

M I N U T E S

SPECIAL COMMITTEE ON ASSESSMENT AND TAXATION

June 20, 1975

The Committee was called to order by the Chairman, Senator Norman Gaar, shortly after 10:00 a.m. with all members present except Representative Thiessen. Staff present included Richard Ryan, Arden Ensley, Bill Edds and Mike Heim.

Proposal No. 5 - Motor Vehicle
Taxation

Mr. Ensley summarized the development of 1975 S.B. 52 from the time it was drafted for last year's interim tax committee (after the constitution was amended in August 1974 to permit separate classification of motor vehicles) through the last amendments prepared for the Senate Committee on Assessment and Taxation during the 1975 Session. He pointed out that the original version of S.B. 52 was largely based on the Indiana law, which imposes a flat-rate tax regardless of situs on vehicles classified according to value and age, with a \$12 minimum tax. Because the Senate Committee was concerned about the effect of a flat-rate tax on the tax liability of individual vehicle owners and on the revenue of local units of government, consideration was given to using the county average property tax rate or the county average rural and urban tax rates instead of a uniform flat-rate tax such as imposed by Indiana. The last version of S.B. 52 provided for using the county average rural and urban tax rates.

Among other things, the Senate Committee also decided to revise and expand the classification schedule and to provide for an annual depreciation rate of 16% on the remaining balance of a vehicle's value for each year since it was first offered for sale.

Under S.B. 52, as last amended by the Senate Committee, passenger cars and motorcycles would be classified in 20 classes according to their value when first offered for sale as a new vehicle based on factory advertised delivered price or port of

entry price, plus freight charges; the mid-point of the value for each class, after the 16% depreciation rate had been applied, would be multiplied by 30%; and that product would then be multiplied by the preceding year's county average rural or urban property tax rate, depending on the situs of the vehicle, to determine the amount of tax due, which would be payable at the time of registration. Minimum taxes would be \$6 on motorcycles and \$12 on passenger cars.

Mr. Ensley also briefly explained other significant features of S.B. 52, as last amended.

Mr. Pat Brown, Johnson County Assessor, presented a resolution signed by representatives of the Kansas County Assessors Association, Kansas County Clerks Association and the Kansas County Treasurers Association, which stated that the associations mentioned go on record that they support the present concept of motor vehicle taxation contained in the latest version of S.B. 52 (Attachment I).

Mrs. Dorothy Chapman, representing the County Clerks Association, and Mr. Ellis Moke, representing the Kansas County Treasurers Association, agreed that they were in support of the concept of S.B. 52. Mr. George Schnellbacher, Shawnee County Assessor, endorsed Mr. Brown's remarks and said that the research questionnaire (discussed below), which was designed to develop information needed to determine the impact of various alternatives proposed for a new motor vehicle taxation system, is a workable questionnaire.

A question was raised concerning procedures for distributing tax revenue under S.B. 52, as amended. Mr. Brown said that present procedures are about as complicated as they could get. Senator Gaar explained that one of the purposes of the research questionnaire is to compare what the impact of the current law is with the Indiana plan as well as the system proposed in the latest version of S.B. 52. He also noted that this year's interim committee is not bound by the action of the Senate Committee and that further amendments of S.B. 52 will be considered after the results of the current research have been analyzed.

Senator Janssen asked if further consideration will be given to using a straight county average property tax rate as a possible alternative. The Committee decided to include the county average rate as another computation to be made from data received through the questionnaire.

Mr. Bill Enright, representing the Kansas Motor Car Dealers Association, stated that he did not think sufficient data was available at the present time and that he was in favor of further study of the issue. He said that the executive committee of his association had met last week, that basically his association supported the concept contained in S.B. 52, and that they probably would continue to support such concept.

Mr. Ryan then reviewed the specifics of the research questionnaire, which was prepared, in cooperation with the Legislative Research Department, by Lyle Clark and Bob Badenoch of the Property Valuation Division, who were present at the meeting. It was noted that 24 counties had been selected and that these 24 counties contained approximately 60% of the state's population. Counties represent large, small, and medium sized counties and are located in all geographic areas in the state. County officials will be requested to provide certain basic data. The actual calculations and comparisons of the effects of alternative plans will be made at the state level by the Property Valuation Division. All registration data on passenger cars for the letter E will be used for the research project. The letter E tag includes persons whose last name begins with the letters E, F, and G. The selected counties have until July 18 to fill out the form and return it to the Property Valuation Division. It is tentatively planned that the Division will finish its computations by the end of August. A test sample was run in the counties of Logan, Ellis, Shawnee and Marshall and it was found that the form was workable.

It was explained that there were primarily two objectives of the survey. One is to test the impact of the various proposals on local revenues and the second is to determine the tax impact on vehicles of different values and ages.

Senator Christy expressed concern about whether the 16% depreciation rate would result in some disparities. The Committee agreed to give this matter further attention after the results of the research survey are available.

Proposal No. 6 - Assessment
Ratio Study

Staff reviewed the materials in the Committee notebooks concerning the assessment ratio study proposal. There were questions concerning whether the Secretary of Revenue had hired a research analyst and three field-men, as authorized in 1974. Staff was directed to determine whether or not all of these persons had been hired. The staff was further instructed to invite the Secretary of Revenue to appear at the next Committee meeting and to bring along the research analyst.

Representative Stark mentioned the matter of contract sales as an issue to be considered in the study of the sales assessment ratio. He asked if Dr. Pine from the Kansas State University could be invited to brief the Committee on this particular question. It was pointed out that Dr. Pine is a member of the Technical Advisory Committee to the Secretary of Revenue and that he and the other members will be invited to attend the next Committee meeting.

Representative Garrett said that he has heard there are conflicting statutes in the assessment laws. Senator Gaar suggested that this matter should be brought up when Proposal No. 6 is being considered at the next meeting.

Proposal No. 7 - Job
Expansion Act

Mr. Edds distributed and explained a "mock-up" version of H.B. 2153 which passed the House in 1975 and was held over in the Senate Tax Committee. The "mock-up" version contained changes suggested by the Senate Committee. Senator Gaar asked if a fiscal note had been prepared on the bill. It was pointed out that the last note, dated April 2, 1975, is in the Committee notebook. Mr. Tom Severn of the Budget Division said that the fiscal note probably would have to be revised due to changes made in the bill since the last note was prepared. Senator Gaar requested that a revised fiscal note be prepared by the Division of the Budget in cooperation with the Department of Revenue.

Mr. Bud Grant, representing the Kansas Association of Commerce and Industry, stated that he hoped to be able to provide the Committee with better data on the impact of H.B. 2153 than during the last session. Representative Whittaker suggested the data should reflect the additional revenue which will be produced by potential new facilities as well as the tax loss.

Proposal No. 8 - Agricultural Use
Value Appraisal

Senator Gaar discussed the charge to the Committee from the Legislative Coordinating Council re Proposal No. 8. It was noted the Coordinating Council did not ask the Committee this year to come up with a specific plan, but rather charged the Committee with reporting on options that the 1977 Legislature can consider if the voters approve the proposed constitutional amendment in 1976. It was mentioned that Dr. Barry Flinchbaugh is planning to conduct a survey of the potential effect on the tax base of changing to agricultural use value appraisal and that the survey should be completed this fall.

Staff then reviewed the materials concerning agricultural use value in the Committee notebook. Senator Gaar said the Committee would be expected to draft a report that would review the various options available to the 1977 Legislature. It was agreed by the Committee that it would hold at least one hearing for different interest groups to present their ideas as to options. Staff recommended that the decisions and instructions for the report should be made to them by October if at all possible.

Representative Wilkin suggested that the study should include consideration of "development rights" as one of the available options. She stated that the legislature might be able to use this idea regardless of whether the voters approve the constitutional amendment in 1976.

Representative Hineman suggested that a fifth option should be added to the Policy Questions Checklist on Proposal No. 8, dated May 27, 1975, namely, review of K.S.A. 79-503, relating to determination of fair market value.

Depletion Allowance

Senator Gaar indicated that the Legislative Coordinating Council may be asked to approve an interim study of whether the oil and gas depletion allowance should be restored in Kansas in spite of the recent amendments to the Internal Revenue Code. He felt this Committee should be assigned such a study, if one is approved, because it is a tax issue.

Mr. Don Schnacke, representing the Kansas Independent Oil and Gas Association, was asked to comment on such a study and on whether there were other incentives available besides the oil depletion allowance. He favored the idea of a study, noting that Oklahoma recently acted to retain the depletion allowance and said several other alternatives had been discussed extensively before the Special Committee on Natural Gas within the past week.

Future Meetings

After some discussion, the Committee adopted the following schedule of meetings:

July 17 and 18 - it was decided that the 17th would be devoted to Proposal No. 7; both July 17 and 18 would be devoted to Proposal No. 6.

August 21-22
September 18
October 30
November 13 - Tentative

Prepared by Mike Heim

Approved by Committee on:

July 17, 1975
(Date)

"RESOLUTION"

BE IT RESOLVED at a joint meeting of the Officers and Executive Board of the Kansas County Assessors, Kansas County Clerks and Kansas County Treasurers on June 11, 1975, a joint motion was properly made and seconded by each Association that the respective Associations go on record that they support the present concept of Senate Bill # 52.

Kansas County Assessors Association

Grathey H. Brown Jr.
Geo. G. Schneppacher

Kansas County Clerks Association

Dorothy M. Chapman
Samuel V. Bell

Kansas County Treasurers Association

E. H. Drake
