



Testimony of the Kansas Association of Counties
To the House Committee on Taxation
Opposing House Bill 2614 (Reverting COTA to BOTa)

February 19, 2014

Mr. Chairman and Members of the Committee:

House Bill 2614 is a comprehensive bill that would revert the Court of Tax Appeals to the Board of Tax Appeals and—more importantly—cause a wide array of changes to taxation policies in Kansas. These changes, however, do not improve our State’s tax policy, and KAC subsequently opposes the bill. On Friday, February 14, KAC convened a conference call with a number of local officials who regularly interact with COTA. The group analyzed the bill and coordinated testimony to ensure this committee receives a comprehensive assessment of HB 2614. Our concerns include, but are not limited to, the following:

- Increasing value of property at small claims from \$2 million to \$5 million;
- Decreasing the salaries of board members;
- Accepting taxpayer’s commercial appraisals;
- Cutting the USPSP adoption date;
- Lowering the interest rate to taxpayers who fail to pay taxes on time.

These all cause concern, and the conferees will address the issues according to their areas of expertise.

The point KAC wants to emphasize centers on pages 12 and 14 of the bill. This section eliminates a policy fix that this committee addressed last year in HB 2042. There, KAC brokered a compromise with the Kansas Realtors Association and the Kansas Appraisers Association to correct a loophole that allowed property owners the opportunity to spring information on appraisers immediately before hearings, which shifted the burden of proof to the county. The result was a system that did not give time for analysis or discussion regarding the property. Further, it led to needless hearings and expense because the taxpayer information often alleviates the need for a hearing. This committee’s action in 2013 improved Kansas tax policy, and HB 2614 would undo that work.

If this committee intends to entertain HB 2614, KAC and the Kansas Appraisers ask that the policy remain in place to require taxpayers to provide the necessary information at the informal meetings to ensure a thoughtful process that can reduce the number of hearings before COTA. This is sound policy that just went into place, but is already saving the state, counties, and taxpayers significant costs.

Another point of concern from the county perspective occurs on page 10. KAC is concerned about a blanket policy that property-specific appraisals conducted by private appraisers are to be automatically accepted by COTA. A simple application of incentives reveals the shortcomings in this policy. Taxpayers who prefer to pay less than the appraised value—and can pay less under the law—will inevitably lead to a market for private appraisers who are willing to undervalue property. And creating a legal structure that allows for no check on the process increases the risk of inequities and inconsistency in the appraisal process. This section is also likely to amount to an unlawful delegation of authority.

KAC's final concern occurs on page 14 in lines 27 through 41. Under the current law, the state charges taxpayers with interest for failing to pay taxes. The interest replaces the loss of revenue not paid on time. The current law requires two percentage points above the rate prescribed in K.S.A. 79-2968. The proposal in HB 2614 would lower the rate for failing to pay taxes by two percentage points below the normal rate. The counties are concerned that this will create a collections issue and make it more difficult to collect the taxes that individuals owe. Further, it is unsound policy—particularly in a time of limited revenue—to reduce the incentive to pay taxes in a timely manner. KAC and the counties oppose lowering the interest rate for individuals who do not adhere to the law.

There are additional concerns with HB 2614 that the other conferees will address. KAC is available to provide any information that might be helpful as you consider the bill. As it currently stands, however, we ask that you oppose HB 2614. Thank you for your consideration of our testimony.

Respectfully,

Nathan Eberline, Legal Counsel