

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator David Corbin at 10:45 a.m. on January 17, 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: Richard Cram, Kansas Department of Revenue
Mark Beck, Property Valuation Division

Others attending: See attached list.

The minutes of the January 16, 2001, meeting were approved.

Senator Corbin noted that it was necessary to introduce legislation this session to reauthorize the twenty mill school finance levy for the next two years.

Senator Jenkins moved to recommend the introduction of a bill reauthorizing the twenty mill school finance levy for the next two years, seconded by Senator Praeger. The motion carried.

Senator Corbin noted that it was also necessary to introduce legislation reauthorizing the \$20,000 homestead property tax exemption.

Senator Lee moved to recommend the introduction of a bill reauthorizing the \$20,000 homestead property tax exemption, seconded by Senator Goodwin. The motion carried.

Richard Cram, Kansas Department of Revenue, requested the introduction of bills concerning the following: (1) Subpoena powers to the Secretary of Revenue in sales tax matters, (2) Appeals of denials of food sales tax refund claims, (3) An amendment to the statute of limitations for assessments and refunds of income tax, (4) A statute of limitation on the liquor drink tax, (5) Three amendments to the Homestead Property Refund Act, and (6) An amendment to the Kansas Estate Tax Act to abolish the inheritance tax. (Attachment 1)

Senator Praeger moved to recommend the introduction of the six taxation bills as outlined by Mr. Cram, seconded by Senator Goodwin. The motion carried.

Mark Beck, Director, Property Valuation Division, presented an update on the use valuation of agriculture land. He began with a brief explanation of the basic steps followed to calculate agricultural land use value. (Attachment 2)

He then distributed copies of a packet of information titled, "Kansas Agricultural Land Valuation," which was prepared for a presentation to the Senate Agriculture Committee during the 2000 Legislative Session. He explained that the formula for calculating use value is more detailed in that packet of information. He commented that the basic valuation process outlined on page one seems simple; however, getting the components of the formula is not simple. He pointed out that the chart on page three of his handout clarifies the formula. (Attachment 3) In response to a question from Senator Corbin regarding the valuation process, Mr. Beck confirmed that federal farm payments are not included in the formula for net income calculation.

Mr. Beck continued with a discussion concerning the reason the use valuation of agriculture land continues to

increase. In this regard, he discussed the increase in the capitalization rate with the aid of a chart covering the years 1995 through 2001. (Attachment 4) In addition, he distributed a packet of charts to demonstrate what change in agricultural land use value is attributable to the capitalization rate and what change is attributable to the landlord net income (LNI). (Attachment 5) With regard to land use shown in column C on the charts, Mr. Beck explained that percentages shown are weighted averages of the soil types and the use types in the county. He explained that columns F, G, and H refer to individual years that go into the eight year average shown in columns I and J. He noted that, in calculating the eight year average each year, a year is dropped and a year is added. He explained why it is not possible to calculate a current use value. As an example, he said the department put together the values for 2001 in 2000 using the data from 1999. Mr. Beck distributed a handout summarizing the changes in agricultural land valuation in 2001 with regard to pasture land, dry land, and irrigated land. (Attachment 6)

At this point, Senator Lee commented that committee members may feel overwhelmed by the data Mr. Beck was presenting. She noted that she has served on the Use Value Advisory Committee since 1994, and the committee has spent many hours learning about the different types of data going into the complicated calculation of use value.

As an example of the use of the eight year average for land valuation purposes, Mr. Beck distributed a chart with statistics on prices used for soybeans, wheat, corn, and sorghum on an individual year basis for the years 1989 through 1999 and for the eight year average for the years 1998 through 2001. (Attachment 7) During his discussion, he pointed out that the formula for use value has no relation to market value. He distributed copies of a chart with the history of the use value, not the market value, of agricultural land statewide from 1989 through 1999 and discussed the statistics shown. (Attachment 8)

At the conclusion of his presentation, Mr. Beck distributed copies of the study on agriculture land use which was funded by the Legislature last year. (Attachment 9) He suggested that committee members review the booklet and that the persons who composed the report make a formal presentation to the Committee later in the session. He called attention to the Executive Summary on page three of the report and noted that one of the recommendations is to freeze the capitalization rate. He explained that freezing the rate would allow any value changes to be driven solely by the income side, not the capitalization rate side.

The meeting was adjourned at 11:50 a.m.

The next meeting is scheduled for January 22, 2001.

CONTINUATION SHEET