

HOUSE BILL No. 2739

By Committee on Taxation

3-11

1 AN ACT concerning property taxation; relating to valuation of real
2 property; land devoted to agricultural use; amending K.S.A. 79-1476
3 and repealing the existing section.
4

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

6 Section 1. K.S.A. 79-1476 is hereby amended to read as follows: 79-
7 1476. The director of property valuation is hereby directed and
8 empowered to administer and supervise a statewide program of reappraisal
9 of all real property located within the state. Except as otherwise authorized
10 by K.S.A. 19-428, and amendments thereto, each county shall comprise a
11 separate appraisal district under such program, and the county appraiser
12 shall have the duty of reappraising all of the real property in the county
13 pursuant to guidelines and timetables prescribed by the director of
14 property valuation and of updating the same on an annual basis. In the case
15 of multi-county appraisal districts, the district appraiser shall have the duty
16 of reappraising all of the real property in each of the counties comprising
17 the district pursuant to such guidelines and timetables and of updating the
18 same on an annual basis. Commencing in 2000, every parcel of real
19 property shall be actually viewed and inspected by the county or district
20 appraiser once every six years.

21 Compilation of data for the initial preparation or updating of
22 inventories for each parcel of real property and entry thereof into the state
23 computer system as provided for in K.S.A. 79-1477, and amendments
24 thereto, shall be completed not later than January 1, 1989. Whenever the
25 director determines that reappraisal of all real property within a county is
26 complete, notification thereof shall be given to the governor and to the
27 state board of tax appeals.

28 Valuations shall be established for each parcel of real property at its fair
29 market value in money in accordance with the provisions of K.S.A. 79-
30 503a, and amendments thereto.

31 In addition thereto, valuations shall be established for each parcel of
32 land devoted to agricultural use upon the basis of the agricultural income
33 or productivity attributable to the inherent capabilities of such land in its
34 current usage under a degree of management reflecting median production
35 levels in the manner hereinafter provided. A classification system for all
36 land devoted to agricultural use shall be adopted by the director of

1 property valuation using criteria established by the United States
2 department of agriculture—~~soil~~ *natural resources* conservation service. For
3 all taxable years commencing after December 31, 1989, all land devoted to
4 agricultural use—~~which~~ *that* is subject to the federal conservation reserve
5 program shall be classified as cultivated dry land for the purpose of
6 valuation for property tax purposes pursuant to this section. For all taxable
7 years commencing after December 31, 1999, all land devoted to
8 agricultural use—~~which~~ *that* is subject to the federal wetlands reserve
9 program shall be classified as native grassland for the purpose of valuation
10 for property tax purposes pursuant to this section. Productivity of land
11 devoted to agricultural use shall be determined for all land classes within
12 each county or homogeneous region based on an average of the eight
13 calendar years immediately preceding the calendar year—~~which~~ *that*
14 immediately precedes the year of valuation, at a degree of management
15 reflecting median production levels. The director of property valuation
16 shall determine median production levels based on information available
17 from state and federal crop and livestock reporting services, the—~~soil~~
18 *natural resources* conservation service, and any other sources of data that
19 the director considers appropriate.

20 The share of net income from land in the various land classes within
21 each county or homogeneous region—~~which~~ *that* is normally received by
22 the landlord shall be used as the basis for determining agricultural income
23 for all land devoted to agricultural use except pasture or rangeland. The net
24 income normally received by the landlord from such land shall be
25 determined by deducting expenses normally incurred by the landlord from
26 the share of the gross income normally received by the landlord. The net
27 rental income normally received by the landlord from pasture or rangeland
28 within each county or homogeneous region shall be used as the basis for
29 determining agricultural income from such land. The net rental income
30 from pasture and rangeland—~~which~~ *that* is normally received by the
31 landlord shall be determined by deducting expenses normally incurred
32 from the gross income normally received by the landlord. Commodity
33 prices, crop yields and pasture and rangeland rental rates and expenses
34 shall be based on an average of the eight calendar years immediately
35 preceding the calendar year—~~which~~ *that* immediately precedes the year of
36 valuation. *For taxable years commencing prior to January 1, 2022*, net
37 income for every land class within each county or homogeneous region
38 shall be capitalized at a rate determined to be the sum of the contract rate
39 of interest on new federal land bank loans in Kansas on July 1 of each year
40 averaged over a five-year period—~~which~~ *that* includes the five years
41 immediately preceding the calendar year—~~which~~ *that* immediately precedes
42 the year of valuation, plus a percentage not less than 0.75% nor more than
43 2.75%, as determined by the director of property valuation, except that the

1 capitalization rate calculated for property tax-year years 2003, ~~and all such~~
2 ~~years thereafter~~ through 2021, shall not be less than 11% nor more than
3 12%. For all taxable years commencing after December 31, 2021, net
4 income for every land class within each county or homogeneous region
5 shall be capitalized at a rate not less than 13%.

6 For all taxable years commencing after December 31, 2021,
7 commodity prices, crop yields and crop mix for each calendar year shall
8 be based only on data of such calendar year. Accordingly, for all taxable
9 years commencing after December 31, 2021, the director of property
10 valuation shall not use the methodology commonly referred to as the
11 method of moving averages that calculates multi-year averages for
12 commodity prices, crop yields and crop mix for each calendar year. The
13 director shall continue to use the average of eight calendar years landlord
14 net income for purposes of valuation as provided in this section.

15 Based on the foregoing procedures the director of property valuation
16 shall make an annual determination of the value of land within each of the
17 various classes of land devoted to agricultural use within each county or
18 homogeneous region and furnish the same to the several county appraisers
19 who shall classify such land according to its current usage and apply the
20 value applicable to such class of land according to the valuation schedules
21 prepared and adopted by the director of property valuation under the
22 provisions of this section.

23 It is the intent of the legislature that appraisal judgment and appraisal
24 standards be followed and incorporated throughout the process of data
25 collection and analysis and establishment of values pursuant to this
26 section.

27 For the purpose of the foregoing provisions of this section, the phrase
28 "land devoted to agricultural use" shall mean and include land, regardless
29 of whether it is located in the unincorporated area of the county or within
30 the corporate limits of a city, ~~which~~ that is devoted to the production of
31 plants, animals or horticultural products, including, but not limited to:
32 Forages; grains and feed crops; dairy animals and dairy products; poultry
33 and poultry products; beef cattle, sheep, swine and horses; bees and apiary
34 products; trees and forest products; fruits, nuts and berries; vegetables;
35 nursery, floral, ornamental and greenhouse products. Land devoted to
36 agricultural use shall include land established as a controlled shooting area
37 pursuant to K.S.A. 32-943, and amendments thereto, which shall be
38 deemed to be land devoted to agricultural use. If a parcel has land devoted
39 to agricultural purposes and land used for suburban residential acreages,
40 rural home sites or farm home sites, the county appraiser shall determine
41 the amount of the parcel used for agricultural purposes and value and
42 assess it accordingly as land devoted to agricultural purposes. The county
43 appraiser shall then determine the amount of the remaining land used for

1 such other purposes and value and assess that land according to its use.

2 The term "expenses" shall mean those expenses typically incurred in
3 producing the plants, animals and horticultural products described above
4 including management fees, production costs, maintenance and
5 depreciation of fences, irrigation wells, irrigation laterals and real estate
6 taxes, but the term shall not include those expenses incurred in providing
7 temporary or permanent buildings used in the production of such plants,
8 animals and horticultural products.

9 The provisions of this act shall not be construed to conflict with any
10 other provisions of law relating to the appraisal of tangible property for
11 taxation purposes including the equalization processes of the county and
12 state board of tax appeals.

13 Sec. 2. K.S.A. 79-1476 is hereby repealed.

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