

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 26, 1983 in room 519-S 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. Representative V. Miller made a motion that the minutes for the meeting of January 20, 1983, be approved. The motion was seconded by Representative Erne.

Representative Wunsch made a substitute motion that the minutes be amended to reflect that the Department of Property Valuation places low priority on getting the manual for instructions for the Statement of Assessment on oil and gas leases distributed to the producers. Representative R. Frey seconded the motion. Motion carried. The minutes were approved as amended.

The staff review of the bills resulting from 1982 Proposal No. 2 of the Interim Committee on Assessment and Taxation continued with Wayne Morris continuing his explanation on the legislation. (Attachment I)

Phil Martin, Director of Property Valuation Department, also appeared to help clarify the need for HB 2019 and 2018. HB 2019 would define farm machinery to include the performance of custom farm or ranch work for hire and would cover custom cutters' equipment or the equipment used by one farmer on another farmer's field.

HB 2018 would relieve the owner of exempt property from having to file an annual claim for exemption with the county appraiser. It would also eliminate the initial claim for property tax exemption, which now must be approved by the State Board of Tax Appeals, on all property except property whose exemption is limited to a number of years, such as that for industrial revenue bonds or grain storage and drying equipment.

The staff then reviewed HB 2053 which would permit the voters in a school district to enact a local option income tax for school districts to relieve the property tax burden in school districts. (Attachment II)

The meeting was adjourned.

1982

Proposal

No. 2

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.

(1-26-83)

ATTACHMENT I

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1983 H.B. 2053

Brief of Bill

H.B. 2053 would enact new sections pertaining to the imposition of a school district tax if approved by the voters in a school district.

Section 1 would allow a school board, and require a school board upon submission of a 5 percent petition, to submit the question of imposing a school district individual income tax upon every individual residing in the school district. The tax could only be imposed if approved by a majority of the district's voters.

Section 2 would provide that any such tax imposed shall be levied against the individual's Kansas income tax liability before reduction for any credits. The rate of the tax shall be the rate as set out on the notice of election and the ballot, but shall be fixed at 10 percent or any other percentage which is the product of 10 percent multiplied by any whole digit.

Section 3 would provide that any such tax could be increased, decreased, or repealed, upon vote of the electors.

Section 4 would require that any such tax be administered, enforced and collected by the State Department of Revenue.

Sections 5, 6, and 7 would provide that corporation and fiduciary income taxes, financial institutions privilege taxes, and domestic insurance companies privilege tax would be increased by either 0.5 percent or 1.0 percent if a sufficient number of school districts imposed such a tax. The increase would be 0.5 percent if school districts having at least 50 percent of the total school population imposed such a tax, or 1.0 percent if school districts having at least 80 percent of the total school population imposed such a tax.

Sections 8, 9, 10, 11, and 12 address administrative matters.

Section 13 would provide for distribution of the moneys collected to the districts which imposed the tax. A committee amendment to the section would require that any such income tax receipts be used to reduce property taxes in the district. A second committee amendment would provide that if any corporate, fiduciary, and privilege taxes are increased as a result of the act, such moneys would be distributed among all school districts on an enrollment basis.