas, and bring regards from the Mayor, City Commission and senior administrative staff of the City of Junction City who could not attend today because of family commitments due to spring break.

HB 2695 amends the statutes regarding time of redemption of properties that are delinquent taxes and specials. Presently, after taxes are determined to be delinquent, they are placed on a listing of properties with delinquent taxes by the County Treasurer and, after publication of that list; those properties are eligible for tax sale after the statutory redemption period of two (2) years. In short, this gives those properties up to three (3) years to make payment before the property can be sold at tax sale. In the interest of reducing the burden on the local property taxpayers, we would like to see that time period reduced from two (2) years to one (1) year for those properties primarily that are delinquent on special assessments and which no construction or other development has occurred.

When a developer petitions a City to finance the infrastructure and other amenities that go into a subdivision, most cities within Kansas are willing to work with them and most follow the minimum requirements under Kansas statutes. Cities finance the infrastructure and other amenities by issuing temporary note for up to four (4) years before they have to do permanent bonding is issued for the project. At the end of those four (4) years when permanent financing is in place, special assessments are levied against the lots and the City relies on the payment of those special assessments or special tax payments to make the bond payments. When that tax payment is not made

the payment on the bond is still due. As such, the City must make those payments. This places a significant burden on the local taxpayers when developers “walk away” from their tax obligations.

For example, for the years of 2007 and 2008 the City of Junction City has \$1,418,242.00 in back taxes and specials that are delinquent in developments that were funded under the Benefit District laws. That breaks down as \$838,712.92 in property taxes and \$579,529.08 in specials. That impacts Junction City by approximately three and one-half (3 ½) mils to cover that shortfall on bond payments due to the specials and approximately five (5) mils to cover the shortfall in the operating budget for the balance of city operations covered by property taxes. And that burden falls on all other local taxpayers who pay their taxes to the tune of approximately eight and one-half (8 ½) mils. It is that inequity we wish to correct as much as possible.

Further, under current law, we cannot take steps to collect the delinquent special assessments levied to pay those bonds until the full two (2) years of redemption following delinquency has elapsed. We believe reducing the redemption period to one (1) year so the cities taxes and special assessments can be recovered from the tax sale sooner is the best solution available to minimize the impact on the taxpayers. Our interest is reducing the burden on the local taxpayers as much as possible.

As stated in HB 2695, vacant land means any lot, parcel, site or tract of land upon which no permanent buildings or structures are located, including land with or benefited by site improvements and land that is part of a platted subdivision. We believe this language is clear enough to not affect anyone that has a home or business located in these areas. Our desire is to target only those properties that were financed

in good faith by the City for the developers who are now abusing the goodwill of the City and local taxpayers by not paying their taxes and specials. We believe this would benefit not only the City of Junction City, but all cities in Kansas that have had developers come to their communities and not keep their part of the bargain in keeping their taxes paid. We know of one Sedgwick County community severely affected by the same condition we are burdened with.

We would encourage that HB 2695 be approved by this committee and sent forward for action by the Legislature this session. Again thank you for your time in addressing this very important issue. I am happy to stand for any questions.