

State of Kansas

**Kansas Department of Revenue
Division of Property Valuation**

The following appraisal directive is adopted by the director of property valuation pursuant to K.S.A. 79-505:

DIRECTIVE #98-031: Classification and valuation of real property under construction.

A question has arisen as to how real property that was a vacant lot, but has construction in progress taking place on January 1st, should be valued and classified for property tax purposes. As a general rule, such property shall be valued at fair market value as of January 1st, the assessment date. Furthermore, if there is added value attributable to the construction in progress on January 1st, the property shall be classified based upon its intended use, and not as a vacant lot.

Land and improvements shall be valued at fair market value as of January 1st. A county appraiser may not, by law, exempt or ignore any added market value attributable to real property under construction. K.S.A. 79-101 requires all property, not expressly exempt from taxation, to be valued. K.S.A. 79-501 requires property, except personal property valued pursuant to K.S.A. 79-1439 and land devoted to agricultural use valued pursuant to K.S.A. 79-1476, to be valued at fair market value. K.S.A. 79-503a defines fair market value as 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.

The county appraiser shall not classify real property as a vacant lot if the county appraiser determines that there is added value attributable to the construction in progress on January 1st. An "improvement" is defined by *Black's Law Dictionary* as "[a] valuable addition. . ." Therefore, the first January 1 that the improvement adds value to the overall market value of the real property, the property can no longer be considered a vacant lot for classification purposes. Under these circumstances, the property shall be classified based upon the intended use as of January 1st.

No statute expressly exempts property under construction from taxation; therefore, the county appraiser shall determine the fair market value and the classification of property under construction as of January 1st, from actual view and inspection and enter such value and classification on the appraisal rolls.

APPROVED: June 12, 1998

Mark S. Beck
Director of Property Valuation