

M I N U T E S

SPECIAL COMMITTEE ON ASSESSMENT AND TAXATION

October 30, 1975

The meeting was called to order shortly after 9:00 a.m. by Chairman Gaar, with all members present. Staff present: Arden Ensley, Bill Edds, Mike Heim, Roy Johnson, and Richard Ryan.

Minutes of Last Meeting

It was moved by Representative Brooks and seconded by Senator Christy that the minutes of the October 3 meeting be approved. Motion carried.

Proposal No. 5 - Motor Vehicle Taxation

The staff and Lyle Clark, Property Valuation Division, explained data prepared by the Division comparing the taxes on sample cars in four sample counties computed on the present basis, under S.B. 52 (using county average mill levies) at four different depreciation rates, and with a modification relating to the method of valuing cars already registered as suggested by Senator Christy. Copies were filed in the Committee notebooks.

Secretary of Revenue Kalb submitted a revised fiscal note indicating that during the first full year of operation under the proposed system the Department would incur the following estimated expenses:

	<u>Present Form</u>	<u>Without Sec. 17</u>
One-time start-up expense	\$ 53,051	\$ 50,951
Annual operating expense	<u>93,381</u>	<u>57,430</u>
Total	\$146,432	\$108,381

Section 17 would require that the Department be notified of all changes of address or of name.

Mr. Kalb also reported that the work schedule for the Department's systems analysis and programming staff is full for the short time future and that to construct in-house a computer simulation model to estimate the impact on various taxing units of potential changes in the depreciation schedule or classification matrix would require either a delay in other state programs or in the availability of the desired data. Other possibilities suggested were contracting with an outside software firm to develop a simulation model (at a possible cost of \$10-\$25,000) or trying to utilize the computer capabilities of Johnson County. It was reported that preliminary discussions indicated the possibility of a tie-in to programming already developed by Johnson County in providing data for the study this summer, with estimates of a \$2,000 set-up cost and an average cost of \$500 (\$400-\$600) per computer run (with no charge for costs already incurred by Johnson County).

It was moved by Senator Christy and seconded by Senator Simpson that the Legislative Coordinating Council be asked to approve negotiations with Johnson County along the above lines, with the understanding that any computer runs requested would have to be approved by the chairman of one of the standing committees. Motion carried.

It was moved by Senator Simpson and seconded by Representative Stark that Section 17 be deleted from the bill. Motion carried, with a vote of 7 "Ayes" (Stark, Thiessen, Hineman, Whittaker, Christy, Wilkin, Simpson) and 5 "Nays" (Brooks, Garrett, Chaney, Janssen, Powell).

It was moved by Senator Christy and seconded by Representative Hineman that the bill be amended to use the latest available manual valuations as the starting base for taxation of vehicles already registered (or other vehicles of the same age), with depreciation thereafter at the rate specified in S.B. 52. Motion carried, with Senator Janssen abstaining.

In reply to a question, it was stated that this would create no administrative problems for the Department. However, a possible need for clarification of the authority of the Department to call on county officials for assistance in classifying vehicles during 1977 was recognized.

Proposal No. 67 - Oil and Gas Incentives

In reply to a question, Mr. Schancke said that the depletion allowance bill as written takes into account all production as a base for depletion, and that KIOGA would prefer the bill in its present form in this respect.

It was moved by Senator Simpson and seconded by Representative Powell that the Committee recommend leaving the Kansas income tax law as it is (conforming to the federal) as far as depletion is concerned. Motion carried, with 8 "Aye" votes (Stark, Garrett, Chaney, Janssen, Powell, Whittaker, Wilkin, Simpson) and 4 "Nay" votes (Brooks, Thiessen, Hineman, Christy).

It was moved by Representative Whittaker and seconded by Representative Hineman that the Committee recommend the bill to accelerate amortization from five years to two years for costs of tertiary recovery or heavy oil and tar sand production in Kansas. Motion carried unanimously.

Proposal No. 6 - Ratio Study

Dr. Tollefson reported that the Technical Advisory Committee had reviewed its recommendation re use of a moving average in the computation of district wealth for school aid purposes as well as the current method and concluded that the existing procedure meets the objective of the TAC recommendation.

Suggestions by Committee members included discounting sale price to say 75% before computing the sales ratio or changing the statutory assessment standard from 30% to 20%. Dr. Tollefson commented that while either might narrow the spread between practice and the statutory standard they would not solve the problem of wide variations from the median. He also noted that application of 79-1436^b would lead to mass reappraisals, and suggested that upgrading the assessment process would be a preferable direction to take.

It was moved by Representative Garrett and seconded by Representative Wilkin that the Committee recommend following the Technical Advisory Committee recommendations. It was moved as a substitute motion by Senator Simpson and seconded by Senator Janssen that the Committee recommend elimination of the assessment-sales ratio study. The substitute motion carried, by a vote of 8 "Ayes" (Stark, Thiessen, Hineman, Janssen, Simpson, Christy, Brooks, Powell) and 3 "Nays" (Garrett, Wilkin, Whittaker).

After further discussion, it was moved by Senator Janssen and seconded by Senator Christy that the Committee further recommend to the standing committees development of a different tool for equalizing property valuations, with special attention to problems involved in the distribution of school aid and the appraisal factors specified in K.S.A. 79-503. Motion carried, with 8 "Ayes" (Stark, Brooks, Thiessen, Hineman, Chaney, Janssen, Christy, Simpson).

Further discussion included suggestions that the Committee report include a statement that the Committee's action was not intended to be disruptive of the distribution of state school aid and that the present system should be continued until a substitute is agreed upon.

In answer to a question, the staff was instructed to include in the report a recommendation of the Technical Advisory Committee report for possible future reference.

Proposal No. 7 - Job Incentive Act

After again noting that, except for feedlots, agricultural projects are not included in the bill, a motion to include them was made but later withdrawn by Representative Hineman.

Attention was again called to a Department interpretation that cooperatives would qualify only if they pay an income tax, and there would be no pass through to members.

It was moved by Senator Janssen and seconded by Senator Simpson that state regulated utilities be excluded from the application of the bill. Motion carried.

It was moved by Senator Janssen and seconded by Senator Chaney that $\frac{1}{2}$ credit be allowed any present business adding 5 employees. Motion failed.

It was moved by Representative Whittaker and seconded by Representative Thiessen that the requirements for a replacement facility to qualify for the credit be reduced from \$5 million and 500% to \$3 million and 300%. Motion carried, with one negative vote.

It was moved by Representative Stark and seconded by Representative Brooks that the Committee recommend that the bill, reprinted with amendments as a substitute for H.B. 2153, be enacted. Motion carried, with 8 "Ayes" (Stark, Brooks, Thiessen, Hineman, Garrett, Powell, Whittaker, Christy), and 4 "Nays" (Chaney, Janssen, Wilkin, Simpson).

Proposal No. 8 - Agricultural Land
Appraisal

A 23-page report draft was distributed with a request that Committee members advise the staff of any changes suggested so that language can be prepared for consideration by the Committee at the final meeting.

Other Business

Secretary of Revenue Kalb and Bob Olsen of his legal staff presented a memorandum relating to problems that have arisen in interpretation and implementation of the Homestead Property Tax Relief Act as amended in 1975. A copy of regulations proposed to be effective January 1, 1976, was included with the memorandum.

It was agreed that suggestions for any clarifying legislation deemed necessary be routed through the staff to the standing committee chairmen for consideration in the next session.

Final Committee Meeting

The final Committee meeting for review of Committee reports and bill drafts will be held on Friday, November 14, at 9:00 a.m., in Room 519.

Prepared by Roy H. Johnson

Approved by Committee on:

11-14-75

(Date)