

Senate Assessment and Taxation Committee

Testimony of David Harper: Senate Bill 297

Division of Property Valuation

February 18, 2020

The Division of Property Valuation (PVD) of the Kansas Department of Revenue (KDOR) supports Senate Bill 297 and offer a brief overview of the Uniform Standards of Professional Appraisal Practice (“USPAP”), as they pertain to PVD and the Kansas county appraisers.

General recognition of USPAP as the standard for ad valorem property tax appraisals in Kansas is clarified with the language of Senate Bill 297.

In 1992, the legislature passed K.S.A. 79-505, which required appraisals be performed in accordance with generally accepted appraisal standards promulgated by the appraisal foundation which were in effect on March 1, 1992. In 2014, the legislature amended K.S.A. 79-505, removing the reference to the 1992 USPAP. Currently, USPAP is updated every two years by The Appraisal Foundation, (TAF), and since 2014, PVD has issued an appraisal directive every two years requiring compliance with the current edition of USPAP specified in directive.

In recent years, I have had the opportunities to chair the International Association of Assessing Officers, (IAAO), USPAP Committee, and to serve on a committee for The Appraisal Foundation, working with their Appraisal Standards Board in updating USPAP, and USPAP education for mass appraisal. These experiences have helped highlight for me the importance of USPAP in our appraisal profession and led in part to PVD’s implementation of procedures placing a high level of emphasis on USPAP compliance.

Five basic rules are included in USPAP.

ETHICS RULE – The emphasis is to promote public trust by observing the highest standards of professional ethics. An appraiser must perform assignments with impartiality, objectivity and independence, and without accommodation of personal interests.

RECORD KEEPING RULE – The work file must contain data, information and documentation necessary to support the appraiser’s opinions and conclusions. Documentation of values for each parcel has been a point of emphasis in recent years in our compliance reviews of the county appraisers.

COMPETENCY RULE – An appraiser must be competent to perform the appraisal, acquire the necessary competency to perform the assignment, or disclose the lack of knowledge

and/or experience. Compliance with the competency rule does at times result in the need for counties to contract with third-party appraisals to complete specialized appraisal assignments.

SCOPE OF WORK RULE – Kansas is in the minority of states requiring a full scope of work in their property tax appraisals. County appraisers do complete a scope of work each year, documenting the appraisal plans for the upcoming appraisal year, and identifying properties they are aware of that will not be appraised through the mass appraisal process.

JURISDICTIONAL EXCEPTION RULE – This is key for ad valorem property tax appraisals. Applicable laws and regulations trump all standards. Appraisal directives offered by the director of PVD must follow applicable state laws.

The primary examples of jurisdictional exceptions in Kansas include the valuation of land devoted to agriculture use, and statutory requirements to begin valuations with compliance of prescribed PVD Valuation Guides, such as the Oil and Gas and Personal Property Guides.

USPAP also includes ten appraisal standards

- STANDARD 1 – Real property appraisal, Development
- STANDARD 2 – Real property appraisal, Reporting
- STANDARD 3 – Appraisal review, Development
- STANDARD 4 – Appraisal review, Reporting
- STANDARD 5 – Mass appraisal, Development
- STANDARD 6 – Mass appraisal, Reporting
- STANDARD 7 – Personal property appraisal, Development
- STANDARD 8 – Personal property appraisal, Reporting
- STANDARD 9 – Business appraisal review, Development
- STANDARD 10 – Business appraisal review, Reporting

Single property appraisals are commonly referred to as Standard 1 and 2 appraisals. Mass appraisal Standard 6 was divided in the 2018-2019 USPAP edition to separate reporting and development standards to create greater consistency among the standards. The primary differences between Standards 1/2 and 5/6 involve the requirements for the development and testing of calibrated models utilized in the mass appraisal process.