

## State Representative

# Don Hineman

### Don's Legislative Update

March 2, 2015

### Upcoming Town Hall Meetings

#### Monday, March 2

8:00 – 9:00 Logan County  
Oakley – Buffalo Bill Cultural Center

9:15 – 10:15 Gove County  
Grainfield – Grainfield Opera House

11:00 – 12:00 Trego County  
WaKeeney – Public Library Community Room

1:00 – 2:00 Graham County  
Hill City – Pioneer Development

2:30 – 3:30 Sheridan County  
Hoxie – Oscar's

#### Friday, March 6

10:00 – 11:00 Scott County  
Scott City – Scott County Library

2:00 – 3:00 Lane County  
Dighton – Lane County Courthouse Community Room

[<Back to Top>](#)

### Use Value Appraisal, Part Two

Property tax on Kansas farmland has been a hot topic recently. Perhaps it is time to review why use-value appraisal is appropriate. There are some very legitimate reasons why the Kansas constitution was changed in 1986 to value agricultural land for property tax purposes based on its income-producing ability rather than its market value.

Land has traditionally been regarded as a store of value and a safe haven for capital in uncertain economic times. The reason for that is relatively simple: God isn't making any more land. That characteristic sets ag land apart from all other classes of property. If market forces indicate a demand for more office buildings, strip malls, or apartment complexes, then someone will build more of them. And when those developments occur, additional



### In This Issue:

[Upcoming Town Hall Meetings](#)

[Use Value Appraisal, Part Two](#)

[Public Meetings to Set Regional Water Supply Goals](#)

[Page Date](#)

[Subscribe or Forward](#)

[Cowboy Logic](#)

Visit Don's Website:  
[Hineman for Kansas](#)



### Useful Phone Numbers

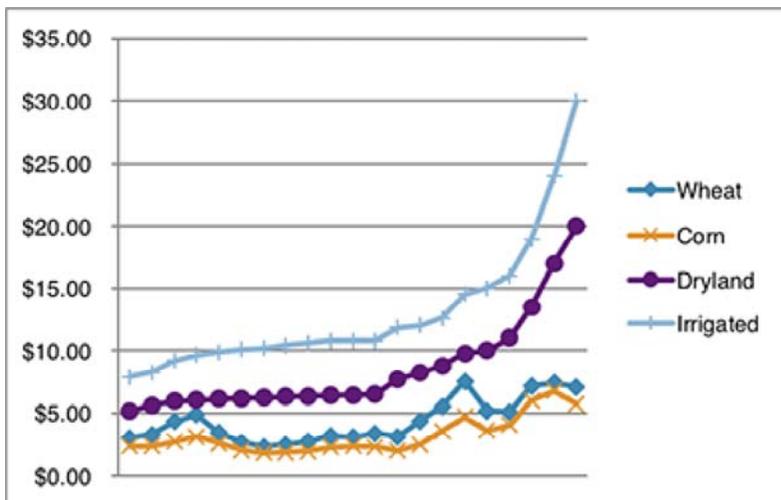
Department On Aging  
800-432-3535

Child/Adult Abuse Hotline

land is frequently taken out of agricultural production and converted to those alternative uses... once again diminishing the supply of ag land.

So whenever a parcel of ag land comes up for sale there are plenty of eager bidders. Neighboring farmers frequently bid because it presents a rare opportunity to expand their operation. Farmers farther away may bid because there are no expansion opportunities close to them. Investors frequently bid because they view ag land as a safe place to "park" some cash as they wait for better investment opportunities elsewhere. The market price of agricultural land is so disconnected from its income-producing ability that the buyer is forced to subsidize the income from the land in order to make the mortgage payments.

Because of those inflationary pressures on ag land, market prices and income-producing ability of the property are not as strongly linked as they are with other classes of property. Consider the following chart, which was constructed with data provided by KS Department of Revenue's Property Valuation Division.



For the years 1993-2013 it displays average market price for dryland and irrigated land in Kansas (divided by 100 to scale it for display purposes) and average price for wheat and corn in Kansas. Land prices have steadily increased over that time without any decline. But grain prices have varied considerably, both rising and falling. Data for productivity (yield per acre) also show wild fluctuations from year to year, because productivity is highly dependent on weather.

If we were to develop similar charts for other classes of property, we would see much closer correlation between market price and income-producing ability of the property. The obvious reason is that the supply of such properties is elastic, and is constantly being adjusted to meet market forces of supply and demand.

<http://www.ksrevenue.org/pdf/finalreport.pdf> contains a report from the International Association of Assessing Officers regarding use-value appraisal in Kansas. Here is a pertinent excerpt:

"Property tax is an ad valorem tax, or a tax based upon value of the property, not on the ability of a property owner to pay, but rather a wealth tax. There are two commonly used valuation standards in ad valorem tax systems—market value and use value. Appraisers commonly use market value, whether determining a value for a mortgage, estimating the net worth of a company, or even trying to sell real estate. Use value, when applied in

800-922-5330

**Child & Family Services**  
888-369-4777

**Consumer Protection**  
800-423-2310

**Crime Tip Hotline**  
800-252-8477

**Crime Victim Assistance**  
800-828-9745

**Gov- Brownback**  
800-748-4408

**Highway Road Conditions**  
511 (in Kansas)

**Housing Hotline**  
800-752-4422

**KanCare Assistance**  
866-305-5147

**Kansas Lottery**  
800-544-9467

**Legislative Hotline**  
800-432-3924

**Mental Health Services**  
888-582-3759

**School Safety Hotline**  
877-626-8203

**Social Security**  
800-772-1213

**Taxpayer Assistance**  
785-368-8222

**Tax Refund Status**  
800-894-0318

**Unclaimed Property**  
800-432-0386

**Unemployment Insurance**  
800-292-6333

**Vital Statistics**  
785-296-1400

**Voter Registration**  
800-262-8683

**Welfare Fraud Hotline**  
800-432-3913

**Worker's Comp**  
800-332-0353

the valuation of agricultural land, attempts to determine a value based upon the actual production of the land and removes other influences that affect the market value of real estate. A survey of all fifty states revealed that forty-three employ some version of use value, rather than a market value standard, for determining agricultural land values for property tax purposes.”

Here is another excerpt: "Based on the goals articulated for use value in Kansas and the thirty states included in the review, **the current Kansas system is the best system in the United States.**"

Certainly there is an advantage to the farmer or rancher to valuing ag land based on its productive capability, but there is also value to the taxing entity, as it produces a more consistent valuation from year to year and greater certainty for the budgeting process.

An additional advantage of use-value appraisal is as a tool to prevent urban sprawl. If agricultural land was valued on its market value, then farmers on the edges of cities would see their valuations (and taxes) skyrocket as developers bid up the price of neighboring land. That would then force the farmer to sell to developers when he can no longer afford to pay the taxes. Thus use-value can function to halt the tendency of urban areas to spread out into the adjoining countryside, and it can serve to preserve urban green space.

Senate Bill 178 proposes to raise the assessed valuation of ag land by an average of 473% statewide. The impact on taxes paid by ag land owners would vary widely from county to county, depending on how large ag land's share is of total assessed valuation. Statewide, SB 178 would increase the property taxes on ag land by an astounding \$716 million per year! And that assumes that all local elected officials don't take advantage of that new-found "wealth" to increase their budgets, but instead reduce the local mill levy accordingly. That assumption is probably not valid.

For many farmers and ranchers, their investment in land represents their retirement account, and they are required to pay property tax annually on that investment. Our urban counterparts, who typically have their retirement accounts invested in stocks or bonds, avoid that tax at the present time. Are we to believe that stocks and bonds don't represent wealth? Property tax is in essence a tax on wealth, and somehow that doesn't seem equitable.

In the past two weeks I have heard from many of my constituents as well as other farmers and ranchers from all over the state. I have received a very consistent message: "Please leave our property taxes alone, and instead put us back on the income tax rolls." Farmers and ranchers did not ask for the pass-through exemption in 2012 and were surprised when they learned that they no longer owed income tax to the state. Many have told me they feel guilty for no longer being asked to shoulder their fair share of the income tax burden.

A report in the Wichita Eagle on February 21 revealed that the original projections from Kansas Department of Revenue for the number of entities which would qualify for the business pass-through income exemption in the 2012 tax cut missed the mark quite significantly. They estimated that 191,000 business entities would qualify for the exemption but in 2013 there were 333,000 Kansas tax returns filed which took advantage of the exemption.

<http://www.kansas.com/news/politics-government/article10802204.html>

I find that very troubling, and it is strong evidence that the entire concept of the business pass-through income tax exemption was poorly understood and too hastily adopted in 2012. It is truly too broad and not nearly targeted enough to have the intended stimulative effect on the Kansas economy. If

our objective is to find additional revenue for the state, rather than punishing one segment of the Kansas economy, then it is time for legislators to work together to correct the over-reach of the pass-through exemption.

[<Back to Top>](#)

## Public Meetings to Set Regional Water Supply Goals

Recently the Kansas Water Regional Goal Leadership Teams met to begin the goal setting process to help develop water supply goals. The 14 teams will soon hold public meetings in each region to hear input from stakeholders and citizens. The public will be asked to share their input on specific topics that are water supply issues for their region. Region stakeholders and citizens are encouraged to attend one of the input sessions.

### **Tuesday, March 3**

WaKeeney, KS – 1 p.m.,  
Western Electric Building, 635 South 13th Street

### **Wednesday, March 4**

Scott City, KS – 1 p.m.  
William Carpenter 4-H Building, 608 Fairground Road

Tribune, KS - 6 p.m. (MT)  
Greeley County 4-H Building, 905 Ingalls

### **Tuesday, March 10**

Goodland, KS – 9 a.m.  
Fire EMS Building, 1004 Center Avenue

Colby, KS – 7 p.m.  
Community Building, 285 E 5th Street

### **Thursday, March 12**

Garden City, KS – 6 p.m.  
Finney County Fairgrounds, 209 Lake Avenue

The teams will present the draft regional water supply goals to the Kansas Water Authority (KWA) in May 2015. The KWA will provide advice towards development of the regional goals with final goals to be approved by the Authority in August 2015. For more information on the March public meetings, water supply information about each region, or to read the final version of the Long-Term Vision for the Future of Water Supply in Kansas, visit [www.kwo.org](http://www.kwo.org).

[<Back to Top>](#)

## Page Date

I have openings for legislative pages on Monday March 9. This invitation is open to junior and senior high school students, and is a wonderful opportunity to spend a day in the state Capitol, help out on the floor of the House, and learn about state government. Please notify me as soon as possible if you are interested. See contact information below.

[<Back to Top>](#)

## Subscribe or Forward

This newsletter is primarily intended for the residents of the 118th District (all of Wichita, Scott, Lane, Logan, Gove, Trego, and Sheridan Counties and portions of Thomas and Graham Counties). However it is available to anyone who finds it of interest. Please forward to your friends, or if you are not now receiving a FREE subscription to my newsletter, [click here to sign up](#).

[<Back to Top>](#)

[Share this Newsletter with your friends...](#)

### Cowboy Logic

No sense in being pessimistic; it wouldn't work anyway.

### Quote of the day

"Nearly all men can stand adversity, but if you want to test a man's character, give him power." — **Abraham Lincoln**

### Sermon in a sentence

Be kind to unkind people; they need it the most.

[< Back to Top>](#)

---

### Representative Don Hineman

Visit My Website at <http://www.hinemanforkansas.org/>

116 S. Longhorn Road	Room 50A, State Capitol Building
Dighton, Kansas 67839	300 SW 10th Street
Phone: 620-397-2504	Topeka, Kansas 66612
Fax: 620-397-755	Phone: 785-296-7636
Email: <a href="mailto:dhineman@st-tel.net">dhineman@st-tel.net</a>	Email: <a href="mailto:don.hineman@house.ks.gov">don.hineman@house.ks.gov</a>

---

Newsletter Paid for by Hineman For Kansas - Derek Martin, Treasurer