Session of 2023

SENATE BILL No. 311

By Committee on Assessment and Taxation

AN ACT concerning property taxation; relating to valuation; excluding internal revenue code section 1031 exchange transactions as indicators of fair market value; amending K.S.A. 79-503a and repealing the existing section.

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

Section 1. K.S.A. 79-503a is hereby amended to read as follows:

79-503a. "Fair market value" means the amount in terms of money that a well informed buyer is justified in paying and a well informed seller is justified in accepting for property in an open and competitive market, assuming that the parties are acting without undue compulsion. In the determination of fair market value of any real property which is subject to any special assessment, such value shall not be determined by adding the present value of the special assessment to the sales price. For the purposes of this definition it will be assumed that consummation of a sale occurs as of January 1.

Sales in and of themselves shall not be the sole criteria of fair market value but shall be used in connection with cost, income and other factors including but not by way of exclusion:

(a) The proper classification of lands and improvements;
(b) the size thereof;
(c) the effect of location on value;
(d) depreciation, including physical deterioration or functional, economic or social obsolescence;
(e) cost of reproduction of improvements;
(f) productivity taking into account all restrictions imposed by the state or federal government and local governing bodies, including, but not limited to, restrictions on property rented or leased to low income individuals and families as authorized by section 42 of the federal internal revenue code of 1986, as amended;
(g) earning capacity as indicated by lease price, by capitalization of net income or by absorption or sell-out period;
(h) rental or reasonable rental values or rental values restricted by the state or federal government or local governing bodies, including, but not limited to, restrictions on property rented or leased to low income individuals and families, as authorized by section 42 of the federal internal revenue code of 1986, as amended;
revenue code of 1986, as amended;
  (i) sale value on open market with due allowance to abnormal
inflationary factors influencing such values;
  (j) restrictions or requirements imposed upon the use of real estate by
the state or federal government or local governing bodies, including
zoning and planning boards or commissions, and including, but not limited
to, restrictions or requirements imposed upon the use of real estate rented
or leased to low income individuals and families, as authorized by section
42 of the federal internal revenue code of 1986, as amended; and
  (k) comparison with values of other property of known or recognized
value. The assessment-sales ratio study shall not be used as an appraisal
for appraisal purposes.

The appraisal process utilized in the valuation of all real and tangible
personal property for ad valorem tax purposes shall conform to generally
accepted appraisal procedures and standards which are consistent with the
definition of fair market value unless otherwise specified by law.

The sale price or value at which a property sells or transfers ownership
in a federal internal revenue code section 1031 exchange shall not be
considered an indicator of fair market value nor as a factor in arriving at
fair market value. Federal internal revenue code section 1031 exchange
transactions shall not be used as comparable sales for valuation purposes
nor as valid sales for purposes of sales ratio studies conducted pursuant to
K.S.A. 79-1485 et seq., and amendments thereto.

Sec. 2. K.S.A. 79-503a is hereby repealed.

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