Approved February 1, 1983
Date

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 25, 1983 in room 519S of the Capitol.

All members were present ~~except~~

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:
Phil Martin, Department of Property Valuation

The meeting was called to order by the Chairman.

Wayne Morris of staff reviewed the interim committee report on Proposal #2 and the resulting legislation: HB 2016, 2017, 2018, 2019, 2020. (Attachment I)

HB 2020 would suspend all mill levy limitations in taxing subdivisions and would authorize an increase in such limits in 1983 sufficient for local units to raise the same amount of revenue as authorized in 1982. If a unit is thus authorized to use an increased levy in 1983, then that new levy will become the limit in 1984 and following years. This legislation was necessitated by the exemption of farm machinery and aircraft during the 1982 session of the legislation.

HB 2016 relates to the property tax lid for cities and counties. The exemption for farm machinery and business aircraft could cause a loss in revenue under the tax lid because a section of the tax lid law allows the city or county's aggregate levy for the base year to be applied to new improvements on realty and to increased personal property valuations. The personal property increase is calculated by taking the current year's valuation over the base year's valuation. Thus, the decrease in 1983 personal property valuations due to the exemptions could lower the unit's allowable tax revenue. To offset this potential tax loss, HB 2016 would amend the tax lid law to update the base year from 1969 or 1970 to 1981 or 1982 (at the unit's choice) and subtract farm machinery and business aircraft valuations from the unit's base year personal property valuation.

HB 2017 would offset the impact of farm machinery and aircraft exemptions on the bonded indebtedness limits.

Tom Severn of staff explained that if HB 2017 is not passed, there are counties whose taxable base has decreased as much as 25% and these counties may already be in violation of the law as they exceed the debt limitation.

Wayne Morris continued with the explanation of the bills and stated that HB 2019 will cover custom cutters' equipment or the equipment used by one farmer on another farmer's field. It will amend the definition of farm machinery to include the performance of custom farm or ranch work for hire.

The meeting was adjourned.

DATE: 1-25-83

GUEST REGISTER

HOUSE

ASSESSMENT & TAXATION
COMMITTEE

NAME	ORGANIZATION	ADDRESS
Phil Martin	PVD	SOB
Janice Marcum	PVD	Topeka
L. Clark	PVD	SOB
Ron Calbert	UTU	Newton
Scot WRIGHTON	City of WICHITA	Wichita
David Kahn	Gov office	Topeka
Cindy Entzeiken	Sen. Hess' office	Topeka
Mark Anson	City of Overland Park	O. P.
Chris Walker	NFO	Mayetta
Ivan W. Wyatt	Ks Farmers Union	McPherson
DWAYNE SACKMAN	DIV. OF BUDGET	TOPEKA
Harold Shoaf	KEC	Topeka
Marian Warriner	LWK	Lawrence
Mary Ellen Simon	Lg. of Women Voters of Ks.	Topeka
Ron Hacker	KACI	TOPEKA
Steve Wrechman	K A C	Topeka

1982 Proposal No. 2

ATTACHMENT I

Committee Conclusions and Recommendations

Farm Machinery and Inventory Exemptions

Townships and special districts are subject to aggregate property tax limits expressed in terms of mills, and all local units of government have mill levy limits for various tax funds. In order to prevent a loss of revenue in the aggregate or a loss of revenue for certain funds resulting from the property tax exemptions enacted in 1982, the Committee recommends that a bill be enacted which suspends all such levy limits and authorizes an increase in such limits in 1983 sufficient for local units to raise the same amount of revenue as authorized in 1982. If a unit is thus authorized to use an increased levy in 1983, then that levy would become the new limit in 1984 and following years. Passage of H.B. 2020 would enact this recommendation.

A second recommendation concerns the tax lid which applies an aggregate tax limit, in dollars, to cities and counties. The exemption for farm machinery and business aircraft could cause a loss in revenue under the tax lid because a section of the tax lid law, K.S.A. 79-5006, allows the city or county's aggregate levy for the base year to be applied to new improvements on realty and to increased personal property valuations. The personal property increase is calculated by taking the current year's valuation over the base year's valuation. Thus, the decrease in 1983 personal property valuations due to the exemptions could lower the unit's allowable tax revenue. To offset this potential tax loss, the Committee recommends that the tax lid law be amended to update the base year from 1969 or 1970 to 1981 or 1982 (at the unit's choice) and subtract farm machinery and business aircraft valuations from the unit's base year personal property valuation. Enactment of H.B. 2016 will carry out this recommendation.

A third recommendation to offset the impact of the exemptions concerns bonded indebtedness limits. Most local units of government are subject to limits on their bonded indebtedness that are expressed as percentages of their assessed valuations. To offset the reductions on such valuations and the corresponding drop in debt limits, the Committee recommends enactment of H.B. 2017.

Fourthly, to clarify that the farm machinery exemption will cover custom cutters' equipment or the equipment used by one farmer on another farmer's field, the Committee recommends enactment of H.B. 2019. That bill will amend the definition of farm machinery to include the performance of custom farm or ranch work for hire.

The Committee also voted to introduce H.B. 2018, without recommendation, to repeal K.S.A. 1982 Supp. 79-210 and to amend K.S.A. 1982 Supp. 79-213. The section that would be repealed, K.S.A. 1982 Supp. 79-210, requires that owners of most exempt property file an annual claim for exemption with their county appraiser. The amended statute, K.S.A. 1982 Supp. 79-213, currently requires that all initial claims for property tax exemptions be approved by the State Board of Tax Appeals. The bill would amend that section to require approval by the Board only for property whose exemption is limited to a period of years, such as that for industrial revenue bond property or grain storage and drying equipment. The Committee believes that additional study and debate should be devoted to the procedure for obtaining and renewing property tax exemptions, and thus desires to introduce a bill to bring this matter to the attention of the tax committees during the 1983 Session.

The final recommendation in the area of property tax exemptions is that the 1983 Legislature not enact any new exemptions.

State Appraisal of Railroads

The Committee recommends no change in the statutes pertaining to the valuation of railroads and other public utilities. This means that railroads and other utilities will continue to be appraised using the unit valuation methods specified in K.S.A. 79-5a01 et seq.

Although determined to be outside of the Committee's charge, the Committee notes that there is some question as to whether the procedure used by PVD to distribute a utility's assessed value to taxing districts within the state complies with the terms of K.S.A. 79-5a06a. The Committee desires this question be noted for attention by the appropriate standing committee during the 1983 Session.

Unit and Segregated Valuation Methods

The Committee recommends no change in the statute pertaining to the valuation of all property. This means that the fair market value of property will be determined under the general guidelines listed in K.S.A. 1982 Supp. 79-503a.

ATTACHMENT I
(1-25-83)