

DIRECTIVE #94-029

TO: County Appraisers

SUBJECT: Appraisal of Pollution Control Structures

This directive is adopted pursuant to the provisions of K.S.A. 1993 Supp. 79-505, and shall be in force and effect from and after the Director's approval date.

K.S.A. 2-1227 was enacted in 1989 authorizing the State Board of Agriculture to adopt rules and regulations for the safe handling and storage of commercial fertilizers, fertilizer materials, and chemicals to protect ground and surface waters. These regulations (K.A.R. 4-4-1 to K.A.R. 4-4-954, inclusive) became effective January 14, 1991, and required each facility to submit a compliance plan to the State Board of Agriculture within one year of the regulation's effective date, *i.e.*, by January 14, 1992. Once the prescribed plan is approved, the facility has two years to complete the requirement for a concrete loading pad and three years to construct a dike around their storage area. Many facilities have completed the construction of these fertilizer/chemical containment dikes and loading pads.

Under Kansas property tax laws, the loading pads and dikes must be listed for taxation. However, in valuing such loading pads and dikes, the appraiser must be careful to ascertain whether they contribute to the facility's value. It is arbitrary to claim property has value because it exists, particularly where the property exists solely because of government regulations. The market establishes value, not government regulations. In summary, the appraiser should ascertain whether these loading pads and dikes are an expense, or, in fact, an investment which produces value.

Appraisers should list these loading pads and dikes with the storage facilities; however, they should be valued only if the market establishes that they contribute value to the facility.

APPROVED: June 22, 1994

David C. Cunningham
Director of Property Valuation