

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATIONThe meeting was called to order by Representative Jim Braden at
Chairperson9:00 a.m./~~xxx~~ on January 27, 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:

Bill Edds, Department of Revenue
Allen Alderson, Department of Revenue
John Koepke, Kansas Association of School Boards
Dee Likes, Kansas Livestock Association
Charles Johns, Kansas-National Education Association
Tim Underwood, Kansas Association of Realtors
Paul Fleener, Kansas Farm Bureau
Bryan Whitehead, Brotherhood of Railway and Airline Clerks
Jack McGlothlin, United Transportation Union
LeRoy Jones, Brotherhood of Locomotive Engineers
Ron Gaches, Kansas Association of Commerce and Industry

The Chairman called the meeting to order and stated that the minutes of the January 21 and 24, 1983, meetings are approved as written.

The Chairman then submitted copies of a bill which is necessitated due to the Supreme Court ruling on local option sales taxes. (Attachment I) Allen Alderson of the Department of Revenue appeared to explain the situation that has arisen and the need to allow a business to charge sales tax at their tax situs rather than the location where the service is performed.

Representative V. Miller made a motion to introduce a committee bill to clarify sales tax situs and have it referred back to the committee for hearings and action. Representative Crowell seconded the motion. Motion carried.

The Chairman also requested that the committee introduce a bill on reappraisal that would reflect legislation which was passed out of this committee last session. This reappraisal bill was the product of the 1981 interim committee and the legislation was refined by this committee last year. He also requested a resolution on classification that came out of this committee last year that was also the product of the 1981 special committee study.

Representative Lowther made a motion to introduce a bill on reappraisal and a resolution on classification so that they can be referred back to the committee for hearings and action. Representative Leach seconded the motion. Motion carried.

Bill Edds, Revenue Department, appeared to request legislation from the committee that would amend the local sales tax law to provide that the local tax in annexed areas shall become effective the first day of the month following the 30th day after official notification by the city to the Department of Revenue. He explained that this is necessary to simplify record keeping on the part of the Department.

Representative R. Frey made the motion that this legislation be introduced as a committee bill and then have it referred back to the committee for hearing and action. Representative Roe seconded the motion. Motion carried.

Mr. Edds then gave information for another bill the Department needs which would increase the limitations on the privilege tax refund fund and inheritance tax refund fund and create a new refund fund for liquor excise tax purposes. This could all be taken care of in one bill.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519-S, Statehouse, at 9:00 a.m./~~p.m.~~ on January 27, 1983

Representative Erne made a motion that the committee introduce this bill and have it referred back to the committee for hearings and action. Representative Roe seconded the motion. Motion carried. Representative Rolfs voted "No".

The Chairman then announced that the hearings on HB 2053 will proceed. HB 2053 is an act relating to the financing of public schools and will authorize the levying of an individual income tax by school districts. It will also impose a tax upon the Kansas taxable income of corporations, fiduciaries, financial institutions, and insurance companies, if a school district with 50% of the student populations had voted in the tax on individuals.

Wayne Morris of staff then handed out a list of random counties throughout the state which lists the estimated millage equivalent of estimated receipts from a ten percent school district income tax per House Bill 2053. (Attachment II) Mr. Morris stated that these figures are based on 1980 returns that were filed in 1981.

John Koepke, Associate Executive Director of the Kansas Association of School Boards, appeared as a proponent of the bill. (Attachment III) He expressed the feeling of his organization that boards of education should have access to income as a means of funding the local effort portion of a school district budget.

Dee Likes, Kansas Livestock Association, appeared to state that his association has long been a proponent of increased reliance on income tax and other non-property tax sources to raise the needed revenues for school finance. (Attachment IV) Representative Turnquist questioned Mr. Likes as to why KLA was not recommending that this legislation just apply statewide. Mr. Likes replied that his association would prefer that the tax be mandated statewide rather than by a local option.

Charles Johns, representing the Kansas-National Education Association, appeared in support of the legislation and stated that Kansas-NEA believes reliance on property or any other single tax source should be prevented. (Attachment V) Representative V. Miller asked Mr. Johns if Kansas-NEA would prefer this bill be enacted statewide and Mr. Johns stated that his organization took the position of local option.

Tim Underwood, Director of Governmental Affairs for the Kansas Association of Realtors, appeared in support of House Bill 2053. (Attachment VI)

Paul Fleener, Kansas Farm Bureau, appeared to support the legislation as set out in House Bill 2053. (Attachment VII)

Bryan Whitehead, Kansas Legislative Director of the Brotherhood of Railway and Airline Clerks appeared in opposition to the bill. (Attachment VIII) Upon questioning by the Chair, it was found that although his testimony referred to "over half of Kansas' agricultural investment land is owned by non-residents" he was actually stating that over half of Kansas Agricultural investment land is owned by persons who do not reside on the land and that he did not mean "non-residents of Kansas".

Jack McGlothlin, United Transportation Union, appeared in opposition to House Bill 2053.

LeRoy Jones, representing the Brotherhood of Locomotive Engineers, appeared to oppose House Bill 2053 and stated that his organization is of the opinion that the legislation unfairly taxes the individuals, and once again, relieves another group of their fair share of the tax burden. (Attachment IX)

Ron Gaches, Kansas Association of Commerce and Industry, appeared in opposition to House Bill 2053, primarily those sections that trigger income tax increases upon businesses within the state. He stated that this would be counter-productive to the Kansas Department of Economic Development as they are currently recruiting new hi-tech businesses to locate within the state. (Attachment X)

The meeting was adjourned.

DATE: Jan 27, 1983

GUEST REGISTER

HOUSE

ASSESSMENT & TAXATION
COMMITTEE

| NAME | ORGANIZATION | ADDRESS |
|---------------------|-------------------------|----------------|
| Paul E. Fleener | Kansas Farm Bureau | Manhattan |
| John Koerke | K.A.S.B. | Topeka |
| Charles W. Johns | KNEA | Topeka |
| Tim Underwood | KAR | Topeka |
| Malinda Irwin | P.F.F. | Spring Hill Ks |
| Jan Hoover | KUE | Perry |
| Sally Temple | K.U.E. | Topeka Ks. |
| Neil Jones | ILLA | Topeka |
| Beth Wilbur | Girl Scout | " |
| Janet Stubbs | HBAK | " |
| Jerry Ditz | Farmer | Pratt - Ks |
| Tom Whitaker | Ks Motor Carriers Assn. | Topeka |
| DAVID STEPHENS | — | LENEXA, Ks |
| Marian Hamerick | LWVK | Lawrence |
| Mary Ellen Simon | LWVIC | Topeka |
| Leroy Jones | BLE. | Overland Park |
| Dorothy Christopher | | Wichita Ks |
| BRYAN WHITEHEAD | BRAE | KCK |
| Ron CALBERT | U.J.U. | NEWTON |
| Jack McBlathorn | UJ.U. | Pittsburg |
| Ron Caches | KACI | Topeka |
| | | |
| | | |

HOUSE BILL NO. _____

By

AN ACT relating to city and countywide retailers' sales taxes; providing authority for cities and counties relating thereto; establishing the tax situs for the sales of services; amending K.S.A. 12-189 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. For the purpose of levying taxes pursuant to K.S.A. 12-187 et seq. and amendments thereto, there is hereby specifically conferred upon cities and counties of this state the power and authority to impose taxes upon services rendered without the boundaries of the taxing jurisdiction by retailers having a place of business located within such taxing jurisdiction.

Sec. 2. For the purpose of determining the situs of installation, maintenance, servicing and repair services taxable under the provisions of K.S.A. 12-187 et seq. and amendments thereto, the place of business of the retailer of such services shall be the office or other location from which such retailer does business. Such location may be established by determining the location where sales or service personnel report or at which mail is received, orders are taken, telephone service is listed or the consideration of any other relevant factors established by rules and regulations of the secretary of revenue. If the place of business of a retailer of services is located within the boundaries of a city or county imposing a local retailers' sales tax, services performed by such retailer are subject to the tax regardless of whether the service is performed within or without the boundaries of the taxing jurisdiction. If there is no fixed or determinable place of business for any retailer, other than a

retailer having its only place or places of business in another state, the place of business of such retailer shall be deemed to be the place where the services are performed.

Sec. 3. K.S.A. 12-189 is hereby amended to read as follows: 12-189. The rate of any city retailers' sales tax shall be fixed in the amount of .5% or 1% which amount shall be determined by the governing body of the city. The rate of any countywide retailers' sales tax shall be fixed in an amount of either .5% or 1% which amount shall be determined by the board of county commissioners. Any county or city levying a retailers' sales tax is hereby prohibited from administering or collecting such tax locally, but shall utilize the services of the state department of revenue to administer, enforce and collect such tax. Except as otherwise specifically provided in K.S.A. 12-189a and 12-190, and amendments thereto, such tax shall be identical in its application, and exemptions therefrom, to the Kansas retailers' sales tax act and all laws and administrative rules and regulations of the state department of revenue relating to the Kansas retailers' sales tax shall apply to such local sales tax insofar as such laws and rules and regulations may be made applicable. The state ~~secretary-of-revenue~~ director of taxation is hereby authorized to administer, enforce and collect such local sales taxes and to adopt such rules and regulations as may be necessary for the efficient and effective administration and enforcement thereof. Upon receipt of a certified copy of an ordinance or resolution authorizing the levy of a local retailers' sales tax, the state director of taxation shall cause such taxes to be collected within or without the boundaries of such taxing subdivision at the same time and in the same manner provided for the collection of the state retailers' sales tax. All moneys collected by the director of taxation under the provisions of this section shall be credited to a "county and city retailers' sales tax fund" which fund is hereby established in the state treasury. Any refund due on any county or city retailers' sales tax collected pursuant to this act shall be paid

out of the sales tax refund fund and reimbursed by the director of taxation from collections of local retailers' sales tax revenue. All local retailers' sales tax revenue collected within any county or city pursuant to this act shall be remitted at least quarterly by the state treasurer, on instruction from the director of taxation, to the treasurer of such county or city.

Sec. 4. K.S.A. 12-189 is hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the Kansas register.

Kansas Legislative Research Department

January 26, 1983

ESTIMATED MILLAGE EQUIVALENT OF ESTIMATED RECEIPTS
FROM A TEN PERCENT SCHOOL DISTRICT INCOME TAX
PER H.B. 2053

| U.S.D. No. | District Name | 1 10% Based on 1980 Returns* | 2 1981 Property Valuation Excluding Farm Machinery | 3 Est. Mill Equivalent of Col. 1 |
|---------------|------------------|---------------------------------------|---|---|
| 205 | Leon | \$ 35,745 | \$ 22,059,028 | 1.62 |
| 253 | Emporia | 375,368 | 73,907,549 | 5.08 |
| 259 | Wichita | 5,985,946 | 919,413,266 | 6.51 |
| 263 | Mulvane | 109,861 | 16,794,989 | 6.54 |
| 278 | Mankato | 24,365 | 8,107,474 | 3.01 |
| 283 | Elk Valley | 7,616 | 5,183,586 | 1.47 |
| 305 | Salina | 654,215 | 113,027,350 | 5.79 |
| 331 | Kingman | 90,096 | 66,582,584 | 1.35 |
| 342 | McClouth | 24,826 | 6,558,919 | 3.79 |
| 367 | Osawatomie | 67,745 | 13,144,270 | 5.15 |
| 379 | Clay Center | 105,468 | 33,613,022 | 3.14 |
| 444 | Little River | 22,227 | 26,402,450 | 0.84 |
| 445 | Coffeyville | 231,913 | 44,825,765 | 5.17 |
| 453 | Leavenworth | 303,669 | 51,842,474 | 5.86 |
| 475 | Junction City | 199,074 | 51,761,213 | 3.85 |
| 480 | Liberal | 285,001 | 74,719,006 | 3.81 |
| 489 | Hays | 300,303 | 93,038,149 | 3.23 |
| 500 | Kansas City, Ks. | 1,694,359 | 292,732,104 | 5.79 |
| 501 | Topeka | 1,824,005 | 277,205,888 | 6.58 |
| 512 | Shawnee Mission | 5,571,765 | 597,182,504 | 9.33 |

Source: Reports of the Department of Revenue and the State Department of Education.

* Based on school district rebates for returns filed in 1981.

** Based on July 1 abstracts as used in the 1981 property tax survey.

KANSAS
ASSOCIATIONOF
SCHOOL
BOARDS5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600TESTIMONY BEFORE HOUSE ASSESSMENT AND TAXATION COMMITTEE
ON HOUSE BILL 2053

by

John W. Koepke, Associate Executive Director
Kansas Association of School Boards

Mr. Chairman and members of the Committee, we appreciate the opportunity to express KASB views on a piece of legislation which your committee has introduced on behalf of several interested organizations. The organization I represent has as members 299 of the 306 unified school district boards of education, as well as the boards of several interlocal cooperatives, vocational-technical schools and community colleges.

We have long expressed the view that boards of education should have access to income as a means of funding the local effort portion of a school district budget. Philosophically, we believe that the use of income in the definition of district wealth of a school district cannot be justified unless the school district has access to that wealth. H.B. 2053 would correct that defect in our present school finance formula and make it a more equitable formula for all concerned.

On a practical basis, H.B. 2053 will allow some school districts in this coming year to avoid the massive property tax increases they face in funding their budgets due to the exemption from property taxation of farm machinery and business aircraft. In some school districts, mill levy increases of 20 mills will be necessary to make up this loss of valuation.

It is important to understand that the measure before you does not grant any greater budget authority to local boards of education. It is, pure and simple, a property tax relief measure. Each dollar of income raised in a school district is a dollar of property tax decreased. The measure does not in any way change school district budget limitations.

This measure is identical to H.B. ²³⁷⁰~~2073~~, which passed the Kansas House of Representatives two years ago and was referred to three committees in the Kansas Senate. Despite its emergence from all three of those committees, the measure was never considered on the Senate floor. We believe that the time has come to do more than give lip service to the idea of property tax relief at the local level. H.B. 2053 accomplishes that goal. We would urge your favorable consideration of this measure. Thank you for your attention.



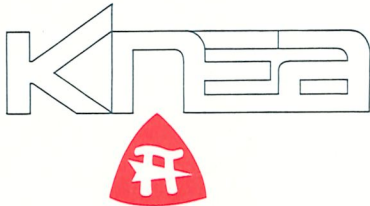
2044 Fillmore • Topeka, Kansas 66604 • Telephone: 913/232-9358
Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

Statement
of the
Kansas Livestock Association
to the
House Committee on Assessment & Taxation
Jim Braden, Chairman
with respect to
Local Option School District ATTACHMENT III
HB 2053 (1-27-83)
presented by
Dee Likes
Executive Secretary, Feedlot Division
Kansas Livestock Association
January 27, 1983

Mr. Chairman and members of the Committee, the Kansas Livestock Association has long been a proponent of increased reliance on income tax and other non-property tax sources to raise the needed revenues for school finance. We believe that an income tax is the fairest tax because income is a better measure of wealth today than any other source and it's obviously based on the individual's ability to pay. We hope that it's time the state makes recognition of that fact and proceeds accordingly.

Obviously, the heavy reliance on the property tax to finance our primary and secondary educational system dictates that our members have a vital interest in school finance.

Neither our Association nor I consider ourselves as experts on school finance. However, it seems to make sense to us that if income is included in the school finance formula there could be some justification for using the income as a tax basis to finance public education. The Kansas Livestock Association sees HB 2053 as a property tax relief measure and it is the position of our Association to recommend to this committee that the bill be favorably considered.



Testimony
on
HB 2053

before the

House Assessment and Taxation Committee

Mr. Chairman and Members of the Assessment and Taxation Committee:

My name is Charles W. Johns, representing the Kansas-National Education Association. I appreciate the opportunity to appear before you on HB 2053 today.

Kansas-NEA believes reliance on property or any other single tax source should be prevented. We have for many years supported diversified tax sources for school funding. Our legislative program again reflects our support for a local option income tax. We feel that school districts should have the option of raising revenues from a source other than property taxes.

Due to recent exemptions that in some school districts will cause property tax levies to increase significantly, we feel that an option such as this should be made available for approval by the voters.

Thank you again for the opportunity to make these comments.

ATTACHMENT V

(1-27-83)



KANSAS ASSOCIATION OF REALTORS®

Executive Offices:
3644 S. W. Burlingame Road
Topeka, Kansas 66611
Telephone 913/267-3610

House Assessment and Taxation Committee

January 27, 1983

House Bill-2053

Mr. Chairman, members of the committee. My name is Tim Underwood. I am Director of Governmental Affairs for the Kansas Association of REALTORS. Our Association represents over 7,400 members in the State of Kansas. We are affiliated with the National Association of REALTORS.

The Association supports House Bill 2053 and asks for your support in passing what we believe to be a very important bill. As you are all aware school budgets have increased dramatically over the last few years and the only sources of revenue to fund these increases have been the local property tax and state aid. It is apparent that the local property tax has not been the major source of the additional revenue during this period. Few people realize the tremendous amounts of money the state has pumped into our local school districts. Now, however, with the state finding itself in a position of not being able to continue to provide the type of assistance it has in the past, the burden will fall to the local property tax payers. We do not think that the economy will improve significantly this next year and when the economy does improve we believe it will not be the dramatic growth that we saw in the 70's. These factors will also put additional pressures on the local property tax.

Cities and Counties have been able to utilize other sources of revenue during the last few years to offset increases in property taxes. The sales tax has been adopted in many cities and counties to provide relief to the property tax payers. As an Association we believe that the local school districts need to have an alternate source of revenue to the local property tax. We believe that the best source for this additional revenue is the income tax. This bill allows the people of the district to vote whether or not they want this alternate source of revenue. The additional revenue must go to property tax relief. For these reasons we ask this committee to vote favorably for House Bill 2053.

Thank you for allowing us to voice our position on this issue.

ATTACHMENT VI

(1-27-83)

STATEMENT TO THE
HOUSE ASSESSMENT AND TAXATION COMMITTEE

RE: H.B. 2053 - Local Option
Income Tax for Schools
January 27, 1983
Topeka, Kansas

by
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and members of the Committee, my name is Paul Fleener. I'm here representing Kansas Farm Bureau. Mr. Koepke said that he represents school boards in 209 of 306 school districts, and we represent farmers in 306 of 306 school districts.

We are pleased to have an opportunity to appear as proponents of a school district income tax. We supported H.B. 2370, a similar measure introduced in 1981. We supported it enroute to House passage and before the three Senate Committees to which it was assigned after it reached that body. Mr. Chairman, you will remember, and some members of this committee will remember, that even as we supported H.B. 2370, we suggested, even urged, that the option be removed and a ten percent surtax proposed be mandated. We make that same observation regarding the committee bill you now have under consideration, H.B. 2053. Since there are new members in 1983, we want to at this time share with the committee two paragraphs from our resolution on School Finance. I would like to discuss them briefly and make some observations on, how in our opinion, H.B. 2053, a good bill, can be made even better. Farmers and ranchers have a great and abiding interest in school finance. We have a comprehensive policy position on school finance, a portion of which relates to H.B. 2053. I'd like to share those two with you at this time.

Our delegates in December of 1982 at the Annual Meeting held here in Topeka, amended and reaffirmed some other portions of our school finance statement. They continued this language from previous years.

We will support legislation to create a school district income tax, such tax to be collected by the state from every resident individual and returned by the state to the school district of residence of the individual taxpayer. The other pertinent paragraph is this:

We believe State General Fund revenues should be enhanced for school finance purposes by increasing the rates of income and privilege taxes imposed on corporations, financial institutions, insurance companies, and non-resident individuals.

Mr. Chairman, we would like to and in the interest of time, very briefly discuss the rationale for our recommendation that this be mandated.

First off, there really is no option on the property tax, and to respond prior to being asked, as other conferees were asked, is our motivation to reduce the property tax. We make no bones about our request, that there be less reliance on the property tax for funding elementary and secondary schools in the State of Kansas. I believe I have heard the Chairman of this Committee say something very much like another one sentence long resolution in our policy position that relates to state and local fiscal needs, and how to meet those needs. Our policy position says this:

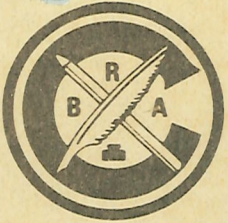
It is time in Kansas to write a basic tax policy of taxing people for services to people, and taxing property for services to property.

We would urge you to do that. We would urge you to mandate the first ten percent, and then if you will, leave it to the option of the local school boards to go beyond that if they care to. And we would suggest to you that it be done for individuals and for those other entities which I named.

As the handout was provided to you and the discussion that went along with it would indicate, you could with just the individual portion of it raise \$48 million. I do not apologize for the very courageous action taken by the Kansas Legislature last year, as some others have seemed want to do concerning the farm machinery exemption. Therefore, I want to point out

to you that those dollars are significant and this is an option that should be made available after you mandate that first ten percent.

Mr. Chairman, thank you very much for this opportunity to appear.



**BROTHERHOOD OF RAILWAY, AIRLINE AND STEAMSHIP CLERKS,
FREIGHT HANDLERS, EXPRESS AND STATION EMPLOYES**

AFL-CIO — CLC

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Phone: (913) 287-9062

Kansas City, Kansas, January 23, 1983

STATEMENT OF

BRYAN K. WHITEHEAD

KANSAS LEGISLATIVE DIRECTOR

FOR THE

BROTHERHOOD OF RAILWAY AND AIRLINE CLERKS

IN RE:

HOUSE BILL NO. 2053

PRESENTED AT HEARING

BEFORE THE

HOUSE ASSESSMENT AND TAXATION COMMITTEE

TOPEKA, KANSAS

January 27, 1983

ATTACHMENT VIII

(1-27-83)

HOUSE BILL NO. 2053 - AN ACT relating to financing of public schools; authorizing the levy of individual income taxes by school districts;

Mr. Chairman, and members of the Committee, I am Bryan Whitehead, Kansas Legislative Director and a Regional Representative for the Brotherhood of Railway & Airline Clerks union representing over eight thousand employed and retired members in Kansas.

For several reasons, Mr. Chairman, we rise in opposition to HB-2053 which proposes authority for boards of education to levy a surtax upon the state income tax liability of residents of a school district.

Perhaps I've missed a "loophole", but HB-2053 seems to contravene the Kansas Constitution; Article 6, Section 6., Sub-Section (b) provides:

" The legislature shall make suitable provision for finance of the educational interests of the state."

And, Article 11., Section 2. provides:

"The state shall have power to levy and collect taxes on incomes from whatever source derived which taxes may be graduated and progressive."

Moreover, in Article 12., Section 5. I read numerous "home rule" provisions for authority to levy taxes by "cities" but none for "boards of education".

The statewide Intangibles Tax "mess" persuades me that a "5% of the qualified electors" initiative petition is not democracy-at-work. I suggest an amendment to require 51% petition or an amendment at line 0038 of HB-2053 to provide:

"If a majority of the qualified electors voting thereon at such election shall approve the levying of such tax ..."

In either event, provide for "majority rule" on questions of taxation just as must prevail on the floor of the Kansas House and Senate to enact a law. Then there will be no more referendums where 5% can force an election, only 10% vote, the "question" is approved by 5.1% and 94.9% of the electorate get "shafted" by a tax "shift" such as repeal of the Intangibles Tax in Wichita!

I have heard estimates that over half of Kansas' agricultural investment land is owned by non-residents. Yet, you have heard proponents of HB-2053 praise it as an "alternative revenue source" and as "property tax relief". Non-residents cannot be taxed on their income so over half the district's income wealth would escape taxation. My questions are: "Whose alternative?" and "Whose property tax?" The taxpayers I represent only have one "pocketbook" and they do not have Schedule "F" to write off their expenses!

I am acquainted with a "family farmer" in Ford County who is desperately trying to stay on the farm. He's living in rented property, feeding livestock on rented pasture, and farming a section of land on crop-share contract. He holds a night-shift job so he can afford to stay on the farm. He owns no farm machinery; his father and brother live close by so he uses their equipment; he does, however, own a car and a pick-up truck.

This year my "family farmer" friend is really in for a "shift-shaft" as he begins to pay his share of the \$40 million exemption for farm machinery and airplanes!

If HB-2053 is enacted, his fellow "residents" will move to impose a school district income tax and as a "wage earner" he will get "shafted" again as "property tax relief" is achieved at the expense of wage earners in the district.

I am certain that attorneys for corporations, banks, savings and loan associations, and insurance companies will be ecstatic about Sections 5., 6., and 7. of HB-2053. Therefore, I will restrict my comments and concern for the resident individual taxpayer.

Department of Revenue officials will apprise the Committee of the numerous administrative problems should HB-2053 be enacted. While they are before you it would be helpful if the Committee heard some statistics as to just how many Kansas residents with high gross or adjusted gross income on federal form 1040 arrive at the bottom line on Kansas form K 40 with "zero" state income tax liability. A surtax of 10% (or more) of "zero" income tax liability is "zero". But, to the average wage earner with a \$500 Kansas tax liability it's another \$50 or more!

The federal tax code has squeezed out the average payday-to-payday wage earner and forced him to standard deductions and short form 1040. He's already lost the gasoline and medical expense deductions and interest and insurance deductions are in jeopardy. He faces a 5-cent a gallon federal gasoline increase plus the possibility of a Kansas gasoline tax increase and a sales tax increase. Income tax "indexing" is bearing down on him and an increase in his Social Security Tax is inevitable while Congress begins to favor "consumption taxes". Meanwhile, he looks at all the wonderful tax benefits enacted by the 97th Congress such as the \$2,000 exemption if he had \$16,000 to invest in All-Savers and the \$2,000 to \$4,000 adjustment if he could afford to invest in an Individual Retirement Account. Finally, he looks at the record and discovers that he pays more federal and state income tax than General Motors or Standard Oil! Mr. Chairman, and members of the Committee, I suggest that if Kansas must have increased general revenue there are more equitable vehicles than the federal income tax.

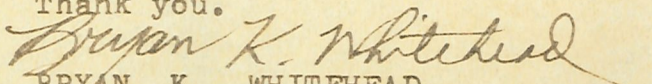
Why not repeal the retail sales tax on food for people and raise the rate statewide to increase general revenue? Our Sales Tax Refund Act responds to the needs of low income taxpayers. Certainly we have an excellent Homestead Tax Refund Act to benefit those taxpayers who are truly hurt by property taxes and our Intangibles Tax Act exempts the low income investor and saver.

The tax incidence in Kansas impacts squarely on the middle-income taxpayer who pays the highest ratio of taxation to income. I urge you to reject the proposition of HB-2053.

We have all heard the line from a popular western song: "This gun don't care who it shoots" - I close by suggesting a paraphrase: "These tax shifts don't care who they shaft!"

I appreciate the opportunity express my views on this most important and controversial subject. I will, of course, respond to questions.

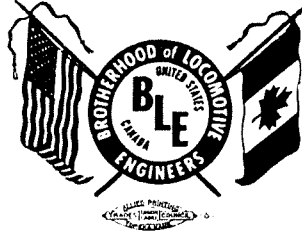
Thank you.


BRYAN K. WHITEHEAD,
Kansas Legislative Director,
Bro. of Railway & Airline Clerks

Brotherhood of Locomotive Engineers

Kansas State Legislative Board

LEROY D. JONES
Kansas State Legislative Representative



12601 W 105th
Overland Park, Kansas 66215
Res Phone (913) 492-4096

I AM LEROY JONES. I AM THE KANSAS STATE LEGISLATIVE REPRESENTATIVE FOR THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS. I AM HERE TO OPPOSE HOUSE BILL 2053

I REPRESENT A GROUP OF GOOD TAX PAYING KANSANS THAT FEEL THAT THEY ARE CONSTANTLY BEING ASKED TO PAY THE BRUNT OF NEW TAXES CONSTANTLY BEING INTRODUCED. THIS BILL, HOUSE BILL 2053, IS SUCH A BILL THAT FITS INTO THIS CATEGORY. WE FEEL THAT THIS BILL UNFAIRLY TAXES THE INDIVIDUALS, AND ONCE AGAIN, RELIEVES ANOTHER GROUP OF THEIR FAIR SHARE OF THE TAX BURDEN.

WE DO FEEL THAT EDUCATION IS A VALUABLE INSTITUTION IN OUR STATE AND THAT WE NEED TO KEEP IT AT THE HIGHEST LEVEL POSSIBLE. BUT, WE FEEL THERE ARE ALTERNATIVE WAYS OF RAISING REVENUE FOR OUR EDUCATIONAL SYSTEM.

WE HOPE THAT THE COMMITTEE WILL TAKE OUR VIEW INTO CONSIDERATION. WE HOPE THAT YOU VOTE AGAINST THE PASSAGE OF HOUSE BILL 2053.



Legislative Testimony

Kansas Association of Commerce and Industry

500 First National Tower, One Townsite Plaza

Topeka, Kansas 66603

A/C 913 357-6321

January 27, 1983

TESTIMONY BEFORE THE
HOUSE ASSESSMENT AND TAXATION COMMITTEE
REGARDING HB 2053

Thank you Mr. Chairman, members of the Committee. I'm Ron Gaches, General Counsel and Director of Taxation for the Kansas Association of Commerce and Industry. We appreciate this opportunity to present our concerns regarding the school finance proposals embodied in HB 2053.

The Kansas Association of Commerce and Industry (KACI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KACI is comprised of more than 3,200 businesses plus 215 local and regional chamber of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KACI's members having less than 25 employees, and 86% having less than 100 employees.

The KACI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

KACI is opposed to the provisions of HB 2053 that permit the imposition of additional corporate income taxes in support of public education. The triggers that permit higher corporate income taxes will prove to be detrimental to the state's economic recovery. The creation of new jobs for Kansans should be our highest priority. Additional corporate income

taxes will be counterproductive to that effort. Particularly, efforts to attract new high technology industries to Kansas will be hampered.

Several members of the Committee have expressed concern about imposing higher income taxes on individuals and having the local business community share in the corresponding property tax reductions. Our concern is the statewide imposition of higher corporate income taxes that will result in the business community subsidizing reductions of property taxes in those areas where the local option tax has not been imposed.

The local option income tax is not a solution to Kansas school finance problems. Property taxes have proven to be a stable source of funding for public education. School district income taxes on individuals or corporations will not be stable sources of income for school finance. Because of the wide fluctuations in taxable income for both individuals and corporations, mill levies for school finance would also be subject to wide fluctuations. Greater voter disapproval of the property tax will result.

Local option taxes are not the solution to school finance problems or problems associated with the reduction in the tax base caused by the farm machinery and equipment exemption. Inevitably, property taxes will again rise to their current levels and beyond. Meanwhile, the Kansas business community will have been burdened by additional taxes. KACI urges you to reject the imposition of additional corporate taxes.

KANSAS ASSOCIATION OF COMMERCE AND INDUSTRY

Public School Finance. To broaden the tax base for schools and to relieve the property tax burden, KACI supports legislation funding not to exceed 50% of the total operating costs of public elementary and secondary education from non-property tax sources, state levied and administered in a manner to comply with the constitutional mandates.

Legislation should permit a school district, acting by an affirmative vote of the people in the district, to exceed the school district budget limitation or to utilize an optional local revenue source for property tax relief, provided that the exercise of local option revenue sources does not trigger statewide tax rate increases.

The local effort required to finance public schools must be equalized throughout the districts of the state so that the relative wealth of the district has a fiscally neutral impact on educational opportunity.

KACI also supports:

1. creation of a separate enrollment category for the four largest school districts,
2. determining school district wealth based on current year data only, not four year average,
3. retaining school district budget limitations,
4. single year funding of school finance by the state legislature,
5. providing incentives for increased school district efficiency and for superior performance by school district professional personnel,
6. requiring mandating authorities to completely fund mandated programs, and,
7. including industrial revenue bond property in the school equalization formula determining school district wealth.

Recognizing the important role public education plays in the continued economic progress of Kansas, KACI urges development of a more comprehensive plan for all Kansas public education institutions. The property role for each institution, or class of institutions, should be clearly defined so that specific goals and objectives can be set and the necessary financial support can be provided. Additional communication and cooperation between the entire educational system and the business community is necessary to fulfill future educational needs of the Kansas public.