



March 10, 2023

To: Senate Committee on Assessment and Taxation
From: Randy Stookey, SVP of Government Affairs & General Counsel, Randy@Kansasag.org
Kansas Grain and Feed Association | Renew Kansas Biofuels Association
Re: **Joint Proponent Testimony on Senate Bill 263, requiring director of property valuation appraiser directives be established by rules and regulations.**

Chair Tyson and members of the committee, thank you for the opportunity to provide testimony in support of Senate Bill 263. This testimony is submitted jointly on behalf of the Kansas Grain and Feed Association (KGFA) and Renew Kansas Biofuels Association (Renew Kansas). KGFA is the state association of the grain receiving, storage, processing, and shipping industry in Kansas. Renew Kansas is the trade association of the Kansas biofuels industry.

The grain and biofuels industries contribute to the Kansas economy by employing Kansans across the state and paying millions of dollars annually in property taxes that help fund schools and local government. In recent years, however, that property tax burden has grown considerably. Additionally, the issue of proper classification of our industry machinery and equipment has been an on-going and costly legal dispute.

Last June, however, our industry was pleased to receive a [Kansas Court of Appeals decision](#)¹ where the court clarified that grain handling industrial machinery and equipment should be classified as personal property for property tax purposes, rather than as fixtures to the realty. This was a major change in how appraisers had previously classified grain industry assets and will require changes to the Property Valuation Division (PVD) grain industry valuation guide, and potentially other industry guides as well.

Senate Bill 263 would require all PVD property valuation guides be placed in agency regulations under the Kansas rules and regulations filing act (K.S.A. 77-415, et seq.). Under the bill, any guides not established by agency regulations by June 30, 2024, would expire by that date.

We support the intent of this bill, as county appraisers are required to follow PVD's valuation guides, and the guides are generally understood to have the force and effect of law. Currently, the guides are neither adopted, nor amended, pursuant to the rules and regulations filing act which requires multiple steps and provides indicia of due process to the regulated community, general public, and taxpayers.

The formal rules and regulations process requires (1) a review of the proposed regulatory change by the Attorney General's office to ensure the agency has statutory authority for the regulation, (2) formal notice to the public of the specific language or proposed changes, (3) the publication of an economic impact statement by the agency, (4) a 60-day comment period, (5) a public hearing, and (6) a hearing before the joint legislative committee on agency rules and regulations. Because none of this process is currently required for PVD's appraisal guides, we see this bill as a positive change.

¹*Dodge City Coop. Exch. v. Bd. of Cnty. Commissioners of Gray Cnty.*, 62 Kan.App.2d 391, 516 P.3d 615 (Kan. App. 2022)

While we support this bill, we do realize that the adoption of all PVD's appraisal guides into agency regulations will be a substantial undertaking for PVD. We do not know how much time the Division would reasonably need to place their appraisal guides in regulation, but we must ensure that this process is taken deliberately, and carefully, so that taxpayers are not harmed in the process by changes, additions, or omissions to the guides.

For instance, the grain industry is currently working with PVD to make changes to our industry guide following the appellate court decision last summer. Those changes will require a comprehensive review of the guide and follow-on conversations between PVD, our industry, and county appraisers.

For this reason, we would suggest a friendly amendment to the timeframe required by the bill - as the agency would deem necessary - in order for PVD to work with taxpayers to ensure that all relevant and necessary language is included. We would defer to PVD on the timeline they might need to comply with the bill.

Thank you for allowing us the opportunity to testify in support of Senate Bill 263. We support this bill and would ask the committee to pass it out favorably.