

**HOUSE BILL No. 2498**

By Committee on Taxation

1-24

1 AN ACT concerning property taxation; relating to valuation of property;  
2 excluding hypothetical leased fee in the determination of fair market  
3 value; amending K.S.A. 79-503a and repealing the existing section.  
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 79-503a is hereby amended to read as follows: 79-  
7 503a. "Fair market value" means the amount in terms of money that a well  
8 informed buyer is justified in paying and a well informed seller is justified  
9 in accepting for property in an open and competitive market, assuming that  
10 the parties are acting without undue compulsion. *A hypothetical leased fee*  
11 *shall not be included in the determination of fair market value of any*  
12 *property.* In the determination of fair market value of any real property  
13 ~~which~~ *that* is subject to any special assessment, such value shall not be  
14 determined by adding the present value of the special assessment to the  
15 sales price. For the purposes of this definition it will be assumed that  
16 consummation of a sale occurs as of January 1.

17 Sales in and of themselves shall not be the sole criteria of fair market  
18 value but shall be used in connection with cost, income and other factors  
19 including, but not by way of exclusion:

- 20 (a) The proper classification of lands and improvements;
- 21 (b) the size thereof;
- 22 (c) the effect of location on value;
- 23 (d) depreciation, including physical deterioration or functional,  
24 economic or social obsolescence;
- 25 (e) cost of reproduction of improvements;
- 26 (f) productivity taking into account all restrictions imposed by the  
27 state or federal government and local governing bodies, including, but not  
28 limited to, restrictions on property rented or leased to low income  
29 individuals and families as authorized by section 42 of the federal internal  
30 revenue code of 1986, as amended;
- 31 (g) earning capacity as indicated by lease price, by capitalization of  
32 net income or by absorption or sell-out period;
- 33 (h) rental or reasonable rental values or rental values restricted by the  
34 state or federal government or local governing bodies, including, but not  
35 limited to, restrictions on property rented or leased to low income  
36 individuals and families, as authorized by section 42 of the federal internal

1 revenue code of 1986, as amended;

2 (i) sale value on open market with due allowance to abnormal  
3 inflationary factors influencing such values;

4 (j) restrictions or requirements imposed upon the use of real estate by  
5 the state or federal government or local governing bodies, including  
6 zoning and planning boards or commissions, and including, but not limited  
7 to, restrictions or requirements imposed upon the use of real estate rented  
8 or leased to low income individuals and families, as authorized by section  
9 42 of the federal internal revenue code of 1986, as amended; and

10 (k) comparison with values of other property of known or recognized  
11 value. The assessment-sales ratio study shall not be used as an appraisal  
12 for appraisal purposes.

13 *Fair market value pursuant to this section does not apply to land*  
14 *devoted to agricultural use.*

15 The appraisal process utilized in the valuation of all real and tangible  
16 personal property for ad valorem tax purposes shall conform to generally  
17 accepted appraisal procedures and standards which are consistent with the  
18 definition of fair market value unless otherwise specified by law.

19 Sec. 2. K.S.A. 79-503a is hereby repealed.

20 Sec. 3. This act shall take effect and be in force from and after its  
21 publication in the statute book.