

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on February 19, 2001, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Wess Galyon, Wichita Area Builders Association
Rod Broberg, Kansas Association of Counties and
Kansas County Appraisers Association

Others attending: See attached list.

The minutes of the February 12 and 13, 2001, meetings were approved.

Continued hearing on: **SB 92–Property taxation; concerning the determination of fair market value.**

Wess Galyon, Wichita Area Builders Association, testified in support of **SB 92**. (Attachment 1) He noted that the problem the bill addresses is not new and that it is a problem caused by practices engaged in by county appraisers which he believes should not be allowed. He described in detail a similar attempt on the part of the previous Sedgwick County appraiser, who attempted to value vacant subdivision lots in much the same manner as is being attempted by the current Saline County appraiser. With regard to the specific problem in Saline County, Mr. Galyon asked the Committee to consider five points relating to the issue of valuing infrastructure as part of the value of a lot for tax purposes.

Rod Broberg, representing the Kansas County Appraisers Association and the Kansas Association of Counties, testified in opposition to **SB 92**. (Attachment 2) He began by commenting that the issue involved is primarily the adjustment of sale prices for special assessments which are due and owing on a property. He explained that Saline County began this practice several years ago, not because the county needed more tax money but because problems arose in setting values in a particular subdivision when the developer raised the sale price of the lots each year by the amount of the special assessments he had to pay on the unsold lots. As the buyers were paying more to the developer each year, they were paying less to the City of Salina in outstanding special assessments. More recently, subdivisions in Saline County have not experienced this phenomenon because subdivision lots are developed and sold in smaller increments and developers are pricing the lots high enough in the first place to cover the specials costs over the absorption period. Mr. Broberg went on to describe a current situation regarding two subdivisions in southeast Salina to illustrate the inequities created by the use of special assessment financing. The principal difference in the subdivisions is that one has specials assessments and the other one does not. When trying to value these subdivisions, a problem arises in that the purchase price of a lot in the subdivision with specials is reported as the consideration paid to the developer not including the cost of the improvements to the lot, whereas the price for a lot in the subdivision without specials is reported as the consideration paid to the developer including the improvements to the lot. Ultimately, the subdivisions are valued at significantly differing values for lots that are quite similar.

Mr. Broberg noted that the values resulting from models built with the inclusion of sales that have been adjusted for specials were appealed to the Board of Tax Appeals (BOTA). The Board found for the taxpayer and ordered lower values for those parcels that had been appealed; however, the Board ruled differently in an appeal in Shawnee

County. Saline County filed a case in District Court. In consideration of the cost of litigation to the taxpayer, the county offered to drop the case and abide by the BOTA decision for 1999 and

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2000. In exchange, the Director of PVD was to appoint a committee to study the situation and make a recommendation to the Director which would result in a directive instructing counties how to handle the influence of special assessments by January 1, 2001. To date, no directive has been issued although the committee has met several times.

In conclusion, Mr. Broberg contended that passage of **SB 92** would only serve to perpetuate an inequity that currently exists. He urged the Committee to keep in mind that the county appraiser does not raise or lower taxes with the raising or lowering of values. He said the valuation process only determines each individual's share of the total tax burden, and the consideration of special assessments in the valuation process only serves to more accurately recognize value in the market place.

Mr. Broberg distributed copies of a letter from Rosemary Walker, Ph.D., Washburn University School of Business, who attended the PVD committee meetings. She concludes, "When special assessments are ignored, two individuals who purchase equally valued property under a different payment plan will end up paying different taxes." (Attachment 3)

Senator Allen asked Mr. Broberg what impact the BOTA decision has had on the work of the Saline County appraiser. In response, Mr. Broberg acknowledged that it is up to the county to abide with the Board's decision with regard to the properties on which the Board issued a decision. However, the county still feels strongly that the adjustments were proper and has not changed its methodology across the board. He said that perhaps the county will refile their court case since the issue has not been resolved with the help of the Director of PVD as anticipated.

Chairman Corbin observed that Saline County lost some cases with BOTA yet it persists in pursuing the same avenue followed before the BOTA decision and, in addition, has not been able to work out its differences with the group appointed to resolve the issue. Consequently, the Legislature must work out the differences.

There being no others wishing to testify, the hearing on **SB 92** was closed.

The meeting was adjourned at 11:30 a.m.

The next meeting is scheduled for February 20, 2001.

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