

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on March 8, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Tony Folsom, Board of Tax Appeals
Representative Larry Campbell
Matt Goddard, Heartland Community Bankers Association
Marilyn Nichols, Kansas Register of Deeds Association

Others attending: See attached list.

HB 2620–Property taxation; concerning property valuation appeals procedures

Senator Langworthy called attention to written testimony in support of **HB 2620** by Representative Tom Sloan, who introduced the bill. Representative Sloan was unable to testify because the House was in session. He states in his written testimony that the bill was introduced to address concerns expressed by taxpayers who appealed their property valuations and lost but did not understand how the information presented by the appraiser outweighed the information they provided. The taxpayers complained that they were provided little explanation for the decision. Representative Sloan notes that, without an adequate explanation for the hearing officer’s decision, taxpayers are left without a tangible basis on which to decide whether to appeal further or to accept the logic of the hearing officer’s decision. (Attachment 1)

Chris Courtwright, Legislative Research Department, briefed the Committee on the provisions of **HB 2620**. He explained that the bill would amend the property tax valuation appeals and payment-under-protest procedures to require that decisions of the new Small Claims Division of the State Board of Tax Appeals (SBOTA) be accompanied by “a written explanation of the reasoning” upon which the decisions are based. A similar requirement would be added to K.S.A. 1999 Supp. 79-1606 relative to decisions made by county-appointed hearing officers. Under a House floor amendment, the written explanation requirement also would apply to determinations made by county appraisers after the informal first step in the appeals process under K.S.A. 1999 Supp 79-1448.

Mr. Courtwright explained that the original fiscal note, which was based upon different wording relating to “Findings of fact and law,” indicated that additional expenditures could be as high as \$250,000 because it would involve additional costs for the use of legal staff. However, when the bill left the House, Tony Folsom, Executive Director for SBOTA, agreed that the fiscal note would be substantially less with the change to “a written explanation of the reasoning.” In this regard, Mr. Courtwright called attention to copies of a new fiscal note prepared by Mr. Folsom which indicates that the fiscal note is now \$17,500 for added administrative costs that SBOTA would incur in providing the written explanations to accompany the findings of the Small Claims Division. (Attachment 2)

Senator Langworthy asked Mr. Fulsom if there is a need for the bill. Mr. Fulsom responded that SBOTA has no statement on whether the bill should be adopted or not and that he believes it is a policy determination to be made by the Legislature. He went on to explain that **HB 2620**, as amended, would not require hearing officers in the Small Claims Division to do much more than the Board is currently requiring them to do. He also noted that, since the hearing officers for the Small Claims Division are not employees of the Board but are contractual employees, the Board has little control over their decisions. He agreed with Senator

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Langworthy that this type of legislation would give the Board more leverage. Senator Langworthy asked whether the requirement for written explanations could be included in the contract with the hearing officers. Mr. Folsom responded that the requirement could be included in the contract; however, the Board has concerns that more control over hearing officers would result in the officers being perceived as employees of the Board rather than as contractual employees.

HB 2621—Property tax; concerning notification of county treasurers of real estate

Senator Langworthy noted that **HB 2621** was jointly introduced by Representatives Tom Sloan and Troy Findley. She called attention to written testimony in support of the bill by both representatives. Their written testimony explains that some mortgage institutions (generally not Kansas based) do not notify the Register of Deeds in a timely manner that a mortgage is paid off. Some mortgage institutions frequently do not include the form specifying to whom tax notices should be sent. The result is that each year hundreds of Kansas homeowners do not pay their property taxes because they were not sent the “tax due” notice. The bill as amended by the House Committee of the Whole places the mortgage satisfaction notification requirement upon registers of deeds instead of mortgagees. (Attachments 3 and 4)

Representative Larry Campbell testified in support of **HB 2621**. He explained that proponents requested the bill because in rare cases a mortgage is released, but the county treasurer is not notified in time to send the tax statement to the proper place. As introduced, the bill simply stated that the mortgagee must notify the county treasurer. Representative Campbell carried three amendments on the House floor which were supported by the sponsors of the bill. He explained that the final amendment would require registers of deeds under certain circumstances to notify county treasurers within 30 days when certain real estate mortgage obligations have been recorded as satisfied. This will ensure that the treasurer can timely send the tax bill to the proper place. The requirement would apply only when mortgagees are serving as escrow agents for property tax payment purposes. He noted that pursuant to K.S.A. 58-2309a registers of deeds currently are required to provide mortgage satisfaction information to county clerks. (Attachment 5)

Representative Campbell confirmed that the final amendment he offered made his two other amendments moot; therefore, they should be removed from the bill. Staff explained that lines 35 through 40 on page two of the bill need to be removed.

Matt Goddard, Heartland Community Bankers Association, testified in support of **HB 2621** and on behalf of Representative Sloan. Mr. Goddard stated that the problem the bill addresses does not occur with regard to Kansas financial institutions but rather with regard to out-of-state loan service companies who are unresponsive to their customers once their mortgage is released. He has heard accounts of the escrow company simply ignoring or discarding tax statements of former escrow customers. He believes the bill is needed to address the occasional break down in communication in a county courthouse which occurs in the present system. (Attachment 6)

Marilyn Nichols, Shawnee County Register of Deeds, testified on behalf of the Kansas Register of Deeds Association. She pointed out that registers of deeds are currently obligated to notify the county clerk upon recording of a satisfaction of mortgage when the mortgagee has been acting as escrow agent for tax purposes. The register of deeds is furnished with any address change for the tax statement along the statement of satisfaction of the mortgage from the mortgagee. Ms. Nichols noted that the county clerk currently has the responsibility of maintaining the tax roll address; therefore, she does not understand the reasoning behind the proposed change in procedure. (Attachment 7)

Ms. Nichols informed the Committee that the current system works in Shawnee County and that she has had no problem with communication with the county clerk’s office or the treasurer’s office. She simply forwards the information she receives on to the clerk’s office. She noted that in Shawnee County the treasurer’s office does not have the responsibility to be the keeper of the records for the tax roll. She believes the bill would result in a duplication of effort. If the bill is passed, she feels that perhaps her office will need an additional staff member to look up tax roll addresses.

In response to Committee questions, staff confirmed that the county clerk in every Kansas county keeps the

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tax rolls and delivers them to the treasurer's office for the preparation of tax statements. Therefore, the Committee questioned the need for the bill.

The hearings on **HB 2620** and **HB 2621** were closed, and the meeting was adjourned at 11:35 a.m.

The next meeting is scheduled for March 9, 2000.