

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 February 16, 1983 in room 519-S of the Capitol.

All members were present except:

Representative Rex Crowell, 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:

Phil Martin, Property Valuation Department
Representaitve David Miller
Ron Rockel, Johnson County, Kansas
Joe Zacher, Prairie Village, Kansas
Alan Alderson, Department of Revenue
Representative W. Edgar Moore
Gerry Ray, Administrative Assistant, Johnson County Commissioners

The meeting was called to order by the Chairman.

Phil Martin, Director of Property Valuation Department, appeared to request two bills. Both bills related to defining some of the terms used in K.S.A. 79-5a01, 5a04, and 5a08 relating to the valuation of public utilities. The Property Valuation staff had previously discussed this request with Don Hayward of the Revisor's Office and he was aware of what was required to draft these bills. Following questioning from the Committee, it was decided that two bills were really not necessary and one bill could take care of the Department's needs. Representative Rolfs made a motion to request a committee bill be drafted and have it referred back to the Assessment and Taxation Committee. Representative Leach seconded the motion. The motion carried.

Hearings were held on House Bill 2347 which would provide for a depreciation schedule for the valuation of all vehicles for tax purposes.

Representative David Miller, principal sponsor of House Bill 2347 appeared briefly to introduce conferees on the bill. Tom Severn of staff appeared to relate exactly what caused this legislation. He stated that in 1979, when the legislature removed motor vehicles from the property tax rolls and imposed a special tax in lieu thereof, a problem arose as to how to value vehicles that were not new. The motor vehicles tax statutes provide that a new vehicle shall be valued at trade-in value and depreciate at 16% per year thereafter. Existing vehicles were to be valued on the basis of trade-in value in 1980. What House Bill 2347 would do is to resolve an issue which has arisen over the interpretation of trade-in value as being market value. As a consequence, some classic cars are being valued at far above what they actually cost new.

Ron Rockel, of Johnson County, appeared as a proponent of House Bill 2347 and stated that the present taxation rate on the 1949 through approximately 1970 cars is excessive and unfair. (Attachment I)

Joe Zacher, Prairie Village, appeared in support of House Bill 2347 and stated that the excessive personal property taxes on old cars is discriminatory in that other hobbyists are not required to pay personal property taxes on their collectibles. (Attachment II)

Alan Alderson, Department of Revenue, appeared on House Bill 2347. He stated that the Department of Revenue is not opposed to the concept of what sponsors of the bill are trying to do, but stated that it is the Department's opinion that this will not accomplish the purpose. He suggested that a simpler method would be to handle as antique vehicles are presently handled and all vehicles over ten years of age would be taxed at \$12.00.

Representative Moore appeared on House Bill 2369 which was introduced to allow owners of adult care homes, children's homes, or elderly housing units to not show that its charges are at the lowest feasible cost if: (1) The organization has obtained an exemption from

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 16, 1983.

Kansas income taxes, according to K.S.A. 79-3201 et seq; (2) the organization is wholly funded by Kansas administrative agencies; or (3) the organization is required, as a condition for governmental funding, to submit to comprehensive audits by any Kansas administrative agency, or by private auditors acceptable to a Kansas administrative agency. He stated that some homes are having to go before the Board of Tax Appeals and then into litigation on an annual basis as some assessors do not feel that they qualify for an exemption as the law is currently stated.

Gerry Ray, Administrative Assistant to the Johnson County Board of County Commissioners, who stated that the Commissioners, at this point, were not able to take a position either supporting or opposing this bill. She also felt that the language "shall not apply to any organization operated or managed by any external, profit oriented person or firm" could create problems in the application of this bill.

The Committee then discussed House Bill 2207 which authorizes counties to levy up to 1/2 mill for services for the physically handicapped, subject to a protest petition.

Several of the Committee members expressed concerns with the amendments as were presented by Representative Branson at the time hearings were held. One main concern was that the language could be too confining and would perhaps exclude programs that should be included. Another concern of some committee members was that the revenues derived from this legislation should not be utilized to make buildings accessible to the handicapped. It was their feeling that funds for that purpose could be derived from other sources. They were of the opinion that the Legislative Intent was to provide services to handicapped people and funding for programs where they exist now and where they do not exist now and not for services provided from another source of funding. (Attachment III)

The Chairman stated that there was not enough time left to take action on House Bill 2207 at the present time and that the Committee would return to discussion and action at a future date.

The meeting was adjourned.

DATE:

Feb 16, 1983

GUEST REGISTER

HOUSE

ASSESSMENT & TAXATION
COMMITTEE

NAME	ORGANIZATION	ADDRESS
Norman Harper	AAM	Healy Kans
Mary Harper	AAM	" "
Charles Thompson	VCCA	Topeka, Ks.
Barbara Thompson	VCCA	" "
Bobby Scofield	VCCA	" "
Jane Scofield	VCCA	" "
Walter J. Mann	VCCA	" "
Roger Pfeiffer	VCCA	" "
Sharon Deal	VCCA	" "
RD Miller	Leg	Russell
J. Whitney	sec.	Topeka
Phil Martin	PUD	"
Charles Burkhardt	PUD	"
BILL EDDIS	REVENUE	"
AL ALBERSON	"	"
JIM SUCCINS	Ks. Motor Car Dealers Assn	"
JACK QUINLAN	" " "	"
JERRY DAILY	H.C.E.A.	Op K.
Pauline Smith	H.C.C.A.	Shownee, Ks.
Betty Bruce	H.C.C.A.	Gardner, Ks.
Roy Bruce	H.C.C.A.	Gardner, Ks.
Ron Rockel	Horcelas carriage club, H.C.S.A., Packard club	Gardner, Ks.
Bob St. Leger	—	Gardner, Ks.

We feel that the present taxation rate on the 1949 through approximately 1970 cars is excessive and unfair. Collectors and owners in any other hobby that you can think of, such as guns, coins, glassware, furniture, etc., are not taxed at all because the State has no paperwork on these items. Many of these older cars are in the hands of collectors and members of antique auto clubs and see only very limited actual highway usage. Most owners of these cars are not involved in the old car hobby as a money-making venture, but for the love of driving and restoring the old cars, the pride of ownership, plus the fellowship involved with other owners mainly through the clubs of the old car hobby. We are hobby oriented people!

Even the owners of the small amount of these older cars that are used daily and as their prime source of transportation should not be penalized by excessive taxation because they have chosen to retain an older car.

The present method of using prices from the "Old Cars Price Guide" reflects prices that we feel are inflated auction prices, which include a substantial percentage of the selling price for the auction firm. Many of the people buying and selling cars at these auctions are big businessmen that have little or no interest in the cars for the cars themselves. The length of ownership will probably be so short that they will not have to worry about personal property taxes. Many of these buyers and sellers are no doubt operating within a dealer environment.

We feel that the car hobbyists in Johnson County are being discriminated against, compared to the car hobbyists in other Kansas counties, due to the fact that Johnson County is using the Class 4 category out of the "Old Cars Price Guide" when some other Kansas counties are not using the "Old Cars Price Guide", and have not increased the personal property tax substantially like Johnson County.

In conclusion, since these cars are used mainly for tours and car shows, very few miles are accumulated. They are usually driven on secondary roads, thus not using the highway tax dollars to any great degree.

Thank you for your consideration on this matter.

February 15, 1983

Gentlemen:

I am Joe Zacher, I live in Prairie Village, Kansas, and I am an "old-car" hobbyist and have been for twenty-five years.

I feel that the excessive personal property taxes we are forced to pay on these old cars is discriminatory in that other hobbyists are not required to pay personal property taxes on their collectibles.

I am sure that many of you on the Committee are hobbyists or collectors of baseball cards, stamps, coins, or antique furniture, and as you know, none of these items are taxed as personal property!

Most of us buy old cheap rusted-out cars that we feel should be preserved for that era in the history of our country. Through much personal output of labor and expense, we preserve these cars for our own and public pleasure. We are not car dealers who buy and sell constantly, and most of these cars are kept by the owners for many years.

We do not object to paying a fair DEPRECIATED VALUE personal property tax on these cars, but we do object to paying a tax that is based on a grossly inflated value.

This year I paid \$102.64 personal property tax on my 1949 Packard, and I drive it about 600 miles a year. On my everyday work car, a 1970 Oldsmobile, driven over 15,000 miles yearly, I paid \$12.00 personal property tax.

Joe Zacher
5308 W. 81st
Prairie Village,
Kansas, 66208

M E M O R A N D U M

To: Members of the House
Assessment and Taxation Committee

Date: February 18, 1983

From: Alan F. Alderson
General Counsel
Department of Revenue

Re: House Bill No. 2347

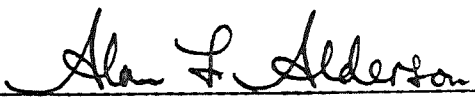
The following is a summary of my testimony on behalf of the Department of Revenue on February 16, 1983.

The Department of Revenue is opposed to House Bill No. 2347 in its present form for the following reasons:

1. The new language in the bill directly conflicts with the sentence it follows.
2. The amendment would require revaluing all vehicles of model year 1980 or older that are presently being taxed.
3. The Department will experience difficulty in determining "new" values for many older vehicles.

We believe that a simpler way of alleviating the perceived inequity would be to merely provide that every vehicle more than 10 or 15 years old would be taxed as antiques are presently taxed. This would recognize that most new vehicles entering the present valuation classification system are reduced to "class one" vehicles in ten years. The treatment of older vehicles entering the system would then be on more equal footing.

I am also attaching a copy of a letter I wrote to Don Hayward with respect to 1982 House Bill No. 2872, which was identical to House Bill No. 2347. It may shed some light on what happens to used vehicles entering the classification system. If I can provide any additional information, please feel free to call on me.


Alan F. Alderson
General Counsel
Department of Revenue

AFA:rab
Attachment

March 5, 1982

Don Hayward
Assistant Revisor of Statutes
3rd Floor, Statehouse
Topeka, Kansas 66612

RE: H.B. 2872

Dear Don:

In subcommittee meeting Wednesday, you indicated that you were not clear on my point with regard to the application of HB 2872 to later model vehicles. The following table will show the valuation and taxation of 1974 through 1979 model Cadillac DeVilles under present law, HB 2872 and using the actual values in 1982 (i.e. - reality). The tax in all cases is computed on the 1982 Shawnee County mill levy. I have the calculations in my office if you would like to see them. Please note also that I have no new price figures for vehicles between model years 1973 through 1967, which highlights another defect in HB 2872.

VALUATION/TAX
UNDER:

	1. PRESENT <u>LAW</u>	2. <u>HB 2872</u>	3. <u>ACTUAL</u> <u>1982 VALUE</u>
1979 Cad.	\$6332.76 \$ 261.30	\$8718.66 \$ 341.20	\$7275.00 \$ 292.45
1978 Cad.	\$5874.12 \$ 226.13	\$6020.75 \$ 261.30	\$5600.00 \$ 225.12
1977 Cad.	\$3616.20 \$ 135.67	\$4190.48 \$ 165.82	\$4325.00 \$ 173.66
1976 Cad.	\$2205.00 \$ 75.38	\$3254.78 \$ 135.67	\$2175.00 \$ 87.43
1975 Cad.	\$1534.68 \$ 75.38	\$2597.06 \$ 105.22	\$1500.00 \$ 60.30
1974 Cad.	\$1058.40 \$ 52.07	\$2007.79 \$ 75.37	NO FIGURES AVAILABLE

Page 2
Don Hayward
March 5, 1982

As you can see, there are very few generalizations which can be made about late model cars except that the present law tracks closer to reality than HB 2872. Neither present law or HB 2872 really represents fair market value, however. Obviously these figures will differ with the type of car, and how that car holds its value. For example, under your bill, a 1979 Toyota Corolla, which listed new for \$3748 would be valued at \$2221.45 and would be taxed in the amount of \$89.30. Under present law it would be valued at \$2469.60 and would be taxed in the amount of \$105.52. Again, in reality (FMV), that vehicle should be valued at \$2958 and taxed in the amount of \$118.50. Note that for a vehicle which holds its value well, HB 2875 severely under-values, although present law does not do a very good job either.

The point is, HB 2875 would cut both ways, depending on the type of vehicle. Please call if you need further explanation.

Sincerely,

Alan F. Alderson
General Counsel

AFA:ja

cc: Bill Eads
Rep. Marvin Berkis
Rep. R. D. Miller
Rep. Lawrence Hillert

HOUSE BILL No. 2207

By Representatives Branson, Blumenthal, Charlton, Cloud, Douville, Duncan, Francisco, W. Fuller, Hassler, M. Johnson, Littlejohn, Love, Lowther, D. Miller, V. Miller, Moore, Schmidt and Wagnon

2-4

0018 AN ACT concerning services for persons with physically handi-
0019 capping conditions; authorizing an optional tax levy therefor.

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. (a) The board of county commissioners of any
0022 county may levy a tax not to exceed 1/2 mill on all taxable tangible
0023 property within the county for the purpose of assisting in the
0024 provision of services for persons with physically handicapping
0025 conditions, but such tax shall not be used for the purposes for
0026 which a tax is authorized under K.S.A. 12-1680, 19-4004, 19-4011,
0027 65-212 and 65-215. The board shall adopt a resolution stating its
0028 intent to levy the tax and the purpose therefor. The resolution
0029 shall be published once each week for two consecutive weeks in
0030 a newspaper of general circulation in the county. If a petition
0031 signed by at least 5% of the qualified voters of the county is filed
0032 with the county election officer, the board shall submit the
0033 proposition for approval by a majority of the qualified voters of
0034 the county voting at an election thereon. The election shall be
0035 called and held in the manner provided by the general bond law.

0036 (b) The tax levy authorized by this section shall be in addi-
0037 tion to all other tax levies authorized or limited by law and shall
0038 not be subject to or within the limitations prescribed by K.S.A.
0039 79-5001 to 79-5016, inclusive, and amendments thereto.

0040 (c) As used in this section, "physically handicapping condi-
0041 tion" means the physical condition of a person, whether con-
0042 genital or acquired by accident, injury or disease which consti-
0043 tutes a substantial disability, including but not limited to
0044 blindness and hearing impairments.

community-based independent living programs

: (1)

; and (2) "community-based independent living programs" means the rendering of services directly or coordinated through referral including the following: Housing; employment; transportation; attendant-homemaker services; adaptive equipment loan and referral; peer and professional counseling; individual, community and rights advocacy; independent living skills training; architectural accessibility; resource library; information and referral; outreach; financial assistance; socialization-recreation, and technical assistance

(d) No community-based independent living program shall be established in the community after the effective date of this act unless and until the establishment of the same has been approved by the secretary of social and rehabilitation services.

2-16-83

ATTACHMENT III

0045 Sec. 2. This act shall take effect and be in force from and
0046 after its publication in the statute book.