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MEMORANDUM

To: House Committee on Taxation
From: Scott Wells, Senior Assistant Revisor
Date: March 6, 2016
Subject: House Bill 2714

House Bill 2714 makes a number of changes to property tax valuation and appeals statutes. The following bill explainer attempts to categorize the provisions and provide a section by section description of the changes being made.

Clarification of jurisdictional rules

Sections 2 and 6 of House Bill 2714 contain provisions concerning jurisdictional rules of appeals from the board of tax appeals to the district court or the court of appeals. Appeals from the board shall be to the court of appeals unless an appeal to the district court is specifically requested by the taxpayer. Appeals to the district court by a taxpayer shall result in a trial de novo where an evidentiary hearing is held to determine issues of law and fact anew. District court review shall be conducted by the court of the county where all or a portion of the property is located. Notice of an appeal to district court shall be supplied to all parties as well as the board and the board's jurisdiction shall terminate at such time, notwithstanding any remaining request for a full and complete opinion on the subject. Any party may request review by the court of appeals. For such an appeal, the board's order is final only after the issuance of a full and complete opinion.

These provisions are identical to those found in House Bill 2472, which was heard by the House Taxation committee on February 9, 2016.

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Procedure before the board of tax appeals

Section 3 requires that valuation appeals before the board of tax appeals not be decided upon whether mass appraisal of the property was done correctly, but upon a determination of the fair market value of the fee simple of the property.

Section 4 requires the board to award judgment to the taxpayer in cases where the director of property valuation has developed and adopted specific methodologies to value particular types of property and the appraiser cannot demonstrate compliance with such methodologies.

Section 5 requires that for any property valuation appeal before the board in which a filing fee has been charged to the taxpayer that an equal filing fee be charged to the county where the subject property is located.

Section 16 requires the board to take into account evidence provided by the taxpayer which relates to deferred maintenance, re-tenant reserves and tenant improvement depreciation for the property. In an appeal relating to the reclassification of property originally classified as land devoted to agricultural use, the taxpayer's classification is presumed to be valid and correct if the taxpayer is able to provide an executed lease agreement demonstrating a commitment to use the property for agricultural use.

Valuation of property

Section 1 provides for a biennial valuation system. Beginning January 1, 2017, the value of a property on January 1 of the first year of the biennium shall carry be utilized for ad valorem tax purposes for each year during the applicable biennium. Any increase or reduction in valuation shall apply to the year of such change in valuation as well as to remainder of the applicable biennium.

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Section 7 prohibits the use of any change in a property occurring after January 1 from being used to value the property as of January 1 of such year.

Section 8 requires that upon application, the county appraiser shall apportion the assessed valuation of a tract of land which has been divided into several tracts owned by different persons. The valuation of the tracts shall be apportioned based upon the value of the respective interests of the property owners.

Section 9 requires that each parcel of property must be appraised individually at its fair market value in money and that the county appraiser shall not consider the parcel as an economic unit with adjoining property in order to determine its value.

Section 10 removes language related to mass appraisal and would require that the appraisal process utilized in determining valuation conform to generally accepted appraisal procedures consistent with the definition of fair market value.

Section 11 removes language from the definition of "written appraisal" which would allow for appraisals produced by the computer assisted mass appraisal system approved by the director of property valuation.

Section 15 amends the definition of land devoted to agricultural use to remove the exception of certain types of land from being included within the definition. Additionally, new language would require that when a parcel has land devoted to agricultural use and land used for other stated purposes, the county appraiser is to determine the amount of the parcel used for agricultural purposes and assess it as land used for agricultural purposes. The remainder of the parcel shall be valued and assessed according to its use.

Duties of appraisers

Section 12 prohibits the county appraiser or the county appraiser's designee from requesting certain information from taxpayers. This includes any appraisal conducted for the

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purpose of obtaining mortgage financing, any fee appraisal that was conducted more than 12 months from the date of the taxpayer's complaint or appeal, documents detailing individual lease agreements, and architectural drawings. The appraiser would not be prohibited from requesting a certified rent roll from the taxpayer.

Sections 13 and 16 require the appraiser to prepare and deliver to the taxpayer a written narrative and summary of the reasons the valuation of the property has been increased over the previous year prior to the informal meeting stage of an appeal. The summary shall include any assumptions used by the county to determine the subject property's value. At the informal meeting, the appraiser is to take into account evidence provided by the taxpayer which relates to deferred maintenance, re-tenant reserves and tenant improvement depreciation for the property. In an appeal relating to the reclassification of property originally classified as land devoted to agricultural use, the taxpayer's classification is presumed to be valid and correct if the taxpayer is able to provide an executed lease agreement demonstrating a commitment to use the property for agricultural use.

Section 14 requires the county appraiser to follow methodologies to value specific types of property when such methodologies have been adopted by the director of property valuation.