

**SENATE BILL No. 311**

By Committee on Assessment and Taxation

3-14

1 AN ACT concerning property taxation; relating to valuation; excluding  
2 internal revenue code section 1031 exchange, ***build-to-suit and sale-***  
3 ***leaseback arrangement*** transactions as indicators of fair market value;  
4 amending K.S.A. 79-503a and repealing the existing section.  
5

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

7 Section 1. K.S.A. 79-503a is hereby amended to read as follows: 79-  
8 503a. "Fair market value" means the amount in terms of money that a well  
9 informed buyer is justified in paying and a well informed seller is justified  
10 in accepting for property in an open and competitive market, assuming that  
11 the parties are acting without undue compulsion. In the determination of  
12 fair market value of any real property which is subject to any special  
13 assessment, such value shall not be determined by adding the present value  
14 of the special assessment to the sales price. For the purposes of this  
15 definition it will be assumed that consummation of a sale occurs as of  
16 January 1.

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

- 20 (a) The proper classification of lands and improvements;  
21 (b) the size thereof;  
22 (c) the effect of location on value;  
23 (d) depreciation, including physical deterioration or functional,  
24 economic or social obsolescence;  
25 (e) cost of reproduction of improvements;  
26 (f) productivity taking into account all restrictions imposed by the  
27 state or federal government and local governing bodies, including, but not  
28 limited to, restrictions on property rented or leased to low income  
29 individuals and families as authorized by section 42 of the federal internal  
30 revenue code of 1986, as amended;  
31 (g) earning capacity as indicated by lease price, by capitalization of  
32 net income or by absorption or sell-out period;  
33 (h) rental or reasonable rental values or rental values restricted by the  
34 state or federal government or local governing bodies, including, but not  
35 limited to, restrictions on property rented or leased to low income  
36 individuals and families, as authorized by section 42 of the federal internal

1 revenue code of 1986, as amended;

2 (i) sale value on open market with due allowance to abnormal  
3 inflationary factors influencing such values;

4 (j) restrictions or requirements imposed upon the use of real estate by  
5 the state or federal government or local governing bodies, including  
6 zoning and planning boards or commissions, and including, but not limited  
7 to, restrictions or requirements imposed upon the use of real estate rented  
8 or leased to low income individuals and families, as authorized by section  
9 42 of the federal internal revenue code of 1986, as amended; and

10 (k) comparison with values of other property of known or recognized  
11 value. The assessment-sales ratio study shall not be used as an appraisal  
12 for appraisal purposes.

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

17 *The sale price or value at which a property sells or transfers ownership*  
18 *in a federal internal revenue code section 1031 exchange, a **build-to-suit***  
19 ***transaction or any sale-leaseback arrangement** shall not be considered*  
20 *an indicator of fair market value nor as a factor in arriving at fair market*  
21 *value. Federal internal revenue code section 1031 exchange, **build-to-suit***  
22 ***and sale-leaseback arrangement** transactions shall not be used as*  
23 *comparable sales for valuation purposes nor as valid sales for purposes of*  
24 *sales ratio studies conducted pursuant to K.S.A. 79-1485 et seq., and*  
25 *amendments thereto.*

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

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