Division of Property Valuation 300 SW 29<sup>th</sup> Street PO Box 3506 Topeka KS 66601-3506



Phone: 785-296-2365
Fax: 785-296-2320
www.ksrevenue.org
Laura Kelly, Governor

Mark Burghart, Secretary

House Committee on Taxation

From: David Harper, Kansas Division of Property Valuation

Date: March 19, 2024

RE: SCR 1611

To:

Thank you, Chairman Smith and Committee members, for the opportunity to provide comments on Senate Concurrent Resolution No. 1611.

SCR 1611 would allow for submission to the qualified electors of the state for their approval or rejection of amendments to Section 1 of article 11 of the Kansas Constitution, limiting annual real property valuation increases to 4% per year, except under certain circumstances as defined in the resolution.

## Overview and Administrative Impact

- A value increase limit will add overall consistency to value increases for individual parcels, and increased predictability in values used for property tax driven revenues and budgets, during periods of rapidly appreciating property values.
- Value caps or assessment caps lead to inequities and increased regressivity in the property tax as the same growth limit is applied to high and low growth properties. For high growth properties that fall under the cap, the assessments are artificially lowered relative to prices.
- The value limit applies to all real property. This will provide unique challenges for the state assessed public utilities and railroads.

K.S.A. 79-5a04 states in part "The director of property valuation shall annually determine the fair market value of public utility property, both real and personal, tangible and intangible and shall, where practicable, determine the unit valuation, allocated to Kansas."

The unit valuation method captures all value, not just real property. The determined market value is allocated to both real, personal, tangible and intangible property and further allocated to Kansas market value.

For railroads, PVD must comply with the Railroad Revitalization and Regulatory Reform Act (4-R Act). The 4-R Act makes it unlawful for a state or political subdivision to assess railroad property at a value which bears a higher ratio than other commercial and industrial property bears to fair market value. Stated simply, this means that when a state assesses commercial

and industrial property below fair market value, railroad property values must be lowered to that same value level.

## - Exceptions to the valuation limit in SCR 1611

- (1) The property includes new construction or improvements have been made to the property...
  - K.S.A. 79-1460 currently defines "new construction" as the construction of any new structure or improvements or the remodeling or renovation of any existing structures or improvements on real property. This statute also provides the valuation for all real property shall not be increased solely as the result of normal repair, replacement or maintenance of existing structures, equipment or improvements on the property. Consistency in the definition of new construction will be needed. Undefined terms such as "normal" bring challenges when administering the law.
- (2) The class or subclass of the property changes for assessment rate purposes
- (3) The property becomes disqualified from exemption

  There are existing mixed-use parcels with exemptions applied to a portion of the parcel.
- (4) The property is first listed as escaped or omitted property

  K.S.A. 79-1475 provides whenever the county appraiser discovers that any real property
  subject to taxation has been omitted from the tax rolls, such property shall immediately
  be listed and valued by the appraiser, and returned to the county clerk.
- (5) The legal description of the land, lot or parcel changes except that the total valuation of all property affected by a legal description change shall not exceed the total valuation of the affected property for the previous year by more than 4%
- (6) Title to the property is transferred, changed or conveyed to another person.

The legislature may define new construction or improvements by law and enact such other legislation as is necessary to administer this provision.

## Appraised Value Summary

Appraised Value (\$ Billions)

		1			PPILIDE	· · uruo (	<b>4</b> 2 11110	<del>,,,,</del>						
			C&I											Change from
Year	Residential	% of Total	Real/PP	% of Total	Utilities	% of Total	Ag Land	% of Total	Oil & Gas	% of Total	All Other	% of Total	Total Value	- 1
2012	\$127.033	68.50%	\$31.418	16.94%	\$10.778	5.81%	\$4.280	2.31%	\$7,470	4.03%	\$4,476	2.41%	\$185.455	\$1.146
2013	\$128.517	68.41%	\$31.832	16.94%	\$11.180	5.95%	\$4.825	2.57%	\$7.091	3.77%	\$4,430	2.36%	\$187.873	\$2.419
2014	\$132.860	68.52%	\$32.816	16.92%	\$11.247	5.80%	\$5.667	2.92%	\$7.170	3.70%	\$4.154	2.14%	\$193.913	\$6.040
2015	\$137.786	69.31%	\$33.951	17.08%	\$12.943	6.51%	\$6.579	3.31%	\$3.398	1.71%	\$4.134	2.08%	\$198,791	\$4,878
2016	\$143.387	69.84%	\$35.821	17.45%	\$12.784	6.23%	\$7.530	3.67%	\$1,591	0.77%	\$4,210	2.05%	\$205,322	\$6.531
2017	\$151.297	70.18%	\$36.900	17,12%	\$12.672	5.88%	\$8.516	3.95%	\$2.233	1.04%	\$3.960	1.84%	\$215.578	\$10,256
2018	\$159.686	70.37%	\$38.132	16.80%	\$13.451	5.93%	\$9,280	4.09%	\$2,403	1.06%	\$3.971	1.75%	\$226.923	\$11.345
2019	\$168,319	70.72%	\$39.153	16.45%	\$14.303	6.01%	\$9.693	4.07%	\$2,428	1,02%	\$4.119	1.73%	\$238,016	\$11,093
2020	\$177.048	71.66%	\$39.985	16.18%	\$14.795	5.99%	\$9.870	3.99%	\$1.123	0.45%	\$4.246	1.72%	\$247.067	\$9.051
2021	\$186.533	72.34%	\$40.113	15.56%	\$15.616	6.06%	\$9.828	3.81%	S1.424	0.55%	\$4.329	1.68%	\$257.843	\$10.776
2022	\$209.151	73.45%	\$42.076	14.78%	\$16.079	5.65%	\$9.690	3.40%	\$2.962	1.04%	\$4.811	1.69%	\$284,769	\$26.926
2023	\$236.487	74.56%	\$44.776	14.12%	\$18.077	5.70%	\$9.163	2.89%	\$3,334	1.05%	\$5.338	1.68%	\$317.175	\$32,406
2023 - 10 YR AVG	\$159.458	66.40%	\$44.776	18.65%	S18.077	7.53%	\$9.163	3.82%	\$3.334	1.39%	\$5.338	2.22%	\$240,146	-\$77.029
2023 - 4% Increase	\$217.517	73.45%	\$43.759	14.78%	\$16.722	5.65%	\$10.078	3.40%	\$3.080	1.04%	\$5,003	1.69%	\$296,160	\$11.391
2023 - 5 YR AVG	\$180,147	69.07%	\$44,776	17.17%	\$18.077	6.93%	\$9.163	3.51%	\$3.334	1.28%	\$5.338	2.05%	\$260.835	-\$23.934

## Percent Change

		Commercial	State	AG Land	0&G %	Other %	Total %
	Residential %	% Change	Assessed %	% Change	Change	Change	Change
	Change from	from Prior	Change from	from Prior	from Prior	from Prior	from Prior
Year	Prior Year	Year	Prior Year	Year	Year	Year	Year
2012	-0.22%	1.33%	6.11%	8.78%	1.63%	-1.69%	0.62%
2013	1.17%	1.32%	3.73%	12.72%	-5.08%	~1.04%	1.30%
2014	3.38%	3.09%	0.60%	17.45%	1.11%	-6.23%	3.21%
2015	3.71%	3.46%	15.08%	16.09%	-52.60%	-0.47%	2.52%
2016	4.07%	5.51%	-1.23%	14.46%	-53.19%	1.83%	3.29%
2017	5.52%	3.01%	-0.88%	13.10%	40.34%	-5.92%	4.99%
2018	5.54%	3.34%	6.15%	8.97%	7.64%	0.27%	5.26%
2019	5.41%	2.68%	6.33%	4.45%	1.04%	3.73%	4.89%
2020	5.19%	2.12%	3.44%	1.83%	-53.75%	3.08%	3.80%
2021	5.36%	0.32%	5.55%	-0.43%	26.80%	1.95%	4.36%
2022	12.13%	4.89%	2.96%	-1.40%	108.01%	11.13%	10.44%
2023	13.07%	6.42%	12.43%	-5.44%	12.56%	10.95%	11.38%
2023 - 10 YR AVG	-32.57%	0.00%	0.00%	0.00%	0.00%	0.00%	-24.29%
2023 - 4% Increase	-8.02%	-2.27%	-7.49%	9.98%	-7.60%	-6.27%	-6.63%
2023 - 5 YR AVG	-23.82%	0.00%	0.00%	0.00%	0.00%	0.00%	-17.76%

S
$\circ$
$\pi$
9
_

18 Year 19 Year 20 ETR	14 Year 15 Year 16 ETR 17	10 Year 11 Year 12 ETR 13	5	1 2 A. 3 B.
Year - 4 MV Year - 4 Tax ETR	Year - 3 MV Year - 3 Tax ETR	Year - 2 MV Year - 2 Tax ETR	Year - 1 MV Year - 1 Tax ETR	Annual Increase Base Market value
1,018	100,000	100,000	100,000	Property A
1,018	1,06 <b>1</b>	1,105	1,150	0.00%
1.02%	1.06%	1.10%	1.15%	100,000
108,243	106,121	1,150	102,000	Property B Property C Property D 2.00% 4.00% 6.00% 100,000 100,000 100,000
1,102	1,126	1,150	1,173	
1.02%	1.06%	1,10%	1.15%	
116,986	112,486	108,160	104,000	Property C   4.00%   100,000
1,191	1,193	1,195	1,196	
1.02%	1.06%	1.10%	1.15%	
126,248	119,102	112,360	106,000	Property D Property E 6.00% 8.00% 100,000 100,000
1,285	1,264	1,242	1,219	
1.02%	1.06%	1.10%	1.15%	
136,049 1,385 1.02%	125,971 1,336 1.06%	116,640 1,289 1.10%	Budget => 108,000 1,242 1.15%	Property E 8.00% 100,000
88.507	92.251	96.083	dget => 5,980.00 108,000 Levy (mills) 1,242 100.000 1.15%	
100,000	100,000	100,000	100,000	Property A
1,069	1,100	1,131	1,163	0.00%
1.07%	1.10%	1.13%	1.16%	100,000
108,243	106,121	104,040	102,000	Property B
1,158	1,167	1,177	1,187	2.00%
1.07%	1.10%	1.13%	1.16%	100,000
116,986	112,486	108,160	104,000	With 4% Limit Property C 4.00% 100,000
1,251	1,237	1,224	1,210	
1.07%	1.10%	1.13%	1.16%	
116,986	112,486	108,160	104,000	With 4% Limit  Property A Property B Property C Property D Property E  0.00% 2.00% 4.00% 4.00% 4.00% 4.00%  100,000 100,000 100,000 100,000
1,251	1,237	1,224	1,210	
1.07%	1.10%	1.13%	1,16%	
116,986 1,251 1.07%	112,486 1,237 1.10%	108,160 1,224 1.13%	Budget => 104,000 1,210 1,16%	Property E 4.00% 100,000
92,990	95.662	98,388	dget => 5,980.00 104,000 Levy (mills) 1,210 101.167	