

Nick Jordan, Secretary
David N. Harper, Acting Director

Sam Brownback, Governor

HOUSE Bill No. 2264 – Mineral Rights

January 18, 2012

Pursuant to K.S.A. 79-420 it is the duty of:

1. The county appraiser to determine the market value, if any, of any the mineral interest when the right or title to the mineral interest is separate from the title of the land.
2. The register of deed to furnish the county clerk a description of all separate mineral interest, when they are a matter of record.
3. The county to separately tax the respective owners of the land and the mineral rights.

79-420. Surface and mineral rights taxed separately, when; duties of register of deeds, county clerk and county appraiser. Whenever the fee to the surface of any tract, parcel or lot of land is in any person or persons, natural or artificial, and the right or title to any minerals therein is in another or in others, such mineral interest shall be listed and the market value, if any, determined separately from the fee of such land, in separate entries and descriptions. Such land and such mineral interest shall be separately taxed to the owners thereof respectively. In determining the market value, if any, of any such mineral interest, the appraiser shall consider every proper factor, including but not limited to, the size of the particular mineral interest, the fractional share of such interest and the number of fractional shares in existence for such interest. The register of deeds shall furnish to the county clerk where such mineral interest exists and are a matter of record, a certified description of all such interest. When such reserves or leases are not recorded within 90 days after execution, they shall become void if not listed for taxation.

History: L. 1911, ch. 316, § 20; R.S. 1923, 79-420; L. 1959, ch. 365, § 10; L. 1982, ch. 391, § 29; July 1.

For the 2010 tax year, 61 Kansas counties tracked the mineral interests rights titled separately from the land, however only 42 counties appraised the mineral rights. The total assessed value of severed minerals in 2010 was reported at \$9,814,982. For 2011, the Division of Property Valuation is aware of only one county (Comanche) which applied a significant different value for severed mineral's from 2010 to 2011.

Statewide, appraisal procedures vary widely. For the 42 counties appraising separated mineral rights, values range from \$1.00 to \$200.00 per acre. Some have updated values in the past two years but many simply apply a per acre value which has been in place for years.

Severed minerals are subclassed as "all other urban and rural real property" and assessed at 30% of their appraised value. A direct sales approach would be the desirable method in appraising severed minerals. However, there are several problems a county may face in appraising, assessing and taxing the mineral right owners.

1. K.S.A. 79-1437e states that real estate sales validation questionnaire required by this act shall not apply to transfers of title transfers of severed mineral interests.
2. There is not a uniform method in place of identifying, listing and appraising severed mineral rights. While the issue may center on oil and gas rights, separated mineral rights may also include coal, salt, gold and any other minerals defined by law.
3. Not all counties have up-to-date files on the record of ownership of severed mineral rights. Fractional interests created by the division of mineral rights may result into a hundred or more owners of the separated interests. Counties have reported many would have to contract with abstractors to create an accurate list of mineral right owners, and many have stated this would be a monumental task.
4. Typically, mineral rights are associated with rural agricultural land. Agricultural land is not appraised at market value in Kansas. Thus, unsevered subsurface mineral rights are not assessed or taxed. This is the core of PVD's request for an Attorney General opinion on the constitutionality of K.S.A. 79-420, (see attached memorandum for William Waters, Division Attorney).

noitsxft 02u04

:6150

DIVISION OF PROPERTY VALUATION

DOCKING STATE OFFICE BUILDING, 915 SW HARRISON ST., TOPEKA, KS 66612-1588

Voice 785-296-2365 Fax 785-296-2320 <http://www.ksrevenue.org/>

2010 and 2011 Severed Mineral Value by County

County	2010 Severed Minerals*	2011 Severed Minerals*
Barber	333,737	352,389
Bourbon	25,407	50,682
Comanche	638,460	6,721,377
Crawford	158,289	157,929
Decatur	232,339	234,451
Dickinson	1,650	0
Doniphan	1,893	1,867
Edwards	79,662	79,887
Geary	4,330	4,330
Gove	152,388	155,503
Grant	742,227	721,674
Greeley	580,919	592,742
Hamilton	646,209	675,384
Jewell	3,177	3,630
Kiowa	214,654	213,211
Lane	630,242	631,513
Leavenworth	11,313	11,229
Logan	130,769	131,864
Marion	28,181	29,961
Marshall	58,409	58,604
Meade	365,403	373,215
Nemaha	32,289	32,420
Neosho	24,089	0
Osage	69,135	68,754
Phillips	45,610	49,603
Pratt	40,616	40,127
Rawlins	135,447	137,842
Republic	12,705	13,435
Rooks	1,106,765	1,082,393
Scott	122,230	134,032
Shawnee	4,647	0
Sheridan	143,635	143,938
Sherman	221,576	225,835
Stanton	188,150	195,596
Stevens	1,481,957	1,507,151
Thomas	161,561	198,663
Wabaunsee	15,969	15,834
Wallace	283,780	276,375
Wichita	229,870	228,993
Wilson	450,961	516,737
Woodson	29,739	29,739
Grand Total	9,840,389	16,098,909

2010 Tax Year	Assessed \$	%
Oil and Gas Property Assessment	\$1,879,747,970	99.5%
Severed Minerals Assessment	\$9,840,389	0.52%
TOTAL	\$1,889,588,359	

House Taxation
 Date: 1/18/2012
 Attachment: _____

*Johnson County reported severed minerals in the personal property file.

Below are the amounts reported.

2010	2,011
24,289	15,834

national center
for
education
statistics