

House Committee on Taxation

In Support of House Bill 2714- Property Tax Valuation Process

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Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. On behalf of the Kansas Chamber and NFIB, we appreciate the opportunity to testify in support of House Bill 2714 which offers significant protection for taxpayers during the property tax valuation process. While this bill has many proposed changes, we would like to highlight a few of them below.

In 2014, this legislature passed Senate Bill 231 which reformed the board of tax appeals (BOTA). Included in that bill was a provision which prohibited the county from raising the taxpayer's assessed valuation for a period of two years unless substantial and compelling reasons existed for the increase. Just two weeks ago, the Kansas Supreme Court ruled this to be unconstitutional as it violated the Kansas constitution which calls for "uniform and equal basis of valuation." This language was added to SB 231 to prevent local governments from coming back the year after a taxpayer was successful in the appeal of their assessed valuation and spiking property taxes to bring in their desired amount of revenue.

Justice Stegall stated in his dissent "this law does not grant anyone a straightforward tax benefit via a discount factor applied to his or her tax liability. Rather, it is a remedial measure designed to incentivize valuation reform across the property tax valuation system as a whole in order to arrive at a closer adherence to the legislature's mandate to value all property at its fair market value using statutory factors and methods."

As a response to the lawsuit recently decided by the Court, HB 2714 proposes to change the property tax valuation process from an annual appraisal to a two-year appraisal process, making sure all property will be treated equally over a two-year period. This change to a two-year appraisal process offers stability and predictability not only for the taxpayer but also for local units of government.

Justice Stegall's quote above highlight's the legislature's effort to value property according to its fair market value. Unfortunately, county appraisers are taking a mass appraisal approach instead of an individual appraisal for each property. HB 2714 makes several changes to address this issue such as clarifying that BOTA must establish a valuation for a property based on fair market value (Section 3), requiring the county appraiser must prepare a written appraisal of the fair market value in a property tax appeal (Section 11), and requiring county appraisers to use a "line item" approach to establishing a valuation for individual properties (Section 13).



The Kansas Chamber is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas. The NFIB is the state's leading small business advocacy organization representing the consensus views of over 4,200 small business owners across Kansas.

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Earlier this session, this committee heard testimony on House Bill 2472 clarifying the "*de novo*" trial provisions from the 2014 BOTA reform bill. The contents from HB 2472 are also included in this bill. If you recall from our testimony on HB 2472, we stated that there have been several instances where the district court has viewed *de novo* to mean reviewing the record of the case, not granting a full hearing as intended in 2014. This language ensures a taxpayer who elects to appeal their property valuation decision from BOTA to the district court has the opportunity to receive a full, new hearing and present new evidence so they are better positioned to overturn an unfavorable ruling from BOTA on the property's valuation.

While there are several other components to HB 2714, these are a few that we wanted to highlight to the committee today. I appreciate the opportunity to testify in support of HB 2714 on behalf of our organizations and would be happy to answer questions at the appropriate time.