

Division of Property Valuation
300 SW 29th Street
PO Box 3506
Topeka KS 66601-3506



Phone: 785-296-2365
Fax: 785-296-2320
www.ksrevenue.org
Laura Kelly, Governor

Mark Burghart, Secretary

To: House Committee on Taxation
From: David Harper, Kansas Division of Property Valuation
Date: March 19, 2024
RE: SCR 1611

Thank you, Chairman Smith and Committee members, for the opportunity to provide comments on Senate Concurrent Resolution No. 1611.

SCR 1611 would allow for submission to the qualified electors of the state for their approval or rejection of amendments to Section 1 of article 11 of the Kansas Constitution, limiting annual real property valuation increases to 4% per year, except under certain circumstances as defined in the resolution.

Overview and Administrative Impact

- A value increase limit will add overall consistency to value increases for individual parcels, and increased predictability in values used for property tax driven revenues and budgets, during periods of rapidly appreciating property values.
- Value caps or assessment caps lead to inequities and increased regressivity in the property tax as the same growth limit is applied to high and low growth properties. For high growth properties that fall under the cap, the assessments are artificially lowered relative to prices.
- The value limit applies to all real property. This will provide unique challenges for the state assessed public utilities and railroads.

K.S.A. 79-5a04 states in part “The director of property valuation shall annually determine the fair market value of public utility property, both real and personal, tangible and intangible and shall, where practicable, determine the unit valuation, allocated to Kansas.”

The unit valuation method captures all value, not just real property. The determined market value is allocated to both real, personal, tangible and intangible property and further allocated to Kansas market value.

For railroads, PVD must comply with the Railroad Revitalization and Regulatory Reform Act (4-R Act). The 4-R Act makes it unlawful for a state or political subdivision to assess railroad property at a value which bears a higher ratio than other commercial and industrial property bears to fair market value. Stated simply, this means that when a state assesses commercial

and industrial property below fair market value, railroad property values must be lowered to that same value level.

- Exceptions to the valuation limit in SCR 1611

(1) *The property includes new construction or improvements have been made to the property...*

K.S.A. 79-1460 currently defines "new construction" *as the construction of any new structure or improvements or the remodeling or renovation of any existing structures or improvements on real property.* This statute also provides the valuation for all real property shall not be increased solely as the result of normal repair, replacement or maintenance of existing structures, equipment or improvements on the property.

Consistency in the definition of new construction will be needed. Undefined terms such as "normal" bring challenges when administering the law.

(2) *The class or subclass of the property changes for assessment rate purposes*

(3) *The property becomes disqualified from exemption*

There are existing mixed-use parcels with exemptions applied to a portion of the parcel.

(4) *The property is first listed as escaped or omitted property*

K.S.A. 79-1475 provides *whenever the county appraiser discovers that any real property subject to taxation has been omitted from the tax rolls, such property shall immediately be listed and valued by the appraiser, and returned to the county clerk.*

(5) *The legal description of the land, lot or parcel changes except that the total valuation of all property affected by a legal description change shall not exceed the total valuation of the affected property for the previous year by more than 4%*

(6) *Title to the property is transferred, changed or conveyed to another person.*

The legislature may define new construction or improvements by law and enact such other legislation as is necessary to administer this provision.

