

## SENATE BILL No. 301

By Senators Hilderbrand, Olson, Petersen, Pyle, Rucker and Wilborn

1-23

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1 AN ACT concerning property taxation; relating to the valuation of  
2 property; providing for a triennial valuation; amending K.S.A. 79-5a04,  
3 79-1412a, 79-1455 and 79-1476 and repealing the existing sections.  
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 New Section 1. (a) Notwithstanding any other provisions of law to  
7 the contrary and except as otherwise provided by subsection (b), the  
8 valuation established for property for utilization as the basis for ad  
9 valorem property taxation in the first year of a triennium, the first of which  
10 shall commence on January 1, 2021, shall be utilized for ad valorem  
11 property taxation purposes for each taxable year during the applicable  
12 triennium.

13 (b) (1) For any improvement to existing property or any other  
14 property for which a valuation has not been established for utilization as  
15 the basis for ad valorem property taxation as of January 1 of the first year  
16 of a triennium, there shall be established a valuation or increased valuation  
17 for such property that shall be utilized for ad valorem property taxation for  
18 the remaining portion of the applicable triennium.

19 (2) In the event a valuation of property is reduced pursuant to law  
20 during a triennium, such reduced valuation shall be utilized for ad valorem  
21 property taxation purposes for the taxable year under appeal and any  
22 remaining portion of the applicable triennium.

23 (c) The provisions of this section shall not be construed to conflict  
24 with any other provision of law relating to the appraisal of property for ad  
25 valorem property taxation purposes or the associated appeals process.

26 (d) The provisions of this section do not apply to motor vehicles  
27 valued and taxed under the provisions of article 51 of chapter 79 of the  
28 Kansas Statutes Annotated, and amendments thereto.

29 (e) The provisions of this section shall be applicable to all taxable  
30 years commencing after December 31, 2020.

31 Sec. 2. K.S.A. 79-5a04 is hereby amended to read as follows: 79-  
32 5a04. *For taxable years commencing prior to January 1, 2021*, the director  
33 of property valuation shall annually determine the fair market value of  
34 public utility property, both real and personal, tangible and intangible, of  
35 every public utility as defined in ~~subsection (a)~~ of K.S.A. 79-5a01(a), and  
36 amendments thereto. *For all taxable years commencing after December*

1 31, 2020, the director of property valuation shall determine the fair  
2 market value of public utility property, both real and personal, tangible  
3 and intangible, of every public utility as defined in K.S.A. 79-5a01(a), and  
4 amendments thereto, as of January 1 of the first year of the applicable  
5 triennium, and such value shall be utilized for each taxable year during  
6 the applicable triennium. For any improvement to existing property or any  
7 other property for which a valuation has not been established as of  
8 January 1 of the first year of a triennium, such property shall be listed as  
9 of January 1 of the remaining taxable years of such triennium and valued  
10 as though it had existed as of January 1 of the first year of the applicable  
11 triennium.

12 As used in this section, "fair market value" means the amount in terms  
13 of money that a well informed buyer is justified in paying and a well  
14 informed seller is justified in accepting for property in an open and  
15 competitive market, assuming that the parties are acting without undue  
16 compulsion. For the purposes of this definition, it shall be assumed that  
17 consummation of a sale occurs as of January 1.

18 The division of property valuation in determining the fair market value  
19 of public utility property shall, where practicable, determine the unit  
20 valuation, allocated to Kansas, and in doing so shall use generally accepted  
21 appraisal procedures developed through the appraisal process and may  
22 consider, including but not by way of exclusion, the following factors:

23 (a) Original cost.

24 (b) Original cost less depreciation or reproduction cost less  
25 depreciation, or both, or replacement cost new less depreciation, except  
26 that where either method is used proper allowance and deduction shall be  
27 made for functional or economic obsolescence and for operation of  
28 nonprofitable facilities which necessitate regulatory body approval to  
29 eliminate.

30 (c) The market or actual value of all outstanding capital stock and  
31 debt.

32 (d) The utility operating income, capitalized in the manner and at  
33 such rate or rates as shall be just and reasonable.

34 (e) Such other information or evidence as to value as may be obtained  
35 that will enable the property valuation department to determine the fair  
36 market value of the property of such public utility.

37 The fair market value of affiliated properties separately assessed, or the  
38 nonoperating properties of such companies, or both, shall be ascertained  
39 and determined as nearly as possible and deducted from the total unit  
40 value of the properties of such companies if such properties are included in  
41 the unit value. Except for the property of any entity enumerated in  
42 ~~subsection (b) of K.S.A. 79-5a01(b)~~, and amendments thereto, and insofar  
43 as it is practicable to do so, the same method of evaluating the properties

1 of the companies separately assessed or nonoperating properties, or both,  
2 shall be used as was used in determining the unit value of such companies.  
3 All property of any entity enumerated in ~~subsection (b)~~ of K.S.A. 79-  
4 5a01(b), and amendments thereto, shall be valued by the county or district  
5 appraiser in the same manner as provided by law for the valuation of the  
6 same type or class of property in the county.

7 Sec. 3. K.S.A. 79-1412a is hereby amended to read as follows: 79-  
8 1412a. (a) County appraisers and district appraisers shall perform the  
9 following duties:

10 *First.* Install and maintain such records and data relating to all property  
11 in the county, taxable and exempt, as may be required by the director of  
12 property valuation.

13 *Second.* ~~Annually, as of January 1;~~ Supervise the listing ~~and appraisal~~  
14 *annually, as of January 1,* of all real estate and personal property in the  
15 county subject to taxation except state-appraised property *and supervise*  
16 *the appraisal of such property.*

17 *Third.* Attend meetings of the county board of equalization for the  
18 purpose of aiding such board in the proper discharge of its duties, making  
19 all records available to the county board of equalization.

20 *Fourth.* Prepare the appraisal roll and certify such rolls to the county  
21 clerk.

22 *Fifth.* Supervise the township trustees, assistants, appraisers and other  
23 employees appointed by the appraiser in the performance of their duties.

24 *Sixth.* The county appraiser or district appraiser in setting values for  
25 various types of personal property, shall conform to the values for such  
26 property as shown in the personal property appraisal guides devised or  
27 prescribed by the director of property valuation.

28 *Seventh.* Carry on continuously throughout the year the ~~process of~~  
29 ~~appraising~~ *processes necessary to appraise* real property.

30 *Eighth.* If the county appraiser or district appraiser deems it advisable,  
31 such appraiser may appoint one or more advisory committees of not less  
32 than five persons representative of the various economic interests and  
33 geographic areas of the county to assist the appraiser in establishing unit  
34 land values, unit values for structures, productivity, classifications for  
35 agricultural lands, adjustments for location factors, and generally to advise  
36 on assessment procedures and methods.

37 *Ninth.* Perform such other duties as may be required by law.

38 (b) The director of property valuation shall give notice to county and  
39 district appraisers and county boards of equalization of any proposed  
40 changes in the guides, schedules or methodology for use in valuing  
41 property prescribed to the county and district appraisers for use in setting  
42 values for property within the county or district. Such notice shall also be  
43 published in the Kansas register and shall provide that such changes are

1 available for public inspection. Changes and modifications in guides,  
2 schedules or methodology for use in valuing property which are prescribed  
3 by the director of property valuation for use by county and district  
4 appraisers on or after July 1 in any year shall not be utilized in establishing  
5 the value, for the current tax year, of any property, the value of which has  
6 previously been established for such year.

7 (c) Notwithstanding the provisions of this section, the county  
8 appraiser or the county appraiser's designee shall not, at any time, request  
9 the following from a taxpayer:

10 (1) Any appraisal of the property that was conducted for the purpose  
11 of obtaining mortgage financing;

12 (2) any fee appraisal with an effective date more than 12 months prior  
13 to January 1 of the valuation year under appeal; or

14 (3) documents detailing individual lease agreements.

15 Nothing in this subsection shall prohibit the county appraiser or the  
16 county appraiser's designee from requesting a certified rent roll from the  
17 taxpayer.

18 Sec. 4. K.S.A. 79-1455 is hereby amended to read as follows: 79-  
19 1455. (a) Except for counties ~~which~~ *that* have formed appraisal districts  
20 pursuant to K.S.A. 19-425 et seq., *and amendments thereto*, each county  
21 shall comprise a separate appraisal unit, and the county appraiser shall  
22 have the duty of appraising all real and tangible personal property in the  
23 county.

24 (b) District appraisers shall have the powers and duties vested in and  
25 imposed upon county appraisers. The term "county appraiser" shall be  
26 construed to include "district appraiser."

27 (c) *For taxable years commencing prior to January 1, 2021*, each  
28 year all taxable and exempt real and tangible personal property shall be  
29 appraised by the county appraiser at its fair market value as of January 1 in  
30 accordance with K.S.A. 79-503a unless otherwise specified by law.

31 (d) *For all taxable years commencing after December 31, 2020*, the  
32 county appraiser shall appraise all taxable and exempt real and tangible  
33 personal property at its fair market value as of January 1 of the first year  
34 of the applicable triennium in accordance with K.S.A. 79-503a, and  
35 amendments thereto, unless otherwise specified by law, and such value  
36 shall be utilized for each taxable year during the applicable triennium.  
37 *For any improvement to existing property or any other property for which*  
38 *a valuation has not been established as of January 1 of the first year of a*  
39 *triennium, such property shall be listed as of January 1 of the remaining*  
40 *taxable years of such triennium and valued as though it had existed as of*  
41 *January 1 of the first year of the applicable triennium.*

42 Sec. 5. K.S.A. 79-1476 is hereby amended to read as follows: 79-  
43 1476. The director of property valuation is hereby directed and

1 empowered to administer and supervise a statewide program of reappraisal  
2 of all real property located within the state. Except as otherwise authorized  
3 by K.S.A. 19-428, and amendments thereto, each county shall comprise a  
4 separate appraisal district under such program, and the county appraiser  
5 shall have the duty of reappraising all of the real property in the county  
6 pursuant to guidelines and timetables prescribed by the director of  
7 property valuation and of updating the same ~~on an annual basis in~~  
8 *accordance with the law*. In the case of multi-county appraisal districts, the  
9 district appraiser shall have the duty of reappraising all of the real property  
10 in each of the counties comprising the district pursuant to such guidelines  
11 and timetables and of updating the same ~~on an annual basis in accordance~~  
12 *with the law*. Commencing in 2000, every parcel of real property shall be  
13 actually viewed and inspected by the county or district appraiser once  
14 every six years.

15 Compilation of data for the initial preparation or updating of  
16 inventories for each parcel of real property and entry thereof into the state  
17 computer system as provided for in K.S.A. 79-1477, and amendments  
18 thereto, shall be completed not later than January 1, 1989. Whenever the  
19 director determines that reappraisal of all real property within a county is  
20 complete, notification thereof shall be given to the governor and to the  
21 state board of tax appeals.

22 Valuations shall be established for each parcel of real property at its fair  
23 market value in money in accordance with the provisions of K.S.A. 79-  
24 503a, and amendments thereto.

25 In addition thereto, valuations shall be established for each parcel of  
26 land devoted to agricultural use upon the basis of the agricultural income  
27 or productivity attributable to the inherent capabilities of such land in its  
28 current usage under a degree of management reflecting median production  
29 levels in the manner hereinafter provided. A classification system for all  
30 land devoted to agricultural use shall be adopted by the director of  
31 property valuation using criteria established by the United States  
32 department of agriculture ~~soil~~ *natural resources* conservation service. For  
33 all taxable years commencing after December 31, 1989, all land devoted to  
34 agricultural use which is subject to the federal conservation reserve  
35 program shall be classified as cultivated dry land for the purpose of  
36 valuation for property tax purposes pursuant to this section. For all taxable  
37 years commencing after December 31, 1999, all land devoted to  
38 agricultural use which is subject to the federal wetlands reserve program  
39 shall be classified as native grassland for the purpose of valuation for  
40 property tax purposes pursuant to this section. Productivity of land devoted  
41 to agricultural use shall be determined for all land classes within each  
42 county or homogeneous region based on an average of the eight calendar  
43 years immediately preceding the calendar year which immediately

1 precedes the year of valuation, at a degree of management reflecting  
2 median production levels. The director of property valuation shall  
3 determine median production levels based on information available from  
4 state and federal crop and livestock reporting services, the ~~soil~~ *natural*  
5 *resources* conservation service, and any other sources of data that the  
6 director considers appropriate.

7 The share of net income from land in the various land classes within  
8 each county or homogeneous region ~~which that~~ is normally received by  
9 the landlord shall be used as the basis for determining agricultural income  
10 for all land devoted to agricultural use except pasture or rangeland. The net  
11 income normally received by the landlord from such land shall be  
12 determined by deducting expenses normally incurred by the landlord from  
13 the share of the gross income normally received by the landlord. The net  
14 rental income normally received by the landlord from pasture or rangeland  
15 within each county or homogeneous region shall be used as the basis for  
16 determining agricultural income from such land. The net rental income  
17 from pasture and rangeland ~~which that~~ is normally received by the  
18 landlord shall be determined by deducting expenses normally incurred  
19 from the gross income normally received by the landlord. Commodity  
20 prices, crop yields and pasture and rangeland rental rates and expenses  
21 shall be based on an average of the eight calendar years immediately  
22 preceding the calendar year ~~which that~~ immediately precedes the year of  
23 valuation. Net income for every land class within each county or  
24 homogeneous region shall be capitalized at a rate determined to be the sum  
25 of the contract rate of interest on new federal land bank loans in Kansas on  
26 July 1 of each year averaged over a five-year period which includes the  
27 five years immediately preceding the calendar year ~~which that~~  
28 immediately precedes the year of valuation, plus a percentage not less than  
29 0.75% nor more than 2.75%, as determined by the director of property  
30 valuation, except that the capitalization rate calculated for property tax  
31 year 2003, and all such years thereafter, shall not be less than 11% nor  
32 more than 12%.

33 Based on the foregoing procedures, the director of property valuation  
34 shall make ~~an annual~~ a determination of the value of land within each of  
35 the various classes of land devoted to agricultural use within each county  
36 or homogeneous region and furnish the same to the several county  
37 appraisers who shall classify such land according to its current usage and  
38 apply the value applicable to such class of land according to the valuation  
39 schedules prepared and adopted by the director of property valuation under  
40 the provisions of this section.

41 *For all taxable years commencing after December 31, 2020, the*  
42 *director of property valuation shall make a triennial determination of the*  
43 *value of land within each of the various classes of land devoted to*

1 *agricultural use within each county or homogeneous region as of January*  
2 *1 of the first year of a triennium and furnish the same to the several county*  
3 *appraisers.*

4 It is the intent of the legislature that appraisal judgment and appraisal  
5 standards be followed and incorporated throughout the process of data  
6 collection and analysis and establishment of values pursuant to this  
7 section.

8 For the purpose of the foregoing provisions of this section the phrase  
9 "land devoted to agricultural use" ~~shall mean~~ *means* and ~~include~~ *includes*  
10 land, regardless of whether it is located in the unincorporated area of the  
11 county or within the corporate limits of a city, ~~which~~ *that* is devoted to the  
12 production of plants, animals or horticultural products, including, but not  
13 limited to: Forages; grains and feed crops; dairy animals and dairy  
14 products; poultry and poultry products; beef cattle, sheep, swine and  
15 horses; bees and apiary products; trees and forest products; fruits, nuts and  
16 berries; vegetables; nursery, floral, ornamental and greenhouse products.  
17 "Land devoted to agricultural use" ~~shall include~~ *includes* land established  
18 as a controlled shooting area pursuant to K.S.A. 32-943, and amendments  
19 thereto, which shall be deemed to be land devoted to agricultural use. If a  
20 parcel has land devoted to agricultural purposes and land used for  
21 suburban residential acreages, rural home sites or farm home sites, the  
22 county appraiser shall determine the amount of the parcel used for  
23 agricultural purposes and value and assess it accordingly as land devoted  
24 to agricultural purposes. The county appraiser shall then determine the  
25 amount of the remaining land used for such other purposes and value and  
26 assess that land according to its use.

27 The term "expenses" ~~shall mean~~ *means* those expenses typically  
28 incurred in producing the plants, animals and horticultural products  
29 described above including management fees, production costs,  
30 maintenance and depreciation of fences, irrigation wells, irrigation laterals  
31 and real estate taxes, but the term ~~shall~~ *does* not include those expenses  
32 incurred in providing temporary or permanent buildings used in the  
33 production of such plants, animals and horticultural products.

34 The provisions of this act shall not be construed to conflict with any  
35 other provisions of law relating to the appraisal of tangible property for  
36 taxation purposes including the equalization processes of the county and  
37 state board of tax appeals.

38 Sec. 6. K.S.A. 79-5a04, 79-1412a, 79-1455 and 79-1476 are hereby  
39 repealed.

40 Sec. 7. This act shall take effect and be in force from and after its  
41 publication in the statute book.