

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Representative Jim Braden at
Chairperson

9:00 a.m. ~~p.m.~~ on January 14, 1983 in room 519S of the Capitol.

All members were present except:

Representative R. Frey who was excused.

Committee staff present:

Wayne Morris, Research Department
Tom Severn, Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

The minutes for the meetings held on January 12 and 13 were approved as printed.

Wayne Morris, of staff, presented information on the following subjects: Property Taxes in Kansas (Attachment I), Property Tax Exemptions in Kansas (Attachment II), and Kansas Tax Facts and the 1982 Supplement to the Fourth Edition (Attachment III). The members of the committee asked questions as the presentation progressed.

Mr. Morris also presented Sales Tax Options (Attachment IV) which had been requested previously by a member of the committee.

The Chairman reviewed the agenda for the upcoming week and stressed the importance of the bills on which hearings will be held. He also requested that all members make a concerted effort to be on time and in attendance.

The meeting was adjourned at 10:28 a.m.

The next meeting will be held on Monday, January 17, 1983, at 9:00 a.m. in room 519-S.

MEMORANDUM

January 5, 1983

TO: House Committee on Assessment and Taxation
FROM: Kansas Legislative Research Department
RE: Property Taxes

PROPERTY TAXES IN KANSAS

This memorandum reviews briefly the history, administration, and laws pertaining to the property tax in Kansas.

History

Property taxes have been levied in Kansas since statehood, and in the early days the property tax was virtually the only source of state revenues. From 1861 through 1955 (with the exception of 1943-46 and 1953-54) a state property tax was levied for general operating purposes, and from 1923 through 1954, a statewide property tax was levied to retire bonds issued to pay the World War I soldiers' bonus. The only property tax levies now made by the state are the Educational Building Fund (EBF) levy (1.0 mill, K.S.A. 76-6601) and the State Institutions Building Fund (SIBF) levy (0.5 mill, K.S.A. 76-6604). The EBF was authorized as a constitutional amendment in 1918 (now found at Article 6, Section 10) and the first levy was made in 1942 at the rate of 0.25 mill. The SIBF was authorized as a constitutional amendment in 1952 (Article 7, Section 6) and the first levy was made in 1953. The state also receives the revenue from the motor carrier property tax which is levied on the value of vehicles and rolling equipment used by nonlocal intrastate and interstate motor carriers; this revenue is deposited in the State General Fund and an amount equal to that tax revenue is transferred to the Special City and County Highway Fund.

In addition to the state, the following governmental units in Kansas are authorized to levy a property tax: counties; cities; townships; junior colleges; municipal universities; unified school districts; and special districts (including improvement districts). In 1977 there were 3,367 governmental units with taxing power in Kansas, including the state itself. Tangible property taxes continue to be the largest single source of tax revenue for local governments. In FY 1982 tangible property taxes for local governments were \$989,559,000, or 83.6 percent of total local government tax revenue.

Property Subject to Taxation

All property not expressly exempted is subject to taxation. The Kansas Constitution exempts from taxation property that is used for certain purposes. Article 11, Section 1 of the Constitution provides, in part, that:

All property used exclusively for state, counties, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, and all household goods and personal effects not used for the production of income, shall be exempted from taxation.

The Kansas Supreme Court has made the following interpretations relative to the above constitutional provision: (a) the Legislature may not restrict or limit the exemptions specifically granted by the Constitution; (b) while the Constitution provides that certain property shall be exempt, it does not declare that the Legislature may not provide for other exemptions; and (c) for the Legislature to extend exemptions beyond those expressly designated in the Constitution, such exemptions must have a public purpose and be designed to promote the general welfare. The state does not reimburse the local governments for any of these exemptions.

In addition to exemptions, the Legislature has enacted two credit or refund programs for property taxes. The first enactment is the Kansas Homestead Property Tax Refund Act, K.S.A. 79-4501 et seq., enacted in 1970, and amended several times since then. The Act provides for a refund of property tax or rent paid for residents with a household income of up to \$12,800 and who are either: age 55 or above; disabled or blind; or have a dependent child under age 18. The maximum refund cannot exceed \$400. Claims paid in calendar year 1981 totalled \$9.8 million, with an average claim of \$145.

A second enactment, in 1977, provided for a rebate of 35 percent of the property tax on a building equipped, by December 31, 1980, with an active solar energy system designed to meet 70 percent of heating or cooling needs, for each of five years. Amounts paid in FY 1982 totalled \$33,132. (For tax years 1980 through 1985 active solar energy systems are exempted from taxation).

"Uniform and Equal" Requirement

All property in Kansas, not otherwise exempt, with the exception of certain types of personal property, must be taxed at a "uniform and equal rate of assessment and taxation." This mandate is contained in Article 11, Section 1 of the Kansas Constitution. It states:

The legislature shall provide for a uniform and equal rate of assessment and taxation, except that the legislature may provide for the classification and the taxation uniformly as to class of motor vehicles, mineral products, money, mortgages, notes and other evidence of debt or may exempt any of such classes of property from property taxation and impose taxes upon another basis in lieu thereof.

The Legislature has separately classified motor vehicles and intangibles and has applied special taxes to such property in lieu of the general property tax.

A 1976 amendment to the Kansas Constitution authorizes use-valuation of land devoted to agricultural use. No statutes implementing this amendment have been enacted by the Legislature. The amendment, Article 11, Section 12 provides:

Land devoted to agricultural use may be defined by law and valued for ad valorem tax purposes upon the basis of its agricultural income or agricultural productivity, actual or potential, and when so valued such land shall be assessed at the same percent of value and taxed at the same rate as real property subject to the provisions of section 10 of this article. The legislature may, if land devoted to agricultural use changes from such use, provide for the recoupment of a part or all of the difference between the amount of the ad valorem taxes levied upon such land during a part or all of the period in which it was valued in accordance with the provisions of this section and the amount of ad valorem taxes which would have been levied upon such land during such period had it not been in agricultural use and had it been valued, assessed and taxed in accordance with section 1 of this article.

The "uniform and equal" property tax clause has become one of the most litigated provisions of the Kansas Constitution. The Kansas Supreme Court has held that this provision requires uniformity in the basis of assessment as well as in the rate of taxation throughout a taxing jurisdiction.

Administration

In accordance with the above constitutional mandate, the Legislature has enacted statutes providing rules for valuing and taxing property. All real and tangible personal property, under K.S.A. 79-501, is to be appraised at its "fair market value in money," as that phrase is defined in K.S.A. 1982 Supp. 79-503a. Following appraisal at 100 percent of fair market value in money, property is to be assessed at 30 percent of such value, under the terms of K.S.A. 79-1439.

The Director of Property Valuation administers the Division of Property Valuation within the Kansas Department of Revenue. The Director is to exercise general supervision over the administration of the assessment and tax laws of the state to ensure that assessments of property be made relatively just and uniform and at true and full market values and to require all local appraisers to "assess all property of every kind and character at its actual and full cash market value" (K.S.A. 79-1404). Another statute, K.S.A. 75-5105a, more specifically requires that the Director devise forms, records, and other assessment tools that will help assure uniform assessments throughout the state. That statute also requires the Director to prescribe guides showing the fair market value in money of personal property. Local appraisers, in setting values for personal property are required to conform to the values shown in the personal property assessment guides, but they may deviate from the guides "on an individual piece of property for just cause shown and in a manner consistent with fair market value," under K.S.A. 79-1456.

The Director of Property Valuation assesses all public utility property in the state and then distributes the assessed valuations to the taxing districts in which the property is located. All other tangible property is assessed by county or district appraisers. The assessment date for property is January 1. The tax for each year is due November 1, with one-half payable by December 20 and the other one-half by the following June 20. A detailed property tax administration calendar is attached to this memorandum (Attachment 1).

The rate of the tax is calculated by dividing the amount of tax (in dollars) by the tax base, or $R = T \div B$. Tax rates are usually expressed in mills, that is in units of one-thousandths of a dollar. Thus, the rate of tax to raise \$1,000 in taxes in a jurisdiction with \$100,000 in valuation would be .01 or 10 mills.

Tax Lid

The current "tax lid" applies to cities and counties and limits the aggregate amount (in dollars) which may be levied for funds or purposes that are not exempt from the lid. With certain exceptions, the aggregate tax levy in dollars may not exceed the same amount as levied for the base year, which is 1969 or 1970.

There are numerous types of tax levies that are exempt from the lid. Some of the exemptions have general application, such as levies for payment of principal and interest on bonds or for payment of employer contributions for employee benefits such as social security, while other exemptions apply only to a particular type of taxing subdivision such as all counties or all cities, and still other exemptions that apply only to an individual county or city. Most of the exempt levies added in the last few years require voter approval or are subject to a petition for an election.

A 1977 opinion of the Kansas Attorney General ruled that because the tax lid law is not uniformly applicable to all cities or to all counties, they may exercise their home rule powers to exempt all or some of their levies from the lid. Some have done so.

Another source of increased property tax revenues even for jurisdictions under the lid is the "natural growth" in assessed valuation within the subdivision. That is, millage rates computed under the lid can be applied to valuations increased by new improvements on real estate and personal property.

Unified school districts and junior colleges were subject to the tax lid as originally enacted in 1970, but they have since been excluded from the lid. Budgetary controls were imposed on school districts under the 1973 School District Equalization Act, and budgetary controls were imposed on junior colleges by another enactment in 1973.

Tax Levies

In 1981, total tangible property tax levies rose by \$102.1 million or 11.3 percent. The increase in dollars levied was the largest ever and the growth rate was the highest since 1977 when total levies increased by 11.6 percent.

Community college levies increased by 19.3 percent in 1981; school district levies by 12.2 percent; county, city, and township levies each by approximately 10 percent; special district levies by 9.1 percent; and municipal university and state levies by 4.6 percent and 4.7 percent, respectively.

Table I shows for each level of government the amount of tangible property taxes levied in tax years 1970 through 1981. Total levies were \$1.005 billion in 1981 compared with \$903 million in 1980 and \$890 million in 1979. The relatively small increase (1.6 percent) in 1980 reflects the fact that motor vehicles subject to the new tax imposed by Article 51 of Chapter 79 of K.S.A. were excluded from the general property tax base beginning in 1980.

It can be seen from Table I that in 1973 total levies decreased by 5.6 percent, which was the result of several property tax relief measures, including the School District Equalization Act, enacted by the 1973 Legislature. That was only the second time since World War II that total levies declined from the year before. There was a 3.5 percent decrease in 1965 due primarily to enactment of the former school foundation finance law. In both cases, tax levies rose substantially the following year.

State total assessed valuation as of November 1 increased by 4.7 percent in 1981. That compares with growth rates of 1.0 percent in 1980 (when most motor vehicles were excluded from the tax base), 7.3 percent in 1979, 3.1 percent in 1978, 9.0 percent in 1977, 7.5 percent in 1976, 6.7 percent in 1975, and 6.8 percent in 1974. Annual growth rates ranged from 1.7 percent to 5.4 percent in the early 1970's.

Following are the assessed valuations and tax levies on real estate, tangible personal property, and state-assessed property for tax years 1980 and 1981:

	Assessed Valuations (000)				Tax Levies (000)			
	1980	1981	Increase		1980	1981	Increase	
			Amount	%			Amount	%
<u>Real Estate</u>								
Rural	\$ 2,031,693	\$ 2,061,880	\$ 30,187	1.5%	\$158,729	\$ 171,028	\$ 12,299	7.7%
Urban	2,866,714	2,987,312	120,598	4.2	338,180	374,186	36,006	10.6
Total	4,898,408	5,049,192	150,785	3.1	496,909	545,214	48,305	9.7
<u>Personal</u>								
Rural	2,689,961	2,820,706	130,745	4.9	169,727	190,421	20,695	12.2
Urban	923,073	1,002,900	79,827	8.6	106,714	123,363	16,648	15.6
Total	3,613,034	3,823,606	210,572	5.8	276,441	313,784	37,343	13.5
<u>State-Assessed</u>	1,641,156	1,752,560	111,404	6.8	130,033	146,500	16,467	12.7
<u>GRAND TOTAL</u>	\$10,152,598	\$10,625,358	\$472,760	4.7%	\$903,382	\$1,005,497	\$102,115	11.3%

Assessed valuations increased by 3.1 percent on real estate, by 5.8 percent on personal property, and by 6.8 percent on state-assessed property. Tax levies rose by 9.7 percent on real estate, by 13.5 percent on personal property, and by 12.7 percent on state-assessed property.

Of the total taxes levied in 1981, 54 percent was on real estate, 31 percent on personal property, and 15 percent on state-assessed property.

The statewide average tangible property tax rates for the years 1970-1981 are listed below. During that period, the average rate increased by 14 percent.

1970 - 82.8	mills	1976 - 87.7	mills
1971 - 83.9		1977 - 89.8	
1972 - 84.8		1978 - 90.7	
1973 - 76.9		1979 - 88.5	
1974 - 83.2		1980 - 89.0	
1975 - 85.8		1981 - 94.6	

TABLE I
TANGIBLE PROPERTY TAX LEVIES IN KANSAS

	<u>In Millions</u>											
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
State	\$ 9.1	\$ 9.6	\$ 9.8	\$ 10.2	\$ 10.9	\$ 11.6	\$ 12.5	\$ 13.6	\$ 14.0	\$ 15.1	\$ 15.2	\$ 15.9
Counties ^a	99.4	107.0	104.8	96.7	110.5	129.8	146.5	162.3	170.4	189.9	193.3	212.7
Cities	84.0	88.1	93.8	101.5	111.2	119.8	133.4	143.4	147.3	162.3	152.9	168.1
Townships	8.4	8.5	8.3	7.9	8.5	9.2	9.6	10.3	11.3	12.3	14.1	15.5
Junior Colleges												
Out-District Tuition	4.8	5.5	4.9	1.3	1.1	1.8	3.0	3.6	3.9	4.0	3.9	3.7
All District Levies ^b	11.3	12.5	13.1	13.1	15.6	17.3	18.3	21.9	23.9	27.6	29.1	35.7
Total	<u>16.1</u>	<u>18.0</u>	<u>18.0</u>	<u>14.4</u>	<u>16.7</u>	<u>19.1</u>	<u>21.3</u>	<u>25.4</u>	<u>27.8</u>	<u>31.6</u>	<u>33.0</u>	<u>39.4</u>
Municipal Universities	1.9	2.0	2.1	2.2	2.4	2.5	2.7	3.0	3.6	4.0	4.1	4.3
Unified School Districts												
County Foundation Fund	56.5	60.0	61.8	14.1	16.7	16.7	16.7	16.8	--	--	--	--
General Fund	149.8	162.0	167.1	170.5	217.7	231.5	249.0	291.8	375.2	369.0	384.1	434.2
All Other Levies ^c	69.4	72.7	76.5	92.1	94.3	107.0	118.5	126.1	74.3	76.0	75.3	81.2
Total	<u>275.7</u>	<u>294.7</u>	<u>305.4</u>	<u>276.7</u>	<u>328.7</u>	<u>355.2</u>	<u>384.2</u>	<u>434.7</u>	<u>449.4</u>	<u>445.0</u>	<u>459.4</u>	<u>515.4</u>
Special Districts	9.9	11.3	12.5	13.8	15.7	18.1	20.1	22.5	25.4	29.2	31.3	34.2
GRAND TOTAL	<u>\$504.6</u>	<u>\$539.3</u>	<u>\$554.7</u>	<u>\$523.4</u>	<u>\$604.7</u>	<u>\$665.3</u>	<u>\$730.3</u>	<u>\$815.2</u>	<u>\$849.3</u>	<u>\$889.6</u>	<u>\$903.4</u>	<u>\$1,005.5</u>
Annual Increase:												
Amount	\$ 14.5	\$ 34.7	\$ 15.4	\$(31.3)	\$ 81.3	\$ 60.6	\$ 65.0	\$ 84.9	\$ 34.1	\$ 40.3	\$ 13.8	\$ 102.1
Percent	3.0%	6.9%	2.9%	(5.6%)	15.5%	10.0%	9.8%	11.6%	4.2%	4.7%	1.6%	11.3%
Exhibit: Annual Percentage Increase in Assessed Tangible Valuation	4.7%	5.4%	1.7%	4.0%	6.8%	6.7%	7.5%	9.0%	3.1%	7.3%	1.0%	4.7%

NOTE: Details may not add to totals due to rounding.

- a) Excluding junior college out-district tuition and county school foundation fund levies.
- b) See Table V for the other levies.
- c) See Table IV for the other levies.

SOURCE: Annual statistical reports of the Division of Property Valuation of the Department of Revenue.

Attachment I

Kansas Legislative Research Department

January 6, 1983

KANSAS PROPERTY TAX CALENDAR

- January 1 - Assessment date for all property. (K.S.A. 79-309)
- January 15 - County Board of Equalization may begin to hear appeals. (K.S.A. 79-1602)
- March 1 - Deadline for filing all personal property tax statements including statements of "no property," but excluding corporations (April 1 deadline) and merchants (April 15 deadline). (K.S.A. 79-306, 306a)
- March 1 - Deadline for filing annual claim for property tax exemption. (K.S.A. 79-210)
- March 20 - Deadline for utilities and motor carriers to report to Director. (K.S.A. 79-5a01, 6a02)
- March 31 - Deadline for appraiser to complete delivery of the real estate appraisal role to county clerk. (K.S.A. 79-1466)
- April 1 - Deadline for appraiser to notify taxpayer of value or classification of each parcel of real property, if changed from preceding year. (K.S.A. 79-1412a, Third; 79-1460)
- April 1 - Deadline for corporations to file personal property tax statements. (K.S.A. 79-306)
- April 1 to 30 - County Board of Equalization meets to hear appeals on the valuation of real property. (K.S.A. 79-1602)
- April 10 - Deadline for taxpayer appeal to County Board of Equalization for hearing on real property appraisal or classification. (K.S.A. 79-1606)
- April 15 - Deadline for filing of merchants' inventories. (K.S.A. 79-306)
- April 30 - Deadline for appraiser to complete delivery of personal property appraisal role to county clerk. (K.S.A. 79-1467)
- May 1 - Notice of change of assessment or classification of personal property. (K.S.A. 79-1460)
- May 5 to 15 - County Board of Equalization reconvenes to hear appeals from taxpayers notified of pending changes in valuation of real property. (K.S.A. 79-1602)
- May 10 - Deadline for taxpayer to appeal to County Board of Equalization for hearing on assessment of personal property. (K.S.A. 79-1606)

- May 15 - Last day for County Board of Equalization to change the values of real property. (K.S.A. 79-1602)
- May 15 to 31 - County Board of Equalization meets to hear appeals on the valuation of personal property. (K.S.A. 79-1602)
- June 5 to 15 - County Board of Equalization reconvenes to hear appeals from taxpayers notified of pending changes in valuation of personal property. (K.S.A. 79-1602)
- June 15 - Last day for County Board of Equalization to change the values of personal property. (K.S.A. 79-1602)
- June 15 - Director certifies public utility values to county clerk. (K.S.A. 79-5a07)
- June 20 - Due date for paying last half of prior year's property taxes. (K.S.A. 79-2004, 2004a, and 6a04)
- June 30 - Deadline to assess personal property brought into state or county. (K.S.A. 79-316)
- July 1 - County clerk sends abstract of assessment to the Division of Property Valuation. (K.S.A. 79-1604)
- July 31 - Last day for taxpayer aggrieved by order of the County Board of Equalization to appeal to State Board of Equalization (must be within 45 days from date of order being appealed). (K.S.A. 79-1609)
- August 1 - Deadline for governing bodies to meet to prepare budgets. (K.S.A. 79-2927)
- August 1 - Director sends tax statement to motor carriers. (K.S.A. 79-6a04)
- August 5 - Deadline for publishing budget and hearing notice. (K.S.A. 79-2929)
- August 15 - Last day for public hearing on budget. (K.S.A. 79-2933)
- August 25 - Last day to file budget and levy with county clerk. (K.S.A. 79-1801)
- August 25 - Last day to file budget with Director of Accounts and Reports. (K.S.A. 79-2930)
- August 25 - Last day for State Board of Tax Appeals to change county valuations (with exceptions). (K.S.A. 79-1409)
- October 31 - Last day for county clerk to correct clerical errors in assessment. (K.S.A. 79-1701)
- November 1 - Last day for county clerk to deliver tax roll to county treasurer. (K.S.A. 79-1803)
- November 1 - All taxes are due on this date. (K.S.A. 79-1804)

- November 1 - Board of County Commissioners may correct clerical errors in tax roll. (K.S.A. 79-1701a)
- November 15 - Last day for county clerk to mail statement of property taxes levied to Director of Property Valuation. (K.S.A. 79-1806)
- December 15 - Clerk delivers assessment rolls to appraiser for next year's taxes. (K.S.A. 79-408)
- December 20 - Deadline for paying first half of property taxes; if tax is \$10 or less, full amount must be paid. (K.S.A. 79-2004 and 79-2004a)
- December 20 - Deadline for filing written protest of the payment of taxes with the county treasurer. (Written application for refund of protested taxes with State Board of Tax Appeals must be filed within 30 days of filing the written protest). (K.S.A. 79-2005)

NOTE: References are to K.S.A. or to most recent supplement.

MEMORANDUM

Kansas Legislative Research Department

January 27, 1982

PROPERTY TAX EXEMPTIONS IN KANSAS

This memorandum presents a brief review of all constitutional and statutory property tax exemptions.

Constitutional Exemptions

Article 11, Section 1 of the Kansas Constitution exempts from taxation property used exclusively for the following purposes:

- | | |
|----------------|--|
| 1. state | 6. scientific |
| 2. county | 7. religious |
| 3. municipal | 8. benevolent |
| 4. literary | 9. charitable, and |
| 5. educational | 10. household goods and personal effects not used for the production of income |

Statutory Exemptions

The Kansas Supreme Court has made the following interpretations relative to the above constitutional provision: (a) the Legislature may not restrict or limit the exemptions specifically granted by the Constitution; (b) while the Constitution provides that certain property shall be exempt, it does not declare that the Legislature may not provide for other exemptions; and (c) for the Legislature to extend exemptions beyond those expressly designated in the Constitution, such exemptions must have a public purpose and be designed to promote the public welfare. The Legislature has enacted exemptions for the following types of property.

1. Places of Worship and School Houses

Citation: K.S.A. 1981 Supp. 79-201 First.

Definition. Buildings used exclusively as places of public worship or public school houses, or both, along with the furniture and books contained therein and used for school or religious meetings, together with the grounds owned thereby if not leased or otherwise used with a view to profit.

Comment. This exemption appears to be duplicative of the educational and religious use exemptions granted by Article 11, Section 1 of the Kansas Constitution.

2. Property for Literary, Educational, Scientific, Religious, Benevolent or Charitable Purposes

Citation: K.S.A. 1981 Supp. 79-201 Second.

Definition. All real and tangible personal property used exclusively for literary, educational, scientific, religious, benevolent or charitable purposes, but not including property held or used as an investment even though the income or rentals received therefrom is used for such purposes.

Comment. This exemption appears to be duplicative of the exemptions granted by the Kansas Constitution.

3. Intangibles Owned by Universities, Schools, Religious, Literary, Scientific or Benevolent and Charitable Institutions

Citation: K.S.A. 1981 Supp. 79-201 Third.

Definition. All moneys and credits belonging exclusively to universities, colleges academies or other public schools of any kind, or to religious, literary, scientific, or benevolent and charitable institutions or associations, not exceeding in amount or in income arising therefrom the limit prescribed by the charter of such institution or association.

4. Reserve Funds of Fraternal Benefit Societies

Citation: K.S.A. 1981 Supp. 79-201 Fourth.

Definition. The reserve or emergency funds of fraternal benefit societies authorized to do business in Kansas.

5. Private College Dorms and Student Unions

Citation: K.S.A. 1981 Supp. 79-201 Fifth.

Definition. Buildings owned and operated by nonprofit universities or colleges as student unions or dormitories.

Comment. This exemption was enacted in 1980 and matches a similar exemption in K.S.A. 1981 Supp. 79-201a Twelfth for state universities and colleges.

6. Federal Property

Citation: K.S.A. 1981 Supp. 79-201a First.

Definition. All property belonging exclusively to the United States, except property which Congress has expressly declared to be subject to state and local taxation.

7. State, Municipal, Political Subdivision and Industrial Revenue Bond (IRB) Property.

Citation: K.S.A. 1981 Supp. 79-201a Second.

Definition. All property used exclusively by the state or any municipality or political subdivision of the state. Property owned or operated by the state or any municipality or political subdivision of the state which is used or to be used for any governmental or proprietary function and for which bonds may be issued or taxes levied to finance the same, shall be considered to be "used exclusively" by the entity. Property constructed or purchased with the proceeds of an IRB or certain similar bonds issued prior to July 1, 1963, is also exempt for as long as any such IRB or bond remains outstanding and unpaid. Property constructed or purchased with an IRB issued on or after July 1, 1963, and prior to July 1, 1981, is exempt for a period of ten calendar years after the calendar year in which such IRB was issued. Property constructed or purchased with an IRB issued after July 1, 1981 is exempt to the extent of the value of that portion of the property financed by the IRB and such exemption will terminate upon failure to pay all taxes levied on that portion which is not exempt. Property constructed with an IRB which is located in a tax increment finance area is not exempt.

Comment. This exemption, like several others, had been based on ownership, rather than use. At the recommendation of the Hodge Committee in 1969, however, the Legislature amended it to base the exemption on exclusive use. Because of that change, the general exemption for state, municipal, and subdivisions purposes appears to be duplicative of the constitutional exemption. The parts of the section which deem ownership or operation as exclusive use and which grant the exemption of IRB property are expansions of the constitutional exemption, however.

8. Rural Water District Property

Citation: K.S.A. 1981 Supp. 79-201a Third.

Definition. All works, machinery and fixtures used exclusively by any rural or township water district for conveying or producing potable water in the district.

Comment. This may be duplicative of the constitutional exemption for county or municipal purposes.

9. Fire Equipment

Citation: K.S.A. 1981 Supp. 79-201a Fourth.

Definition. All fire engines and other implements for fighting fires, along with the buildings used exclusively for the safekeeping thereof, and for the meeting of fire companies.

10. County Fair Property

Citation: K.S.A. 1981 Supp. 79-201a Fifth.

Definition. All real and personal property owned by county fair associations organized and operating under K.S.A. 2-125 et seq.

11. Municipal Housing Property

Citation: K.S.A. 1981 Supp. 79-201a Sixth.

Definition. Property acquired and held by any municipality under the municipal housing law, except for nondwelling facilities used for profit making enterprise.

12. Municipal Urban Renewal Property

Citation: K.S.A. 1981 Supp. 79-201a Seventh.

Definition. All property of a municipality, acquired or held under and for the purposes of the urban renewal law, but the exemption is to terminate when the municipality sells, leases or otherwise disposes of the property to a nonexempt entity.

13. Kansas Armory Board Property

Citation: K.S.A. 1981 Supp. 79-201a Eighth.

Definition. All property acquired and held by the Kansas Armory Board for armory purposes.

14. Turnpike Authority Property

Citation: K.S.A. 1981 Supp. 79-201a Ninth.

Definition. All property acquired and used by the Kansas Turnpike Authority.

15. State Park Property

Citation: K.S.A. 1981 Supp. 79-201a Tenth.

Definition. All property acquired and used for park purposes by the state park and resources authority.

Comment. This appears duplicative of the constitutional exemption for state purposes.

16. State Office Building

Citation: K.S.A. 1981 Supp. 79-201a Eleventh.

Definition. The State Office Building and its sites.

17. State University Property

Citation: K.S.A. 1981 Supp. 79-201a Twelfth.

Definition. All buildings erected under the authority of K.S.A. 76-6a01 et seq., and student unions and dormitories erected on the campus of any institution mentioned in K.S.A. 76-6a01 (the Regents' institutions).

18. State, Municipal and Community College Property

Citation: K.S.A. 1981 Supp. 79-201a Thirteenth.

Definition. All buildings, as defined in K.S.A. 76-6a13, erected, constructed, or acquired by any Regents institution, community junior college, municipal university, and Northwest Kansas Area Vocational-Technical School (Goodland) under the authority of that statute.

19. Kansas City Waterworks

Citation: K.S.A. 1981 Supp. 79-201a Fourteenth and K.S.A. 79-205.

Definition. All of the Kansas City, Missouri waterworks now or hereafter, located in Kansas pursuant to the compact and agreement adopted by the 1921 Kansas Legislature.

20. Groundwater Management District Property

Citation: K.S.A. 1981 Supp. 79-201a Fifteenth.

Definition. All real and personal property owned by a groundwater management district organized and operating under K.S.A. 82a-1020.

21. Hospital Property

Citation: K.S.A. 79-201b First.

Definition. All real and personal property actually and regularly used exclusively for hospital purposes by a general or special hospital or a psychiatric hospital, which hospital or psychiatric hospital is operated by a not-for-profit corporation. Intangible property of such a hospital belonging exclusively to such hospital and used exclusively for hospital purposes is also exempt.

22. Adult Care Home Property

Citation: K.S.A. 79-201b Second.

Definition. All real and tangible personal property actually and regularly used exclusively for adult care home purposes as defined by K.S.A. 39-923, operated by a nonprofit corporation, in which charges to residents for services produce an amount which in the aggregate is less than the actual cost of operation of the home or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness, and contributions to which are deductible under the Kansas income tax act. Intangible property belonging exclusively to such a corporation and used exclusively for adult care home purposes is also exempt.

23. Private Children's Home Property

Citation: K.S.A. 79-201b Third.

Definition. All real and tangible personal property actually and regularly used exclusively for private children's home purposes as the same is defined by K.S.A. 75-3329 which is operated by a not-for-profit corporation, charges for residents for services of which produces an amount which in the aggregate is less than the actual cost of operation of the home or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness, and contributions to which are deductible under the Kansas income tax act. Intangibles owned by such a corporation which are used exclusively for children's home purposes are also exempt.

24. Low Income Housing for the Elderly

Citation: K.S.A. 79-201b Fourth.

Definition. All real and tangible personal property actually and regularly used exclusively for housing for elderly persons having a limited or lower income, assistance for the financing of which was received under the national housing act and which is operated by a not-for-profit corporation. All intangibles owned by such a corporation which are used exclusively for such housing purposes are also exempt.

25. Elderly Housing

Citation: K.S.A. 79-201b Fifth.

Definition. All real and tangible personal property actually and regularly used exclusively for housing for elderly persons, which is operated by a not-for-profit corporation, in which charges to residents produce an amount which in the aggregate is less than the actual cost of operation of the housing facility or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness and contributions to which are deductible under the Kansas income tax act. Intangibles owned by such a corporation and used exclusively for housing purposes are also exempt.

26. Wearing Apparel

Citation: K.S.A. 79-201c First.

Definition. The wearing apparel of every person.

27. Household Goods and Personal Effects

Citation: K.S.A. 79-201c Second.

Definition. All household goods and personal effects not used for the production of income. Terms include, except as otherwise specifically provided: furniture; cooking utensils; refrigerators; freezers; washers; dryers; dishwashers; stoves; ranges; irons; vacuum cleaners; sewing machines; radios; record players; TVs; shop and hobby equipment used in or about the home; fishing equipment (not including boats); bikes; yard and garden equipment; firearms; golf clubs; photo equipment; jewelry; luggage; musical instruments; and air conditioners (not including central air).

28. Graveyards

Citation: K.S.A. 79-201c Third.

Definition. All lands used exclusively as graveyards.

29. Young Livestock

Citation: K.S.A. 1979 Supp. 79-201d First.

Definition. Horses, cattle, mules, and asses less than 12 months old; and sheep, hogs, and goats less than six months old.

30. Hay and Silage

Citation. K.S.A. 1981 Supp. 79-201d Second.

Definition. All hay and silage. Hay includes alfalfa, brome, clover, prairie hays, and all other grasses and plants which are harvested for forage. Silage includes corn, milo, sorghum and all other plants cut, compressed and preserved by its own fermentation for fodder.

31. Certain Farm Storage and Drying Equipment

Citation: K.S.A. 1981 Supp. 79-201d Third.

Definition. All farm storage and drying equipment meeting eligibility requirements for loans under the federal farm storage and drying equipment loan program, which equipment is used exclusively for the storage or drying of corn, oats, barley, grain sorghum, wheat, rye, soybeans, flaxseed, rice, dry edible beans or sunflower seed, for a period of eight years from and after the calendar year in which such equipment is acquired or construction completed. The equipment must have been acquired or constructed during 1977, 1978, or 1979.

Amended in 1982. See # 40.

32. Reclaimed Mined Land

Citation: K.S.A. 79-201e.

Definition. Reclaimed surface mined land which is returned to productive capacity, to the extent of the increase in the valuation of such property resulting from reclamation and conservation practices performed upon such property by the owner thereof, for a period of five years from and after the year in which such property is reclaimed.

Comment. The Attorney General, in Opinion No. 79-157, concluded that this exemption violates the uniformity and equality requirements of Article 11, Section 1 of the Kansas Constitution.

33. Interstate Commerce and Freeport Property

Citation: K.S.A. 1981 Supp. 79-201f.

Definition. Subsection (a) exempts personal property which is moving in interstate commerce through or over the territory of the state.

Subsection (b) exempts personal property which has been shipped into Kansas from outside the state which is stored in a warehouse or storage area operated by a licensed and bonded warehouseman, if such warehouseman keeps records of such property showing point of origin, date of receipt, type and quantity, date of withdrawal and ultimate destination, unless the ultimate destination is within Kansas.

Subsection (c) exempts goods, wares, and merchandise which are manufactured, assembled, joined, processed, packaged or labeled within Kansas, during the period of time in which they are stored in a warehouse or storage area operated by a licensed and bonded warehouseman, if such warehouseman keeps records of such property showing point of origin, date of receipt, type and quantity, date of withdrawal, and ultimate destination. In order to qualify for the exemption, the owner must show by verified statement that the final destination of at least 35 percent of the sale or shipments from such warehouse or storage area during the previous calendar year were shipped in interstate commerce to a point outside of Kansas and the amount of exempt property shall be computed as follows: the percentage of the average monthly inventory equivalent to the percent of value of total shipments to the value of shipments that were made in interstate commerce to points outside of the state.

34. Realty Contiguous to a Dam or Reservoir

Citation. K.S.A. 79-201g.

Definition. Subsection (a) exempts all realty which is contiguous to and a part of the same tract of land upon which a dam or reservoir has been constructed and certified as being in compliance with the requirements in K.S.A. 82a-405 et seq., in an amount equal to the increase in the value of such realty resulting from the construction of the dam or reservoir, and in addition thereto an amount calculated under a statutory schedule which takes into account storage capacity. The total amount of such exemption for any single tract of land may not exceed \$5,000 or 40 percent of the assessed value thereof, whichever is less. The exemption shall be for a period of ten years following construction.

Subsection (b) exempts the same type of realty as subsection (a), the owner of which at the time of the certification of compliance with the requirements of K.S.A. 82a-405 donated to the state or to any of its agencies or subdivisions land or easements or right-of-way for such erection or maintenance of such dam or reservoir in an amount equal to twice the assessed value of the land or easements or right-of-way donated. Land higher than the top of the dam is not included in the exemption. The exemption is for a period of 20 years from the date of construction.

35. Grain

Citation: K.S.A. 79-3902.

Definition. Grain, including soybeans, cowpeas, wheat, corn, oats, barley, kafir, rye, flax, and all other grains, but shall not include said grain after it has been milled or processed.

Comment. The grain tax, for the privilege of engaging in the business of a grain dealer (rate is 0.5 mill per bushel) or for the privilege of harvesting grain (rate is 50 cents, plus 0.5 mill per bushel of grain in excess of 1,000 bushels), is imposed in lieu of all general property tax on such grain.

36. Motor Vehicles

Citation: K.S.A. 1981 Supp. 79-5101 et seq.

Definition. Motor vehicles taxed under the motor vehicle tax law, K.S.A. Chapter 79, Article 51 (all vehicles except motor carrier and state assessed vehicles, dealers' inventory, mobile homes, and vehicles over 12,000 pounds).

37. Certain Intangibles

Citation: K.S.A. 1981 Supp. 79-3120a.

Definition. Subsection (a) exempts notes secured by mortgages on real estate, which mortgages have been recorded in this state and the registration fee or tax thereon paid.

Subsection (b) exempts intangibles held by the trustee of a qualified trust described in sections 401, 408, or 501 of the Internal Revenue Code which is part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of employees or their beneficiaries or health and welfare plan.

Subsection (c) exempts up to \$3,000 of intangible property from the tax for taxpayers who are disabled or age 60 or above, and whose household income is \$12,500 or less. An exemption in a declining amount is allowed for such taxpayers with household income between \$12,500 and \$15,500; such exemption is for the amount of liability on the first \$3,000 of income from intangibles reduced by the amount of the taxpayer's income in excess of \$12,500.

Subsection (d) exempts intangibles in localities which have eliminated the tax.

Subsection (e) exempts intangibles owned by credit unions.

Repealed in 1982. See # 41.

Comment. Banks, under K.S.A. 79-1107, and savings and loans, and trust companies, under K.S.A. 79-1108, pay the financial institutions privilege tax in lieu of the intangibles tax. Finance companies, under K.S.A. 79-1103, are taxed

at the rate of 5 mills on the value of their shares of stock or average capital employed in Kansas, less certain deductions. Domestic insurance companies are subject to the domestic insurance companies privilege tax in lieu of the intangibles tax. Also exempt are intangibles held and used for certain purposes, as defined in exemptions numbered 3, 22, 23, 24, and 25, above.

38. Active Solar Energy Systems

Citation: K.S.A. 1981 Supp. 79-201h.

Definition. Any active solar energy system, applicable to tax years 1980 through 1985.

39. Motor Vehicle Dealers Inventory

Citation: K.S.A. 1981 Supp. 79-1016 et seq.

Definition. The annual property tax is not paid on a dealer's average inventory of new and used motor vehicles. In lieu of such tax, a stamp tax is applied to such inventory, at rates ranging from \$1 for new and used motorcycles to \$18 for used and \$33 for new motor vehicles having a gross vehicle weight of over 48,000 pounds. The remainder of a dealer's inventory, such as parts and materials, are still subject to the property tax.

Property Tax Exemptions for Farm Machinery,
Business Aircraft, and Grain Storage
and Drying Equipment

40.

1982 H.B. 2425 exempts from the property tax farm machinery and equipment and aircraft used in the conduct of business, beginning in the 1983 tax year. The bill also amends the current eight year property tax exemption for grain storage and drying equipment acquired or constructed between 1977 and 1979 by allowing the exemption for any eight of ten consecutive years, and allowing the exemption for any such equipment acquired or constructed after 1977, beginning in the 1982 tax year.

Intangibles Exempted from Property Tax

41.

K.S.A. 1982 Supp. 79-3109c.

1982 H.B. 3130 repeals the existing statewide intangibles tax statutes and exempts intangibles from all ad valorem and other property taxes levied under the laws of Kansas for all tax years after December 31, 1981. The exemption thus begins in tax year 1982, for earnings from 1981.

MEMORANDUM

Kansas Legislative Research Department

November 15, 1982

KANSAS TAX FACTS

1982 Supplement to the Fourth Edition

Kansas state and local government net tax revenue totaled \$2.69 billion in FY 1982, or \$1,130 per capita. Following are the tax levies or collections by source, combining state and local revenue, in descending order of importance.

COMBINED STATE AND LOCAL TAX REVENUE (NET)

Taxes	Fiscal Year 1982		
	Amount (Thousands)	Percent of Total	Percent Increase Over FY 1981
General Property	\$1,005,497	37.34%	11.3%
Income and Privilege	580,934	21.58	2.9
Sales and Use	518,966 ^a	19.27	6.5
Motor Fuels	116,415	4.32	1.6
Motor Vehicles	109,076 ^b	4.05	--
Unemployment	103,445	3.84	16.8
Vehicle Registration	69,694	2.59	2.0
Insurance Premiums	39,784	1.48	5.3
Liquor and Beer	34,399	1.28	5.9
Cigarette and Tobacco	33,867	1.26	(0.2)
Inheritance	31,607	1.17	8.5
Intangibles	23,219	0.86	3.2
Corporation Franchise	6,962	0.26	8.9
Mortgage Registration	6,685	0.25	(3.3)
Motor Carrier Property	4,985	0.19	(9.2)
All Other	6,960 ^c	0.26	13.9
TOTAL	\$ 2,692,495	100.00%	11.8% ^d

- a) Includes state, county, and city sales taxes.
- b) Total tax levied in CY 1981 less state receipts from its share through December 1981, plus state receipts in FY 1982.
- c) Total revenue from eight minor taxes.
- d) See text (re motor vehicles) for explanation of this increase.

General property tax levies, while still the largest single source of tax revenue, have declined as a percentage of combined state and local tax revenue. The ratio was 37.3 percent in FY 1982, compared with 39.2 percent in FY 1980, 53.1 percent in FY 1970, and 56.4 percent in FY 1960. In FY 1930, before enactment of income, sales and use, and several other nonproperty taxes, general property tax levies were 82.0 percent of state and local tax revenue. (See Table VI.)

No longer part of the general property tax data is revenue from motor vehicles subject to the "tax and tags" law (K.S.A. 79-5101 et seq.) enacted in 1979. Such vehicles were excluded from the general property tax base for tax year 1980 and became subject to the new tax in CY 1981. Therefore, a comparison of total tax revenue in fiscal years 1981 and 1982, as reported in this Supplement to Tax Facts, is somewhat distorted. The state's share of the revenue from the new tax is included in Table VIII for both fiscal years 1981 and 1982, while the local units' total share of the CY 1981 levy is shown in Table IX under the FY 1982 column because no breakdown is available of their share on a fiscal year basis (July 1-June 30). The tabulation on the first page of this Supplement combines the state's share in FY 1982 and the local units' share of the CY 1981 levy.

Income and privilege taxes ranked second in the state-local tax mix in FY 1982 accounting for 21.6 percent of the total, compared with 10.6 percent in FY 1970 and only 6.7 percent in FY 1960. Sales and use taxes ranked third, 19.3 percent in FY 1982 in contrast to 15.7 percent in FY 1970 and 15.3 percent in FY 1960. Combined, income, privilege, sales, and use taxes produced 40.9 percent of total tax revenue in FY 1982, and when general property and motor vehicle tax levies are added the total from these principal sources of tax revenue was 82.2 percent.

The most significant change in the tax mix since 1960 has been in the shift among the three main sources of revenue, i.e., from the general property tax to sales and use and to income taxes, especially to the latter. Another important development has been the decrease in the relative significance of the principal highway-user tax revenues. Motor fuels and vehicle registration taxes constituted 6.9 percent of total tax revenue in FY 1982 compared with 12.7 percent in FY 1960.

The following tabulation shows the annual percentage increase in state and local tax revenue over the 10-year period FY 1973-1982 and the ratio of total tax revenue to Kansas personal income. Note that tax revenue as a percentage of personal income was about the same in each of the last three years and that the ratio for FY 1982 is less than for FY 1973. The growth rates in local and total tax revenues for FYs 1981 and 1982 are somewhat distorted because of the way revenue from the new motor vehicle tax is treated, as explained above.

ANNUAL PERCENTAGE INCREASE IN
STATE AND LOCAL TAX REVENUE

Fiscal Year	Tax Revenue			Exhibit: Percent of KPI*
	State	Local	Total	
1973	16.7	3.3	9.9	11.6
1974	17.6	(5.2)	6.7	10.7
1975	9.2	15.3	11.8	11.1
1976	9.8	11.3	10.5	11.4
1977	13.7	10.3	12.2	11.7
1978	9.5	11.9	10.5	11.8
1979	13.6	5.2	9.9	11.5
1980	6.6	5.1	6.0	10.4
1981	8.9	2.1	6.1	10.3
1982	4.4	23.0	11.8	10.5

* State and local tax revenue as a percent of estimated Kansas personal income for the calendar year in which the fiscal year began, e.g., tax revenue in FY 1982 divided by KPI in CY 1981.

State Tax Revenue Only. Income and privilege taxes became the top ranking revenue producers in FY 1978 (supplanting sales and use taxes) and they continued to rank first in FY 1982, accounting for 38 percent of state tax revenue. Sales and use taxes ranked second (31 percent) and motor fuels taxes ranked third (about 8 percent). Property taxes contributed only 1.5 percent of state tax revenue. (See Table VIII for the details.)

Local Tax Revenue Only. General property taxes accounted for 83.7 percent of local government tax revenue in FY 1982, motor vehicle tax for 9.1 percent, county and city sales taxes for 4.1 percent, intangibles tax for 2.0 percent, and various other taxes for the remaining 1.2 percent. (See Table IX.)

In FY 1982, the Department of Revenue collected about \$48.2 million in sales tax revenue for eight counties and 49 cities (38 more counties and 29 more cities had, when this report was written, adopted sales taxes with collections beginning after FY 1982). County sales tax revenue is allocated between the county and the cities therein on the basis of population and property tax levies. Cities receive all of the revenue from their sales tax.

Not included in Table IX nor in the total of state and local tax revenue are receipts from business occupation taxes imposed for general revenue, as opposed to regulatory, purposes by about 19 cities. Such receipts are not centrally compiled, but they totaled only \$1.2 million in CY 1980 according to an estimate by the League of Kansas Municipalities. Occupation taxes cannot be based on gross receipts or income.

Revenue Sharing. As shown by Table X, a substantial part of state tax revenue is distributed as state aid or shared taxes to local governments for expenditure. In FY 1982, of the \$1.51 billion in state tax revenue, \$664.1 million, or 44 percent, was so distributed. Approximately 85 percent of the amount paid out by the state to local units was for educational purposes.

When locally-collected taxes for FY 1982 are combined with state aid and shared taxes, local units of government received nearly \$1.85 billion, or 69 percent, of total state and local tax revenue.

Major Tax Legislation, 1977-1982

The fourth edition of Kansas Tax Facts was published in November, 1976. Major tax laws enacted since then are summarized below.

Bingo Enforcement Tax. The rate was increased in 1977 from 2 percent to 3 percent, with the added revenue deposited in the State General Fund and the remaining two-thirds continuing to be returned to counties and cities in which licensed bingo premises are located.

Corporation Income Tax. The 1980 Legislature amended the income tax statutes pertaining to regulated public utilities by, among other things, requiring most utilities to follow the Uniform Division of Income for Tax Purposes Act.

Legislation enacted in 1982 made the 1976 Job Expansion and Investment Credit Act permanent and increased from \$50 to \$100 the credit allowed for each new business facility employee and for each \$100,000 of new business facility investment. Creation of "enterprise zones" in cities was authorized, with more liberal income tax credits than permitted under the Job Expansion and Investment Credit Act. (Credits under that Act and the new enterprise zones law also apply to the individual income tax.)

Financial Institutions Privilege Tax. A 1979 enactment expanded the net income base subject to the tax by including income earned on state and local bonds, and reduced the tax rate for banks to a base rate of 4.25 percent and a surtax of 2.125 percent.

Individual Income Tax. The most significant changes enacted in 1977 increased the personal exemption from \$600 to \$750, provided an additional personal exemption for persons qualifying as heads of households, and added three tax brackets, with the maximum rate increased from 6.5 percent to 9 percent. Tax rates now range from 2 percent on the first \$2,000 of taxable income to 9 percent on over \$25,000 (for joint returns, the rates range from 2 percent on the first \$4,000 taxable income to 9 percent on over \$50,000).

Income tax legislation enacted in 1978 included establishing a nonconforming Kansas standard deduction for individuals equal to the 1976 federal standard deduction (plus the deduction of federal income taxes); conforming Kansas itemized deductions to those allowed on federal returns as of December 31, 1977, with certain modifications; establishing a Kansas tax credit for child and dependent care expenses; creating a tax credit for expenses incurred in making facilities accessible to the handicapped; and extending the job expansion and investment credit act for four more years.

Legislation adopted in 1979 increased the personal exemption from \$750 to \$1,000; added an itemized deduction for artists who donate works of art to certain museums; allowed taxpayers the additional option to pay their estimated tax on taxable income computed on an annualized basis; extended the period for loss carryforwards from five to seven years and amended the treatment of loss carrybacks for nonresidents; and required that nonresidents file joint Kansas returns if they elect to file joint federal returns.

In 1980 the Legislature established a mechanism whereby taxpayers may donate money to a nongame wildlife program, raised the rate of interest paid on refunds to 12 percent and the rate payable on delinquencies to 18 percent, and increased the amount of the credits that may be claimed for installation of solar energy systems.

Counties, in 1980, were prohibited from levying and collecting taxes on income from whatever source derived. Cities were prohibited from levying and collecting a tax on income under prior legislation.

Amendments in 1981 redefined the two-year accelerated depreciation allowance for "tertiary recovery methods" to cover "enhanced recovery methods" of oil production, and modified the income tax credit for handicapped accessibility.

The 1982 Legislature granted a credit of \$120 to persons age 62 or older who receive retirement benefits for service in the U.S. armed forces and repealed the \$2,000 exemption of military retirement benefits allowed to persons age 65 or older, and disallowed as a deduction any contribution or gift to a racially segregated school. (Also see the summary of 1982 legislation under the Corporation Income Tax.)

Inheritance Tax. A 1978 enactment recodified the state inheritance tax law; conformed the Kansas law to many federal definitions of what is included in the taxable estate; increased the exclusion for spouses (from \$75,000 to \$250,000) and other close heirs (from \$15,000 to \$30,000); and conformed to the federal provision for use value appraisal of farm lands and closely held business property. This legislation also repealed the statute under which counties retained 5 percent of inheritance tax receipts, but provided that counties will receive 5 percent of collections therein from the state, which now collects all of the tax. Legislation in 1979 created a new heir classification for charitable contributions and made many other changes, most of which were technical or designed to further conform the Kansas law to federal law. A graduated exclusion from the tax for qualified farm and closely-held business property, to be used in lieu of use value appraisal of farm lands and closely held business property, was enacted in 1980.

Amendments in 1982 exempted all property left to a surviving spouse; included in the spousal exemption property passing to a spouse who is entitled to income from the property for life; exempted all bequests to or for the use of a charitable organization; allowed an executor, under certain conditions, to elect federal estate tax marital deduction treatment for any life income trust regardless of the date on which the will or trust was executed; provided that, in cases of jointly owned property with the right of survivorship by spouses, the estate of the first spouse to die shall include one-half the value of the property without regard to which spouse furnished consideration therefor; and made the Kansas "pick-up" tax (imposed to absorb the maximum federal credit for state death taxes) applicable only when a federal estate tax is due and payable, but the "pick-up" tax will apply even if there is an exemption from the Kansas tax.

Insurance Taxes. Legislation in 1982 increased the premiums tax on excess lines insurance coverage from 2 to 4 percent.

Intangibles Tax. 1978 legislation revised the exemption for older taxpayers by increasing from \$8,100 to \$10,000 the maximum household income qualifying therefor and replacing the exemption of \$50 of tax liability with an exclusion of \$3,000 of gross earnings from intangibles (or the equivalent of a \$90 exemption at the full 3 percent tax rate). The amount of household income qualifying for the exemption was raised from \$10,000 to \$12,500 in 1979; an exemption in declining amounts was also made available to households with income of up to \$15,500.

A second change enacted in 1979 allows 5 percent of the electors of a county, city, or township to petition for an election to eliminate that unit's share of the intangibles tax and to authorize replacement of any revenue loss by imposition of any lawful tax, including property tax increases in excess of the tax lid.

The 1982 Legislature repealed the state intangibles tax law; exempted intangibles from the property tax; authorized counties, cities, and townships to impose a tax on gross earnings from intangibles at maximum rates which applied under the state law that was repealed; gave electors, beginning in 1983, the right to petition for a referendum on the question of eliminating or imposing the tax; authorized cities or counties to exceed the tax lid by an amount necessary to offset the loss in revenue from repeal of the local tax through a referendum; and increased the exemption from any local tax for qualifying elderly or disabled taxpayers to \$5,000 of earnings, with the exemption reduced by the amount of household income in excess of \$15,000, beginning in 1983.

Liquor Taxes. In 1977 the tax on alcohol and spirits was increased from \$1.50 to \$2.50 per gallon; on strong wine from 50 cents to 75 cents per gallon; on light wine from 20 cents to 30 cents per gallon; and on beer (both strong and cereal malt beverage) from 15 cents to 18 cents per gallon. One-tenth of the total tax imposed on alcohol and spirits was earmarked for crediting to a newly created Community Alcoholism and Intoxication Programs Fund.

The 1979 Legislature imposed a tax at the rate of 10 percent upon the gross receipts derived from the sale of alcoholic beverages by any private club, effective July 1, 1979. The state administers and collects the tax, depositing revenues in the Local Alcoholic Liquor Fund. Moneys in such fund are allocated to the city or county in the

amount collected in each locality from clubs located therein. The city or county treasurer is required to credit the moneys as follows: 1/3 to the general fund; 1/3 to a special parks and recreation fund; and 1/3 to a special alcohol programs fund.

A 1982 law strengthened the authority of the Department of Revenue to administer the private club liquor tax and gave 25 percent of the revenue therefrom to the State General Fund, but guaranteed that counties and cities will receive in the aggregate no less than the total amount distributed to them in CY 1981. Allocation of the local units' share was changed to include drugs in the special alcohol program and to give the county the share for that program rather than to cities with 10,000 population or less (see page 16).

Motor Fuels Taxes. A 1979 enactment lowered the tax on gasohol, after July 1, 1979, from eight cents per gallon to three cents per gallon. The tax will increase each July 1 until it is at the regular eight cents per gallon rate on July 1, 1984; the tax is also to return to the eight cents rate whenever the gross revenue loss from the reduction reaches \$5 million.

Motor Vehicle Dealers' Stamp Tax. A 1978 enactment imposed a stamp tax on the sale of motor vehicles by dealers, in lieu of the annual property tax on dealers' vehicle inventories. 1979 amendments included a change in the definition of "gross weight." The tax was raised by \$3.00 in all weight categories, except the category for motorized bicycles and motorcycles, in 1981.

Motor Vehicle Tax. In 1979, cars, pickup trucks, and motorcycles were made subject to a special tax (instead of the general property tax) which will be computed in advance, shown on the registration renewal application, and payable in full along with the registration fee, beginning in 1981. Amendments in 1980 made recreational vehicles subject to the tax, established new value classes, imposed a \$12 tax on all antique vehicles, required a \$5 annual registration fee for antiques, and allowed a credit or refund for the tax when a vehicle is replaced or sold.

Property Tax. Legislation in 1978 included an eight-year exemption for certain grain storage and drying equipment; a 15 percent reduction in estimated average fair market value of farm machinery in the 1978 Appraisal Guide; a delay in the application of countywide reappraisal results in any county until the Director of Property Valuation certifies that all counties have been reappraised; and expansion of coverage and benefits under the homestead property tax refund program.

Legislation in 1979 included a 20 percent reduction in the estimated average fair market value of farm machinery in the 1979 Appraisal Guide (declared unconstitutional by the Kansas Supreme Court in 1980); an increase in the interest rate on unpaid property taxes from 10 percent to 12 percent; expansion of the homestead property tax refund program by increasing the percent of rent assumed to represent property tax paid from 12 to 15 percent, changing the schedule of deductions from property tax paid and increasing the amount of household income qualifying for the refund from \$9,278 to \$12,800; and permission to levy property taxes against federal property when Congress has expressly declared such property to be subject to state and local taxation.

Exemptions passed in 1980 were for active solar energy systems for tax years 1980 through 1985, and for dormitories and student unions owned by nonprofit colleges or universities. Other legislation in 1980 included codification of the procedure

for obtaining a property tax exemption and an increase in the rate of interest for delinquent taxes from 12 to 18 percent.

The 1981 Legislature defined the fair market value of powered farm machinery and equipment as the average loan value of such machinery and equipment in its year of manufacture, reduced by 10 percent of such value per year of age from its year of manufacture, down to 20 percent of its initial value; nonpowered farm machinery and equipment will be similarly valued, using a 20 percent reduction per year. Other changes in 1981 limited the property tax exemption for industrial revenue bond property to the extent of the value financed by the bond and limited the exemption for port authority revenue bond projects for industrial use facilities to 10 years.

In 1982, farm machinery and equipment and business aircraft were exempted from the property tax, beginning in the 1983 tax year, and the temporary exemption of grain storage and drying equipment was liberalized. Another 1982 law prevented counties from exercising home rule to change or exempt themselves from the statute relating to appointment of county appraisers. Also, county appraisers were required to value mobile homes used as dwellings or residences in the same manner as real property.

Revenue Sharing. The 1978 Legislature established a new County and City Revenue Sharing Fund (CCRSF) consisting of 3.5 percent of sales and use tax revenues, and eliminated local sharing in domestic insurance company privilege, liquor enforcement, and cigarette tax revenues, effective January 1, 1979. The formula for allocating local ad valorem tax revenues (LAVTRF) to counties was changed to 65 percent population and 35 percent assessed tangible valuation (formerly 50-50). The new formula also applies to the CCRSF.

Sales Tax. Provisions of the sales tax law relating to the taxation of certain labor services, which the Supreme Court had found to be unconstitutionally vague, were clarified and reenacted in 1977. Other 1977 changes in the sales tax act included exemption of sales of drugs, insulin and prosthetic and orthopedic appliances from the tax.

The 1978 Legislature granted a three-year exemption for sales of used farm machinery and equipment, repair and replacement parts therefor, and services performed in the repair and maintenance of such machinery and equipment; and created a new program to refund \$20 per person to elderly, low income individuals as an offset against the sales tax on food.

Another 1978 enactment revised and reenacted the local sales tax law in a form intended to make mandatory a vote on the imposition of a city sales tax and prevent further enactments of local sales taxes under home rule authority. Under the new law, both city and county sales taxes may be imposed independently of each other and city authority is not limited to a situation where a countywide tax has been rejected.

An enactment in 1979 exempted the following products or services from the state sales tax (but not from local sales taxes): sales of electric, gas, and water utilities for residential and agricultural use; sales of fuel for residential heating or lighting; and intrastate telephone and telegraph charges for noncommercial use, except long distance telephone services.

In 1980 the Legislature deleted the sunset date on the sales tax exemption for used farm machinery, parts, and service, and enacted an exemption for sales of materials and services used in repairing or manufacturing of railroad rolling stock used in interstate commerce.

Legislation in 1981 specified that the sales tax shall apply to the gross receipts from the sale of computer software and redefined the exemption for political subdivision projects to allow either an exemption for projects fully funded by the subdivision or a partial refund of sales tax paid on projects only partially funded by a political subdivision, e.g., a project partly financed with industrial revenue bonds.

The 1982 Legislature permitted cities, subject to voter approval, to impose a sales tax of either one percent or one-half percent; allowed county commissioners to transfer local sales tax revenue from the general fund to the county road and bridge fund; imposed a local compensating use tax on motor vehicles purchased in another state but used in a jurisdiction which has a local sales tax; and authorized sales tax refunds on materials used in constructing, equipping, etc., a new business facility in an "enterprise zone" (see summary of 1982 legislation under the Corporation Income Tax).

Tax Lid. The 1977 Legislature exempted community colleges from the tax lid; provided exemptions for payment of unemployment insurance costs as required by federal law, and judgments or defense costs in suits against county and city officers and employees; and enacted five other more limited exemptions, subject to a mandatory election in one case and protest petitions for an election in the others. Another significant development was the issuance (in August 1977) of Attorney General's opinions that, because of nonuniformity of application of the tax lid law, both cities and counties may, by charter ordinance or resolution procedure, exempt themselves from the aggregate levy limitations of the law. Three more exemptions, only one of general application (to third class cities), were enacted in 1978, subject to a petition for a referendum in each case.

One local and two general exemptions were added in 1979. The exemptions of general application are for levies to replace the intangibles tax when it has been eliminated by petition and a vote, and the other for greater authority to finance liabilities arising under the Tort Claims Act.

A 1982 law continued the 1979 exemption from the tax lid for levies sufficient to offset revenue lost from elimination of the intangibles tax pursuant to a referendum under the former statewide intangibles tax law.

Transient Guest Tax. Under a 1977 enactment, the governing body of any county or city is authorized to impose a tax of 2 percent of gross receipts from the rental of rooms in hotels, motels, or tourist courts to provide funds for promotion of tourism and conventions. (Previous authority was limited to Sedgwick County and cities therein.)

Unemployment Compensation Tax. As mandated by federal law, the coverage of the Kansas act was expanded in 1977 to include agricultural workers, domestic workers, and state and local government employees. The taxable wage base

also was raised from \$4,200 to \$6,000. Amendments enacted in 1979 included an increase in the maximum statutory tax rate to 4 percent by calendar year 1983 and a grant of authority to the Secretary of Human Resources to increase the maximum tax rate to 4.3 percent under certain conditions.

The 1982 Legislature imposed a surcharge on employers who have negative account balances, with the surcharge ranging from 0.10 percent to 1.0 percent of taxable wages depending upon the negative reserve ratio of each affected employer.

Wheat Tax. In 1979, the wheat tax was raised from 2 mills to 3 mills per bushel on wheat marketed through commercial channels in Kansas. In 1982, the tax rate was raised to 4 mills.

Supplementary or Revised Tables

The following tables supplement or revise the same numbered ones that appeared in Kansas Tax Facts, Fourth Edition, November 1976.

TABLE III
DISPOSITION OF STATE TAX REVENUE
(NET)

<u>Tax</u>	<u>Distribution</u>
State Property Taxes Educational Buildings (1 mill)	All to Educational Building Fund.
State Institutions Buildings (0.5 mill)	All to State Institutions Building Fund. ⁽¹⁾
Motor Carrier	All to State General Fund (amount equal to the tax revenue transferred to Special City and County Highway Fund).
Motor Vehicles	Two-thirds to Educational Building Fund and one-third to State Institutions Building Fund.
Income and Privilege Taxes	All to State General Fund (20% of resident individual income tax earmarked for transfer to School District Income Tax Fund).
Inheritance Tax	All to State General Fund (5% earmarked for transfer to County Inheritance Tax Fund).
Sales and Use Taxes	All to State General Fund (4.5% earmarked for transfer to Local Ad Valorem Tax Reduction Fund, and 3.5% to County and City Revenue Sharing Fund).
Motor Fuel Tax	1.75% of gross to State Freeway Fund; after refunds, \$2.5 million annually to County Equalization and Adjustment Fund; 7/8 of remainder is credited 65% to State Freeway Fund and 35% to Special City and County Highway Fund, and 1/8 is credited to State Highway Fund. ⁽²⁾
Special Fuels Tax	1.6% of gross to State Freeway Fund; 8/10 of remainder is credited 51% to State Highway Fund — 14% to State Freeway Fund — 35% to Special City and County Highway Fund, and 2/10 is credited to State Highway Fund. ⁽²⁾

<u>Tax</u>	<u>Distribution</u>
LP-Gas Tax	1.4% of gross to State Freeway Fund; 7/10 of remainder is credited 51% to State Highway Fund -- 14% to State Freeway Fund -- 35% to Special City and County Highway Fund, and 3/10 is credited to State Highway Fund. ⁽²⁾
Vehicle Registration Tax	All to State Highway Fund, less part of collections retained by counties. ⁽³⁾
Cereal Malt Beverages Tax	All to State General Fund.
Liquor Gallonage Tax	All to State General Fund, except 10% of tax on alcohol and spirits which is credited to the Community Alcoholism and Intoxication Programs Fund.
Liquor Enforcement Tax	All to State General Fund.
Private Club Liquor Tax	25% to State General Fund ⁽⁴⁾ 75% to Local Alcoholic Liquor Fund.
Cigarette Tax	All to State General Fund.
Tobacco Products Tax	All to State General Fund.
Corporation Franchise Tax	All to State General Fund.
Wheat Tax	20% to State General Fund, subject to limitation; ⁽⁵⁾ remainder to Wheat Commission.
Insurance Premium Taxes -- Domestic and Foreign Companies	All to State General Fund. ⁽⁶⁾
Firemen's Relief	97% to local firemen's relief associations; 3% to State Firemen's Association.
Fire Marshal	20% to State General Fund, up to \$200,000; remainder to Fire Marshal's Office.
Express Companies Tax	All to State General Fund.
Private Car Companies Tax	All to State General Fund.
Music-Dramatic Composition Tax	All to State General Fund.
Bingo Enforcement Tax	One-third to State General Fund and 2/3 to counties or cities in which licensed premises are located.
Unemployment Compensation Tax	All to Unemployment Trust Fund.

- 1) The levy for this fund made in 1976 was reduced from 0.5 mill to 0.25 mill and in 1977 to 0.4 mill, and levies were made in the amounts of 0.25 mill in 1976 only and 0.1 mill in 1977 only for the Correctional Institutions Building Fund.
- 2) 69.23% of the moneys deposited in the State Freeway Fund must be transferred to the State Highway Fund after provision has been made for payment of the pro rata share of either principal or interest on bonds issued under K.S.A. 68-2304 for construction of express highways and freeways. The end result is that of the 65% initially credited to the Freeway Fund, 45% goes to the State Highway Fund and 20% remains in the Freeway Fund. (The Attorney General ruled in July 1976 that 69.23% of the moneys deposited in the Freeway Fund from the special fuel and LP-gas taxes also must be transferred to the State Highway Fund.)
- 3) County treasurers retain all of the \$5 fee on antique vehicles, 75 cents of each other license and tag transfer application fee, and \$2 of each certificate of title fee. After December 31, 1982, a 50-cent service fee must be paid to the county treasurer at the time of making an application for registration or renewal thereof.
- 4) If total amount distributed to counties and cities in any calendar year is less than the amount distributed in CY 1981, an amount equal to the difference must be transferred from the General Fund for distribution to counties and cities on the next March 15.
- 5) Total amount credited to General Fund cannot exceed \$200,000 from wheat tax and assessments (marketing fees) on corn, sorghum, and soybeans.
- 6) Except not to exceed \$68,000 may be credited to the Insurance Company Annual Statement Examination Fund established under K.S.A. 40-223a and the Insurance Company Examiner Training Fund created by K.S.A. 40-223e.

TABLE IV

FORMULAS FOR DISTRIBUTION TO LOCAL GOVERNMENTS OF STATE-SHARED TAXES REFERRED TO IN TABLE III

Tax Source	Fund	Distribution Formula
Individual Income	School District Income Tax Fund (K.S.A. 72-7067, 72-7068)	Each unified school district receives 20% of district resident income tax liability after all credits except for income taxes paid to another state and withholding and declaration of estimated tax. Distributions are made in February, May, and September.
Inheritance	County Inheritance Tax Fund (K.S.A. 79-1578)	Distributed February 1, May 1 and September 1, to counties from which returns were filed, for credit to county general fund.
Sales and Use	Local Ad Valorem Tax Reduction Fund (K.S.A. 79-2959, 79-2961)	Distributed on January 15 proportionately among all counties, 65% on the basis of population ⁽¹⁾ and 35% on the basis of assessed tangible valuation. Within each county, to each property tax levying subdivision (including the county but excluding unified school districts) proportionately based on tax levies in the preceding year. Each subdivision's share must be credited to one or more tax levy funds of general application, except bond and interest funds. ⁽²⁾
	County and City Revenue Sharing Fund (K.S.A. 79-2964 through 79-2966)	Allocated among county areas 65% on the basis of population and 35% on the basis of assessed tangible valuations, with quarterly distributions in March, June, September and December. Counties receive 50%, and cities the remaining 50% in proportion to their populations. ⁽²⁾

<u>Tax Source</u>	<u>Fund</u>	<u>Distribution Formula</u>
Motor and Special Fuels and LP-Gas	Special City and County Highway Fund (K.S.A. 79-3425c)	Quarterly distributions in January, April, July, and October. Cities receive directly 43% on the basis of city population. Counties receive 57%, as follows: \$5,000 to each county; the balance is distributed 50% on the basis of motor vehicle registration fees collected in each county and 50% on the basis of average daily vehicle miles traveled in each county, excluding travel on interstate highways. Amount received by county is allocated 50% to county and 50% to cities on basis of city population in counties with population over 150,000, except in such counties whose unincorporated area comprises not over 15% of the total area of the county, 10% to the county and 90% to cities, and except in counties designated as urban areas, 100% to county; 90% to county and 10% to cities on basis of city population in counties with population of over 34,000 but not more than 150,000; and 100% to county in all other counties. Townships share in the amount retained by counties which have not adopted the county-unit road system. ⁽²⁾
Motor Fuel	County Equalization and Adjustment Fund (K.S.A. 79-3425c)	\$2.5 million is appropriated annually to provide that no county will receive less than it and the cities therein received from the Special City and County Highway Fund and three state aid funds abolished in 1970 when compared with the amount the county and cities therein currently receive from the Special City and County Highway Fund. The balance of the appropriation remaining after such "equalization" payments is distributed to all counties, 50% on the basis of motor vehicle registration fee collections and 50% on the basis of average daily vehicle miles traveled in the county. Cities share in the Equalization Fund to the same extent they do in the amount distributed to counties from the Special City and County Highway Fund.

<u>Tax Source</u>	<u>Fund</u>	<u>Distribution Formula</u>
Firemen's Relief (Premium Tax)	Firemen's Relief Fund (K.S.A. 40-1707)	Annually, 3% to State Firemen's Association and 97% to the firemen's relief association of the local unit of government in which the insured property is located.
Bingo Enforcement	County and City Bingo Tax Fund (K.S.A. 79-4710)	Revenue remitted not less than annually to city in which licensed premises located, or to county if such premises located in unincorporated area.
Private Club Liquor Tax	Local Alcoholic Liquor Fund (K.S.A. 79-41a04)	Distributed March 15, June 15, September 15, and December 15 to the city or county in the amount collected from each city or county from clubs located therein. The city or county is required to credit the moneys received as follows: (1) 1/3 to the general fund; (2) 1/3 to a special parks and recreation fund; and (3) 1/3 to a special alcohol and drugs programs fund (this share goes to the county in the case of cities with 10,000 population or less).

- 1) K.S.A. 19-2694 establishes a formula designed to prevent counties from receiving less money distributed on the basis of population from the LAVTRF due to changing from state census data to federal census data, effective July 1, 1979.
- 2) Legislation enacted in 1982 provides that persons residing within Ft. Riley shall not be included in determining the population of any city located in Geary or Riley Counties and that the population of any military reservation which was annexed to a city after December 31, 1981, shall not be included in the population of such city for the purpose of allocating the cities' 43 percent share of the Special City and County Highway Fund.

NOTE: This table pertains only to specific state imposed and collected taxes part or all of the revenue from which is earmarked by law for distribution to local units. In addition to such distributions, various state aid or grant programs are financed by appropriations from the State General Fund and other funds.

TABLE VI -- PERCENTAGE OF COMBINED KANSAS STATE AND LOCAL GOVERNMENT TAX REVENUE, BY TAXES

Taxes	FY 1982	FY 1980	FY 1970	FY 1960	FY 1950	FY 1940	FY 1930
General Property*	37.34%	39.19%	53.06%	56.44%	52.19%	62.95%	82.02%
Income and Privilege	21.58	21.42	10.57	6.73	4.95	2.04	--
Sales and Use	19.27 ^a	19.75 ^a	15.74	15.34	15.76	9.94	--
Motor Fuels	4.32 ^b	5.24	8.81	8.26	11.00	9.92	8.18
Motor Vehicles	4.05 ^b	--	--	--	--	--	--
Unemployment	3.84	3.86	1.77	2.21	2.51	4.85	--
Vehicle Registration	2.59	3.03	3.50	4.39	4.35	3.99	5.69
Insurance Premiums	1.48	1.54	1.22	1.31	1.22	0.99	1.05
Liquor and Beer	1.28	1.30	1.08	1.09	2.24	0.49	--
Cigarette and Tobacco	1.26	1.44	2.20	1.83	2.08	1.27	0.63
Inheritance	1.17	1.19	0.82	0.82	0.48	0.39	0.67
Intangibles*	0.86	0.98	0.64	0.70	1.09	0.93	0.72
Corporation Franchise	0.26	0.25	0.09	0.13	0.17	0.31	0.34
Mortgage Registration	0.25	0.38	0.20	0.28	0.39	0.30	0.30
Motor Carrier Property	0.19	0.19	0.15	0.16	0.09	0.03	(c)
All Other ^d	0.26	0.24	0.15	0.31	1.48	1.60	0.40
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* Taxes levied for collection in the fiscal year.

a) Includes state, county, and city sales taxes.

b) Based on total tax levied in CY 1981 less state receipts from its share through December 1981, plus state receipts in FY 1982.

c) Included in general property tax until the law was changed in 1935.

d) Total from several minor taxes.

TABLE VIII -- STATE TAX REVENUE; NET COLLECTIONS
(AFTER REFUNDS)

	FY 1982		FY 1981	FY 1980
	Amount	Percent of Total		
<u>In Thousands of Dollars</u>				
Property Taxes:				
Educational Bldg. Fund ¹	\$ 10,625	0.70%	\$ 10,153	\$ 10,050
Institutions Bldg. Fund ¹	5,313	0.35	5,076	5,025
Motor Carrier ²	4,985	0.33	5,491	4,333
Motor Vehicles ²	1,495	0.10	349	--
Total	<u>22,418</u>	<u>1.49</u>	<u>21,069</u>	<u>19,408</u>
Income and Privilege Taxes:				
Individual	417,934	27.68	387,057	327,581
Corporations	146,823	9.73	161,968	141,709
Financial Institutions	15,543	1.03	14,989	16,088
Domestic Insurance Cos.	634	0.04	621	682
Total	<u>580,934</u>	<u>38.48</u>	<u>564,635</u>	<u>486,060</u>
Inheritance Tax ³	31,555	2.09	28,903	26,246
Sales, Use, and Excise Taxes:				
Retail Sales	407,617	27.00	388,973	360,718
Compensating Use	63,145	4.18	60,240	57,672
Subtotal, Sales and Use	<u>470,762</u>	<u>31.18</u>	<u>449,213</u>	<u>418,390</u>
Motor Fuel	116,415	7.71	114,633	118,906
Vehicle Registration ⁴	66,271	4.39	65,880	66,388
Cereal Malt Beverage	5,077	0.34	5,124	4,966
Liquor Gallonage	12,837	0.85	12,339	12,287
Liquor Enforcement	8,772	0.58	8,150	7,340
Private Club Liquor Tax	7,713	0.51	6,866	4,932
Cigarette	32,838	2.18	33,012	31,845
Tobacco Products	1,029	0.07	939	826
Corporation Franchise	6,962	0.46	6,393	5,685
Wheat	1,024	0.07	1,163	1,052
Vehicle Dealer's ⁵	25	(a)	19	26
Motor Boat Regis.	273	0.02	278	323
Total	<u>729,998</u>	<u>48.35</u>	<u>704,009</u>	<u>672,966</u>
Gross Receipts Taxes:				
Insurance Premiums				
Foreign Cos.	31,808	2.11	30,210	28,028
Domestic Cos.	4,904	0.32	4,557	3,998
Firemen's Relief	2,079	0.14	2,001	1,890
Fire Marshal	993	0.07	999	973
Subtotal, Insurance	<u>39,784</u>	<u>2.64</u>	<u>37,767</u>	<u>34,889</u>
Private Car Cos.	756	0.05	701	588
Music-Dramatic Comp.	4	(a)	3	2
Bingo Enforcement	752	0.05	693	627
Transient Guest ⁵	43	(a)	30	18
Total	<u>41,339</u>	<u>2.74</u>	<u>39,194</u>	<u>36,124</u>
Unemployment Compensation Tax	103,445	6.85	88,562	87,598
TOTAL STATE TAXES	<u>\$1,509,689</u>	<u>100.00%</u>	<u>\$1,446,372</u>	<u>\$1,328,402</u>

SOURCE: Financial reports of the Division of Accounts and Reports and of tax collecting agencies. Details may not add to totals due to rounding.

- 1) Taxes levied for collection in the fiscal year as reported by the Department of Revenue.
- 2) Amount received by the state from the motor vehicle tax which took effect on January 1, 1981.
- 3) Counties retained 5 percent of receipts from estates of decedents dying prior to January 1, 1979.
- 4) State receipts only, excluding amounts retained by counties.
- 5) State's 2 percent of the tax collected for local units.
- a) Less than 1/100 of 1 percent.

TABLE IX — LOCAL GOVERNMENT TAX REVENUE

In Thousands of Dollars

	<u>FY 1982</u>	<u>FY 1981</u>	<u>FY 1980</u>
Counties:			
Tangible Property Tax ¹	\$ 212,683	\$193,338	\$189,908
Intangibles Tax ¹	5,612	5,564	5,732
Mortgage Registration Tax ²	6,685	6,911	8,638
Grain Tax	781	810	681
Inheritance Tax	52	228	733
Vehicle Registration Taxes ²	3,423	2,467	2,502
Local Sales Taxes ³	21,147	17,810	16,056
Transient Guest Tax (98%)	191	163	136
Vehicle Dealer's Tax (98%)	1,211 ^a	949 ^a	1,269 ^a
Total	<u>251,785</u>	<u>228,240</u>	<u>225,655</u>
Cities:			
Tangible Property Tax ¹	168,093	152,893	162,306
Intangibles Tax ¹	13,014	13,388	13,406
Local Sales Taxes ⁴	27,057	20,190	13,854
Transient Guest Tax (98%)	1,900	1,302	740
Total	<u>210,064</u>	<u>187,773</u>	<u>190,306</u>
Schools:⁵			
Tangible Property Tax ¹	559,055	496,500	480,674
Townships:			
Tangible Property Tax ¹	15,535	14,077	12,347
Intangibles Tax ¹	4,593	3,543	3,026
Total	<u>20,128</u>	<u>17,620</u>	<u>15,373</u>
Special Districts:			
Tangible Property Tax ¹	34,194	31,344	29,245
Motor Vehicles Tax ⁶	107,581	(b)	—
TOTAL LOCAL TAXES	<u>\$1,182,806</u>	<u>\$961,477</u>	<u>\$941,254</u>
Exhibit: Local Property Taxes Only:			
Tangible	\$ 989,559	\$888,153	\$874,481
Intangibles	23,219	22,495	22,165
Total	<u>\$1,012,778</u>	<u>\$910,648</u>	<u>\$896,646</u>

SOURCES: Reports and records of the Department of Revenue. Details may not add to totals due to rounding.

- 1) Taxes levied for collection in the fiscal year. Total includes \$17,516,912 in property tax levies on railroad companies in Kansas, but the U.S. District Court for the District of Kansas issued preliminary injunctions in June, 1982, which reduced total railroad levies to \$6,831,596, a reduction of \$10,685,316 or 1.08 percent of total tangible local property taxes.
- 2) Calendar year revenue, e.g., the figures in the FY 1982 column are for calendar year 1981.
- 3) Collections by the Department of Revenue for counties which imposed a sales tax.
- 4) Amount collected by the Department of Revenue for cities which imposed a sales tax at the rate of 0.5 percent. In addition, cities share in the revenue from a countywide sales tax.
- 5) Includes unified school districts, community colleges, and municipal universities.
- 6) Tax levied in calendar year 1981, excluding state's share received through December 1981, under K.S.A. 79-5101, et seq. This tax took effect on January 1, 1981, replacing the tangible personal property tax which was levied on vehicles covered by the new law. No data are available on the amount local units received in all of FY 1982 nor is there a breakdown of 1981 calendar year tax receipts by type of local unit, i.e., counties, cities, townships, etc. A special survey of county treasurers in 1981 revealed that \$48 million was distributed to local units in the first six months of calendar year 1981; this amount is not shown in the FY 1981 column because it is included in the column headed FY 1982.
 - a) Estimate, based on state's 2 percent share of the tax. The 98 percent local share is allocated among the county and all other taxing subdivisions in the county. Data were not available on how much revenue was received by each type of taxing subdivision.
 - b) See footnote 6.

TABLE X — STATE COLLECTED TAXES ALLOCATED TO OR
SHARED WITH LOCAL UNITS OF GOVERNMENT FROM TAXES
LISTED IN TABLE VIII

In Thousands of Dollars

	<u>FY 1982</u>	<u>FY 1981</u>	<u>FY 1980</u>
Highway - User Taxes To Counties, Cities, and Townships ¹	\$ 42,471	\$ 42,188	\$ 40,675
Firemen's Relief Tax To Local Firemen's Relief Associations ²	2,016	1,941	1,833
Bingo Enforcement Tax To County or City Based on Location of Licensed Premises	487	441	393
Private Club Liquor Tax To County or City Based on Collections from Clubs Therein	7,436	6,151	3,876
Liquor Gallonage Tax to Local Units for Alcoholism Programs	—	5	—
From State General Fund ³			
For Education ⁴	561,921	520,132	466,543
For Property Tax Reduction ⁵	20,716	19,469	18,361
To Counties and Cities ⁶	15,627	14,711	13,753
Other ⁷	13,471	12,348	8,781
Total General Fund	<u>611,735</u>	<u>566,660</u>	<u>507,437</u>
GRAND TOTAL	\$664,145	\$617,386	\$554,214

SOURCE: Reports of the Division of Accounts and Reports.

- 1) Includes City and County Highway Fund, County Equalization and Adjustment Fund, and city maintenance payments.
- 2) 97 percent of the revenue from this tax.
- 3) State aid to local units appropriated from the State General Fund (94 percent of General Fund revenue was derived from taxes in FY 1982).
- 4) Includes aids to unified school districts, area vocational schools, community colleges, Washburn University (including public TV), and libraries, except their shares (if any) of the Local Ad Valorem Tax Reduction Fund are included in "For Property Tax Reduction." Also includes state contribution to teacher retirement (KPERS - School).

- 5) 4.5 percent of sales and use tax receipts is transferred from the General Fund to the Local Ad Valorem Tax Reduction Fund.
- 6) Effective January 1, 1979, 3.5 percent of sales and use tax receipts is transferred from the General Fund to the County and City Revenue Sharing Fund, and the state now retains the portions of cigarette, liquor enforcement, and insurance companies privilege taxes formerly distributed to local units.
- 7) Includes: aid to local health units, soil conservation districts, watershed districts, groundwater management districts, rural water districts, regional planning commissions, mental health and retardation centers and special purpose community assistance, and to local units from the Governor's Committee on Criminal Administration; and grants for community corrections, arts programs, emergency medical services (FYs 1981 and 1982), energy conservation (FYs 1981 and 1982), and airport planning (FY 1982 only). Also includes the counties' 5 percent share of inheritance taxes collected by the state and the state's reimbursement to counties for costs of the 1980 presidential primary (FY 1981 only).

TABLE XI -- STATE AND LOCAL TAXES IN RELATION
TO POPULATION, PERSONAL INCOME, AND PURCHASING POWER

	<u>FY 1982</u>	<u>FY 1981</u>	<u>FY 1980</u>
State Taxes (\$000)	\$1,509,689	\$1,446,372	\$1,328,402
Local Taxes (\$000)	1,182,806	961,477	941,254
Total	<u>2,692,495</u>	<u>2,407,849</u>	<u>2,269,656</u>
State Population (000) ¹	2,383	2,369	2,347
Kansas Personal Income ²			
Total (millions)	\$ 25,762	\$ 23,406	\$ 21,780
Per Capita (dollars)	10,813	9,881	9,279
Per Capita Taxes ¹			
State	\$ 633.52	\$ 610.54	\$ 566.00
Local	496.35	405.86	401.05
Total	<u>1,129.87</u>	<u>1,016.40</u>	<u>967.05</u>
Ratio of Taxes to Income			
State	5.86%	6.18%	6.10%
Local	4.59	4.11	4.32
Total	<u>10.45</u>	<u>10.29</u>	<u>10.42</u>
Purchasing Power Index ³	\$ 0.4985	\$ 0.5344	\$ 0.5861
State and Local Taxes in Constant (1972) Dollars (000) ⁴	\$1,342,209	\$1,286,755	\$1,330,245

- 1) Estimates of the U.S. Department of Commerce as of July 1, 1981, 1980, and 1979, respectively.
- 2) Estimates of the U.S. Department of Commerce for calendar years 1981, 1980, and 1979, respectively.
- 3) The purchasing power index is based on the GNP implicit price deflator for personal consumption expenditures for the above fiscal years. Calendar year 1972 equals \$1.00.
- 4) Based on purchasing power index.

Kansas Legislative Research Department

January 13, 1983

MEMORANDUM

Sales Tax Options

The following are estimates for FY 1984 of the fiscal impact of certain sales tax options. They are based on consensus estimates for FY 1984, annualized, and do not reflect the proposed acceleration of sales and use tax remittances.

<u>Option</u>	<u>FY 1984 Increase (Decrease)</u>
1. Exempt food and repeal food sales tax refund	\$ (69.6) million
2. Increase sales and use taxes from 3 to 4 percent	176.5 million
3. Increase sales and use taxes from 3 to 4 percent, exempt food, and repeal food sales tax refund	83.2 million
4. Increase sales and use taxes from 3 to 3 1/2 percent	88.2 million
5. Increase sales and use taxes from 3 to 3 1/2 percent, exempt food, and repeal food sales tax refund	6.8 million

All of the sales and use tax collections (after refunds) are deposited in the State General Fund, but 4.5 percent of such collections are earmarked for transfer to the Local Ad Valorem Tax Reduction Fund, and 3.5 percent to the County and City Revenue Sharing Fund. An exemption on the state sales tax will also be an exemption from the local sales tax base unless the item is specifically kept in the local sales tax base.