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To: All County Appraisers, County Clerks, County Commissioners, County Treasurers and County Registers of Deeds

From: Bob Kent, Deputy Director, Division of Property Valuation

Date: August 29, 2022

Re: 2021 Legislative Summary

The 2021 Legislative Summary will highlight several changes that will impact both Division of Property Valuation and its county partners. The primary bill used to address property tax issues was HB 2104. All the Bill's amendments went into effect on July 1, 2021, unless otherwise noted. Below is an index of the 2021 legislative amendments, followed by a brief discussion of each statutory amendment.

Index of Topics

- 1. Revenue Neutral Rate (RNR) and Accompanying Procedures Publication of Such Rate to County Residents.** (SB 13 (2021), Sec. 1 – 7; and HB 2104 (2021), Sec. 1, 11, 12)
- 2. PVD Standards and Procedures**
 - a. **RMA Certification** (HB 2104 (2104), Sec. 2, 3, 5, 7; originally introduced as SB 72 (2021))
 - b. **Adoption of USPAP Standards** (HB 2104 (2021), Sec. 7)
- 3. Appraiser Separation Of Service Notification** to the PVD Director when there is a vacancy in the appraiser position. (HB 2104 Sec. 3)
- 4. No Informal Appeal Value Appeal Increase** (HB 2104, Sec. 8, 10)
- 5. No Valuation Increase Due To Normal Repair** (SB 13, Sec. 2)
- 6. Modification of County Tax Levy Deadline** from September 20 to October 1 (2104, Sec. 12)
- 7. BOTA Procedures and BOTA Appeal Procedures** (2104, Sec. 4, 5, 6; originally introduced as SB 98 and SB 119)
 - a. **Extension of Time for Aggrieved Party to Appeal BOTA Decision**
 - b. **BOTA Appeal Value Increases**
 - c. **Temporary Board Member Assignment**
 - d. **Burden of Proof at BOTA**
- 8. Kansas National Guard Motor Vehicle Property Tax Exemption** (S. Sub. For HB 2313, Sec. 6.)

Summary of Legislative Changes

1. Revenue Neutral Rate (RNR) (SB 13 (2021), Sec. 1 – 7; and HB 2104 (2021), Sec. 1, 11, 12)

SB13 (K.S.A. 79-2988) requires Kansas County Clerks to send taxpayers notification of the revenue neutral rate (RNR) compared to the proposed rate for each taxing subdivisions. Taxing subdivisions are prohibited from levying an ad valorem property tax that exceeds the RNR without first holding a public hearing and passing a resolution. This 2021 amendment was so impactful that the State Legislature had to revisit it during the 2022 Legislative Session to make some modifications.

Revenue neutral is when a taxing jurisdiction budgets the exact same amount of property tax revenue, in dollars, for the upcoming budget year as the jurisdiction did for the current year. The Revenue Neutral Rate (RNR) is the mill levy rate to generate the exact same amount of property tax revenue as the year before, using the current tax year's total assessed valuation. If the RNR shows a net increase in property tax revenue from one year to another (based on increased valuations), that triggers a series of notice and hearing requirements by the taxing jurisdiction that provide the jurisdiction's constituents and opportunity to observe, and possibly participate, in the jurisdiction's budgeting process.

The idea behind the RNR is that it changes the emphasis from the mill levy rate set by the taxing jurisdiction to the actual property tax generated by the taxing jurisdiction. Before RNR, a taxing jurisdiction could opine that it did not raise taxes because it kept its mill levy steady year to year. With RNR, the narrative of whether there has been a tax increase requires the taxing jurisdiction to also factor in whether there has been a significant property valuation increase in the jurisdiction that generates greater revenue for the taxing jurisdiction even if the mill levy remains the same. RNR changes the perspective of how the taxing jurisdiction and its constituents look out the budgeting process.

2. PVD Standards and Procedures

a. RMA Certification and USPAP Standards (HB 2104 (2104), Sec. 2, 3, 5, 7; originally introduced as SB 72 (2021))

The Registered Mass Appraiser designation is earned by completing property valuation division education coursework. In 2021, the Legislature required that PVD secure approval of its coursework from the Kansas Real Estate Appraisal Board (KREAB). Discussions with KREAB regarding curriculum approval has resulted in PVD moving its instruction away from the International Association of Assessing Officers (IAAO) specifications and adopting coursework based on the Uniform Standards of Professional Appraisal Practice (USPAP). PVD is currently in the rulemaking process to amend K.A.R. 93-6-3 and 93-6-5. The curriculum change will result in 25 additional hours of coursework, but removal of property tax law and personal property tax courses as a prerequisite for the original RMA certification. Property tax law and personal property tax coursework will continue to be required for renewal of RMA certification.

b. **Adoption of USPAP Standards** (HB 2104 (2021), Sec. 7)

The Legislature mandated that all appraisal standards associated with ad valorem taxation must comply with USPAP standards and that any other standards adopted or mandated by the PVD Director shall not conflict with USPAP standards.

3. **Appraiser Separation of Service Notification** (HB 2104 Sec. 3)

County commissions are required to notify the Director when persons no longer hold the office of county appraiser, except upon expiration of a four-year term, and include the reason for separation from employment unless otherwise precluded by law from doing so. The Director subsequently is required to make notations on eligibility list records of such persons.

4. **No Informal Appeal Value Appeal Increase** (HB 2104, Sec. 8, 10)

The Legislature placed limits on county appraisers during informal hearings. A county appraiser shall not increase an appraised valuation of the property to amount greater than the final determination of appraised value by the appraiser. This limitation was also placed on PVD with regard to challenges to state assessed property taxes.

5. **No Valuation Increase Due To Normal Repair** (SB 13, Sec. 2)

The bill prohibits an increase in the appraised value of real property solely as a result of normal repair, replacement, or maintenance of existing structures, equipment, or other improvements on the property.

6. **Modification of County Tax Levy Deadline** (2104, Sec. 12(b))

Extended the tax levy certification deadline from September 20 to October 1.

7. **BOTA Procedures and BOTA Appeal Procedures** (2104, Sec. 4, 5, 6; originally introduced as SB 98 and SB 119)

- a. **Burden of Proof at BOTA** - In cases appealed to BOTA and appealed from BOTA to the district court, the Legislature clarified that the county had a duty to produce evidence to satisfy its burden by a preponderance of evidence in residential and commercial cases involving valuation and in the determination of classification of property. Even if the county prevails before BOTA, it continues to have carry the burden in most valuation and all classification cases appealed to the district court.
- b. **Extension of Time for Aggrieved Party to Appeal BOTA Decision** - An aggrieved party of a BOTA summary decision has an expanded number of days to request a full and complete opinion from BOTA, from 14 days to 21 days from the service of BOTA's summary decision. Furthermore, the process for electronic submission of an order was clarified and encouraged.
- c. **Electronic Transmission** - The bill also requires BOTA to serve orders and notices via electronic means to parties and their attorneys who have requested and consented to electronic service. Any service by electronic means is deemed complete transmission.
- d. **BOTA Appeal Increases** - In cases appealed to the BOTA small claims division, BOTA outright, or appealed from BOTA to the district court, the tribunal may not increase the appraised valuation of the contested property to an amount greater than the appraised value set by the county to which the taxpayer appealed from.

e. **Temporary Board Member Assignment** - The Legislature authorized the temporary assignment by the Governor of former member to fill vacant BOTA board position. The Governor utilized the new law to assign former BOTA member Devin Sprecker to such role. Mr. Sprecker was later officially confirmed by the Senate to serve as a full BOTA member (Feb. 2022).

8. Kansas National Guard Motor Vehicle Property Tax Exemption (S. Sub. For HB 2313, Sec. 6)

The bill placed a requirement that current members of the Kansas Army National Guard, Kansas Air National Guard, or U.S. military reserve forces stationed in Kansas, beginning in tax year 2022, be in good standing.