

February 16, 2021

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 119 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 119 is respectfully submitted to your committee.

Under current law, the Director of Property Valuation at the Department of Revenue is required to maintain a list of persons eligible to be appointed to the office of county or district appraiser. SB 119 would allow the Director to remove a person from the list only after the county or district appraiser receives a notice and has an opportunity to be heard at an administrative hearing. The board of county commissioners or governing body of any unified government of each county would be required to immediately notify the Director when a person no longer holds the office of county appraiser. The notification would include the reason why the person did not complete their four-year term. The Director would be required to make a notation on any eligibility list record of the person when the person no longer holds the office of county appraiser before the expiration of a four-year term or the person does not complete a four-year term.

Under current law, any aggrieved party may request a full and complete opinion from the Board of Tax Appeals within 14 days after receiving the Board's decision. The bill would clarify the time for requesting full and complete opinion would now be 21 days after service of the Board's decision. The bill includes clarifying language that the service of orders, decisions, and opinions would be defined according to the Kansas Administrative Procedures Act

The bill would give the option for a party or their attorney on record to receive notices or orders from the Board of Tax Appeals by electronic means. Service by electronic means would be complete upon transmission.

The bill would prohibit the Board of Tax Appeals (BOTA) from increasing the appraised valuation of a property to an amount greater than the final determination of the appraised value by the county appraiser. The bill would also prohibit a county appraiser from increasing the appraised

value of property as the result of an informal meeting between the aggrieved taxpayer and the county appraiser.

The bill would remove the authority of the Director of Property Valuation at the Department of Revenue to adopt rules and regulations prescribing appropriate standards for the performance of appraisals for property taxation. The bill would also remove language requiring appraisals to be performed in accordance with generally accepted appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation and would replace it with a requirement to comply with the Uniform Standards of Professional Appraisal Practice (USPAP). Additionally, the bill would remove a county appraiser's authority to require compliance with additional standards and would require that if the Director requires compliance with additional standards that those additional standards do not conflict with USPAP.

The Department of Revenue indicates SB 119 would allow the Director of Property Valuation to remove a person from the list only after the county or district appraiser receives a notice and has an opportunity to be heard at an administrative hearing which would have no fiscal effect on state or local property tax revenues. The Department of Revenue indicates that the Director of Property Valuation already maintains the list of persons eligible to be appointed to the office of county or district appraiser and indicates that the additional duties detailed in the bill would have a negligible fiscal effect on the operations of the Property Valuation Division. The Kansas Association of Counties indicates that this provision of the bill has the potential to increase costs for counties by limiting the number of qualified appraisers in the state. County governments may be required to pay higher wages or pay other higher costs (mileage and other benefits) to attract qualified individuals to work as appraisers, particularly in certain areas of the state where there are fewer qualified and eligible individuals to perform these duties. However, the Kansas Association of Counties did not provide a precise estimate of any increased costs.

The Board of Tax Appeals indicates language that would clarify that the time for requesting full and complete opinion would now be 21 days after service of the Board's decision would have no fiscal effect on its operations.

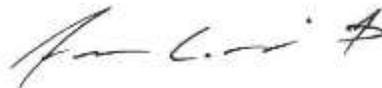
The Board of Tax Appeals indicates that language allowing a party or their attorney on record to receive notices or orders by electronic means would require changes to its case management system. However, the costs to update this system are estimated to be negligible and could be absorbed with inn existing resources. It is unknown how may parties would request electronic service so the Board is unable to determine if there would be a need to hire an additional Administrative Assistant to prepare and track notices and orders by email. The Board also indicates that this provision of the bill has the potential to reduce postage costs; however, without knowing how many parties would request to receive notices or orders by electronic means, the Board is unable to provide a precise estimate of the fiscal effect.

The Department of Revenue indicates language that would prohibit a county appraiser from increasing the appraised value of property as the result of an informal meeting between the aggrieved taxpayer and the county appraiser has the potential to decrease property tax revenues by a negligible amount. The Department of Revenue does not have data on the amount of property that increased in assessed valuation as a result of a BOTA action or after the informal meeting to

make a precise estimate of the amount of property tax revenue that would be reduced as a result of this bill. The provision of the bill would reduce the amount of property tax revenues that would be collected for the two building funds, the Educational Building Fund and the State Institutions Building Fund. Reduced property tax revenue would also have an effect on state expenditures for aid to school districts. To the extent that less property tax revenue would be available from the state's uniform mill levy to fund expenditures for school districts, the state would be required to provide more state aid from the State General Fund through the school finance formula. Local governments that levy a property tax would also receive less revenues; however, the amount of reduced property tax revenues cannot be estimated. This provision of the bill would have no fiscal effect on the operations of the Department of Revenue or BOTA. The Kansas Association of Counties indicates that this has the potential to reduce the amount of local property tax revenues by preventing counties from increasing the appraised value of property if the appraised value is being appealed. The Association indicates that this could lead to keeping valuations artificially low and create inequitable property valuations. However, they do not have a basis on which to estimate the amount of property taxes that would be reduced to make a precise estimate of the fiscal effect on local governments.

The Department of Revenue indicates language that removes the authority of the Director of Property Valuation at the Department of Revenue to adopt rules and regulations prescribing appropriate standards for the performance of appraisals for property taxation would have no fiscal effect on state or local property tax revenues. This provision of the bill would have no fiscal effect on the operations of the Department of Revenue or the Board of Tax Appeals. The Kansas Association of Counties indicates that as USPAP standards change, appraisals have the potential to change which could affect the uniformity of appraisals in Kansas over time. However, the Association indicates that it is unclear how this would affect future property taxes collections that are used in part to fund local governments. Any fiscal effect associated with SB 119 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jay Hall, Association of Counties
Jody Allen, Tax Appeals
Wendi Stark, League of Municipalities
Craig Neuenswander, Education