JOHNSON COUNTY APPRAISER'S OFFICE

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To: **House taxation Committee**

From: **Paul A. Welcome, Johnson County Appraiser, FRICS, CAE, RMA**

Subj: **HB 2285 – OPPOSED**

Date: **February 19, 2013**

Johnson County and the County Appraiser oppose HB 2285 for the following reasons:

1. The bill will **significantly change** the test as to when as to when personal property becomes a fixture to real estate that has been long standing in Kansas. The fixture concept dates back to the English common law. It is a three prong test as follows:
   a. Annexation to the realty;
   b. Adaptation the realty; and
   c. Intent of the owner.

   The bill will change a long standing principle meant to benefit a small group of property owners; but in reality will have far reaching and financially detrimental effect to local units of government. If this bill is passed, the county will incur significant litigation cost that will be borne by the county's general funds to litigate the "new" concept of when a fixture now remains fictitious personal property.

2. The effective date of the bill is January 1, 2013. The valuation cycle for 2013 by the counties has already been completed. The Notices of Value required by K.S.A. 79-1460 will have been printed if not already mailed before the bill becomes law. Implementation should be delayed for the valuation date of January 1, 2014.
3. The intent of the legislation is to aid manufacturing and processing facilities and not to remove fixtures that are integral to a typical commercial structure such as a warehouse, office building or retail store, but is so broad that the County anticipates much litigation of over items likely not considered such as canopy coverings over the gas station pumps or the pneumatic tubes at drive up bank facilities.
4. The PVD has estimated a 32% loss in revenue from the railroad properties because of the tracks will be considered personal property. For Johnson County, that is approximately a $1,000,000 loss in revenue for the taxing jurisdictions. For the state, it would be approximately $16,000,000 to 17,000,000 in revenue.
5. The overall 2011 assessed real commercial/industrial value is $6,995,545,114 (23% of total assessed value) and commercial/industrial personal property is 858,837,695 (2.82% of total assessed value), total = 7,854,382,809 of all the commercial /industrial. If we realize that the value will be shifted from the real commercial industrial property to the commercial industrial personal property due to the change in the definition of fixtures, this value will be reduced. A quick estimate would be a change in the value of approximately $416,250,000 in assessed value will be loss in the state. This represents about 5 to 6% reduction in the statewide Commercial Industrial valuation for the state.

6. When the Commercial industrial Machinery equipment (CIME) bill was passed to exempt all CIME purchased after July 1, 2006, the sponsors behind this bill did not assert exempt status of the vary items it now wants identified as “personal” property
7. The bill will result in a tax shift to residential, vacant land and agricultural properties.
8. If this bill passes and we have a following legislation to exempt those personal property items purchased prior to July 1, 2006, these facilities would be exempt from taxation.