

Senate Assessment and Taxation Committee
Senator Caryn Tyson, Chair
Senate Bill 72

Larry Clark
International Association of Assessing Officers
SB72 - Opposed



INTERNATIONAL ASSOCIATION of **ASSESSING OFFICERS**

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Senate Committee on Assessment and Taxation
Testimony Regarding Senate Bill 72
Presented by Larry Clark, Director of Started Initiatives

Madame Chairperson and members of the Committee, my name is Larry Clark, and I am here representing the International Association of Assessing Officers. I have been an appraiser for forty plus years, twenty-eight of which were spent in county appraisal offices in the State of Kansas. I currently work as Director of Strategic Initiatives for IAAO and it is my responsibility to both assure and inform you regarding the position of IAAO.

First, I assure you IAAO follows and encourages our members to follow the dictates of the Uniform Standards of Professional Appraisal Practice, which includes recognizing and applying all three approaches to estimating the value of real estate. In fact, IAAO was and remains a founding member of the Appraisal Foundation. Our members helped write the original Standards and remain involved in their revision. Our members are obligated to follow those Standards by virtue of their membership in IAAO. In addition, Canon 1 of our Code of Ethics and Standards of Professional Conduct states in appropriate part:

It is unethical for members to knowingly violate applicable laws and regulations in the performance of their duties or to apply such laws and regulations in an inequitable manner.

The International Association of Assessing Officers is the only professional appraisal organization dedicated solely to the advancement of mass appraisal techniques through membership, education, and designations. It is the use of mass appraisal techniques which allows a county appraiser to reappraise thousands of parcels annually, within industry standards and at a cost approximately one-tenth of what it would be to hire single property appraisers to produce those same appraisals. Those techniques along with principles of the administration of the property tax system are taught in our courses.

In addition, the Residential Evaluation Specialist (RES) and the Certified Assessment Evaluator (CAE) designations are recognized all over North America while the Registered Mass Appraiser (RMA) designation and the licenses issued by the Real Estate Appraisal Board are applicable to Kansas alone. The KREAB was formed for the purpose of overseeing the education and licensing of appraisers involved in federal transactions. While that is a necessary and valuable service to the single property portion of the appraisal industry, it was never intended to promote or support mass appraisal.

This bill appears to be a misguided response to a clarification of the term “fee simple absolute,” that my organization sought in 2019. Contrary to ideas expressed in other testimony, the resulting paper did not propose “major changes in the way properties are valued” The paper

proposed a return to the legal definition of fee simple which defined the estate in terms of its duration:

In Introduction to The Law of Real Property, fee simple is described as, ... the largest estate known to law. It denotes the maximum of legal ownership, the greatest possible aggregate of rights, powers, privileges, and immunities which a person may have in land. It is an estate of potentially infinite duration in the holder's successors who acquire the holder's interest in the property either by conveyance, devise, or inheritance. The three hallmarks of the estate are that it is alienable, devisable, and descendible. (Moynihan and Kurtz 2002, 34)

The appraisal definition of fee simple was revised in 1984 by adding the phrase "unencumbered by any other interest or estate" which phrase has been recently interpreted by parties challenging their assessment to mean anything that impacts the use of the property. A lease on the property is said to be an encumbrance and cannot, therefore, be considered in the valuation of the property. However, commercial property is bought and sold every year subject to existing leases. Those leases may impact the property's value, but they do not change the nature of fee simple ownership. The owner retains the right to sell the property or pass it on to heirs.

If any encumbrance on real property reduced fee simple ownership, there would not be a single parcel of taxable real property in the state of Kansas that could be appraised as fee simple. All such properties are encumbered by a property tax liability. This illogical conclusion is avoided by acknowledging that encumbrances on the use of real property do not encumber the fee simple ownership.

The paper referenced in other testimony was undertaken to provide our members with the tools to perform their assessments in close conformity with the law as we understand it. The members who developed it included appraisers and attorneys specializing in the area of property tax litigation, including one of the developers of that 1984 revision to the appraisal definition. It was never the intent of the writers, according to him, to reference encumbrances to property use but rather encumbrances to ownership.

IAAO has enjoyed a long and rewarding relationship with the State of Kansas. We are proud to have played some small part in putting Kansas at the forefront of mass appraisal professionalism. We would hate to see that change.