

To: House Committee on Taxation
From: Rod Broberg, Kansas County Appraisers Association
RE: Senate Bill 348
Date: March 12, 2012

Senate Bill 348 contains changes to four different areas of appraisal related law.

The first of these changes is a change to statute dealing with leased commercial real estate. Current law provides that in the valuation appeal process County Appraisers have the burden of proof to support our values except for leased commercial and industrial property, where the property owner has the burden of proof. The burden of proof can shift to the County Appraiser if the property owner provides three years of income and expense information for the property. The change we are asking for today, pertains to the timing of when that information is given. Current law makes no provision as to when that burden may shift, and many times we do not get the income and expense information in time to fully consider it before a hearing is set at the Court of Tax Appeals. The change we are asking for in this bill provides that the burden of proof would change only if the income and expense information is given at the informal hearing level. This would ensure that County Appraisers will have ample time to consider all relevant facts concerning a property. We believe that this change would allow for many cases to be settled before they go to the Court of Tax Appeals thereby saving, counties, the state and taxpayers significant costs.

The second change to current statute concerns the taxation of boats. Current law requires a boat to be taxed in the taxing jurisdiction in which it is located on January 1. There are a significant number of boats who's owners relocate them out of state over the winter for the purpose of avoiding Kansas taxes. The Property Valuation Division of the Department of Revenue, through it Personal Property Valuation Guide, directs County Appraisers to consider these boats to be "In Transit" and to place them on the tax roll in the county where the owner resides. A recent Court of Tax Appeals case has overridden this directive and allowed these boats to remain untaxed. We believe that this is a fairness issue in that these boat owners enjoy the use of the states lakes, rivers, highways, camping, and recreational facilities without paying taxes that others are required to pay.

The third change we are asking for would amend current statute to allow County Appraisers to send a change of value notice by e-mail to any taxpayer who has given us a current e-mail address. Some counties in the state have saved significant money over the past decade by allowing taxpayers to file personal property filings by electronic means. We routinely exchange evidence for Court of Tax Appeals hearings by e-mail and this change would be a natural extension of the business we already do over the internet.

The fourth and last change we are asking you to consider concerns the placing of escaped property on the tax roll. Current law provided that County Clerks can place escaped property on the tax roll and collect escaped tax for the current, and two prior years. It has been the practice of County Appraisers and County Clerks for many years to use the

escaped tax and clerical error statutes to collect taxes on improvements to real estate that had been missed in the discovery process. A recent Court of Appeals case has ruled that these statutes can only be used when the entire value of a real estate parcel is omitted from the tax roll. The court held that when an improvement, such as a house or commercial building, is missed, but the land has been taxed, counties are prohibited from collecting escaped tax for that improvement.