

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Paul "Bud" Burke at  
Chairperson

11:00 a.m./p.m. on January 26, 1983 in room 526-S of the Capitol.

All members were present ~~XXXXX~~

Committee staff present: Tom Severn, Research Dept.  
Don Hayward, Revisor's Office  
Wayne Morris, Research Dept.

Conferees appearing before the committee:

Steve Wiechman, Kansas Association of Counties  
Michael Rooney, Supt. of Schools, Copeland, Ks.  
John Koepke, Kansas Association of School Boards  
Ron Gaches, Kansas Association of Commerce and Industry  
Edwin Walbourn, Kansas Association of Community Colleges  
Ivan Wyatt, President, Kansas Farmers Union  
Chris Walker, President, National Farmers Organization  
Viola Dodge, United Farm Wives of Kansas

The chairman called on Senator Fred Kerr to explain proposed legislation. Senator Kerr stated that because he is opposed to reinstating the property taxes on farm machinery at the 1982 and prior years' level and doesn't believe the total exemptions resulting in tax shifts are fair, he was attempting to address these problems with proposed legislation.

SB 47 would establish a depreciation schedule on farm machinery, equipment and aircraft, as authorized by the constitutional amendment SCR 1604. The bill provides that farm machinery and equipment and aircraft values would depreciate over seven years for property tax purposes, and such property would be exempt from property taxes beginning with the eighth year. The resolution provides for the amendment to be submitted at the election on April 5, 1983.

Appearing in support of SB 47 and SCR 1604:

Steve Wiechman told the committee he believes these two proposals address what appears to be the development of a uniform and equitable method for handling farm machinery, equipment and aircraft. He said the KAC also opposes the granting of farm machinery, business aircraft or any other exemptions that further erode the ad valorem tax base and recommended a study of existing exemptions in an attempt to arrive at a uniform and equitable method of taxation. KAC supports a "sunset" concept on all existing exemptions.

Supt. Michael Rooney stated the present exemptions could cause his school district and many others to suffer if farm machinery remains exempt from property taxes this year. He said the burden of increased taxation will fall to the property owner. The assessed valuation will be reduced causing an increase in the mill levy for those school districts. He said this will put them in a financial squeeze which could lead to further consolidation without patron approval and to school closings. (See Attachment #1)

John Koepke told the committee all the farmers ever wanted was a depreciation schedule, not an exemption, and this bill is a first step down the road in that direction. He said the exemption of farm machinery and business aircraft from property taxation by the last session of the legislature will cause large property tax rate increases in many school districts next year. This will result in an erosion of the quality of education in these districts. He believes this bill would be an appropriate first step toward the classification of all property and has the additional benefit of avoiding the large property tax increases which would be necessary if farm machinery and business aircraft were

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,  
room 526-S, Statehouse, at 11 a.m.~~p.m.~~ on January 26, 1983

to be left off the tax rolls for this year. (See Attachment #2)

Ron Gaches noted their organization has a policy position adopted by their Board of Directors supporting the constitutional requirement for uniform and equal treatment. He believes exceptions are acceptable only when tax relief is in the best interests of the general public. He said it is obvious that exemptions from the uniform and equal treatment will lead to an endless stream of requests for total exemptions, and while a depreciation schedule is not constitutional under current mandate, would be looking to business machinery, equipment, merchants', manufacturers' inventories, etc. He said his one reservation is that tax shifts may take place.

Ed Walbourn noted that the recent exemptions have reduced the assessed valuation in their districts from 1 to 15%. The way the situation now stands, the tax burden must shift to fewer persons for a higher rate during a time of economic distress. He believes the proposition offered under these bills offers a good compromise and would make more equitable the tax liability for both the rural and urban area. While there would be an impact of reduced evaluation, it would not be as severe as it is presently. (See Attachment #3)

Ivan Wyatt believes these bills are a move in the right direction to the solution of the problem of fair taxation of farm machinery. He noted the Farmers Union never supported the total exemption of farm machinery or other agricultural property as a solution to the farmers property tax problem since this only shifts the burden from one part of the agricultural and rural community to another. He said they can only support classification if the classes and values for taxing purposes are written into the constitutional amendment. He urged continued effort to classify and value all property via the constitutional amendment.

Chris Walker told the committee the National Farmers Organization supports the proposed legislation.

Appearing in opposition to SB 47 and SCR 1604:

Viola Dodge told the committee she thought the bill passed in 1982 was a good bill. She recited the many other exemptions which have caused tax shifts and she believes it would be a good thing to shift more taxes to the home. She also cited the difficulty in determining the year of manufacture of farm machinery in order to determine the amount it should be taxed. She suggested the present law be left in place to give it a chance to work.

The meeting was adjourned at 12 noon by the chairman. The next meeting of the committee will be held at 11 a.m. on January 27.

ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
JAN. 26	Jan Shrewood		KSAT-TV
	Andrea Johnson		KTWU
	Ben Bannan		KTWU
	Berry Cullen		KTWU
	Lois Dodge	Olshury, Ks	United Farm Wives
	BRYAN K. WHITEHEAD	KEK	BRAE
	RON CALBERT	NEWTON	U. J. U.
	Fred Allen	Topeka	K.A.C.
	Steve Wiechman	Topeka.	K.A.C.
	JANET STUBBS	"	HBAK
	Tim Underwood	Topeka	KAR
	JEFF Russell	"	UNITE. Telephone
	Frances Kestner	"	KFDA
	Pam E. Thonmugh	Tulsa, Okla	MAPCO INC
	Bilbert Pilger	Baldwin, Ks	Farm Bureau
	Walter Thorne	Lawrence, Ia	Farm Bureau
	Tom Akin	" "	" "
	TOM WHITAKER	TOPEKA, Ks	Ks. MOTOR CARRIERS ASSO.
	Mary Turkington	Topeka	Ks. Motor Carriers Assn.
	Cindy Entwisle	Topeka	Sen. Ks's office
	DAVID FARNAS	Wichita	Chambre / Commerce
	Leland E. Rolf	Topeka	Ks. St. Bd of Ag
	Chris Walker	Mayetta	NFD
	Ray M. Smith	Shame	Appraiser's KCA
	Ed WABOUBER	Topeka	EAEC
	Marian Warriner	Lawrence	AWUK
	Becky Crenshaw	Topeka	CHFO
	Doris Noel	Topeka	Div. of Budget
	Nan Coches	Topeka	KACT
	Ivan W. Wyatt	McPherson	Ks Farmers Union
	Gerald Riley	Dighton	Ks Ags Wh Comm
	DAVID CALOVICH	KIN NEWS	TOPEKA



## Copeland Unified School District #476

Box 156  
Copeland, Kansas 67837

*State aid*

### SOUTHWEST KANSAS

<u>USD (APPROX. ENROLLMENT)</u>	<u>CURRENT ASSESSED VALUATION</u>	<u>\$ EXEMPTED</u>	<u>% EXEMPTED</u>
#476 Copeland (135)	\$13,050,579	\$2,785,875	21.35%
#102 Cimarron-Ensign (600)	23,396,425	3,403,250	14.55%
#371 Montezuma (160)	12,739,709	2,188,195	17.18%
#477 Inalls (180)	20,268,742	2,822,240	13.92%

### NORTHWEST KANSAS

#242 Weskam (95)	6,889,552	1,486,013	21.57%
#412 Hoxie (560)	24,366,358	3,981,689	16.34%
#314 Brewster (200)	12,180,074	2,099,176	17.23%
#291 Grinnell (260)	9,456,357	1,638,830	17.33%

### NORTH CENTRAL KANSAS

#236 Lebanon (120)	6,896,606	1,261,592	18.29%
#238 West Smith Central (210)	8,171,229	1,369,560	16.76%
#276 Esbon (125)	6,995,378	1,326,205	18.96%
#277 Burr Oak (120)	6,999,698	1,318,228	18.83%

*Atch. 1*

# Copeland Unified School District #476

Box 156  
Copeland, Kansas 67837

## NORTHEAST KANSAS

<u>USD (APPROX. ENROLLMENT)</u>	<u>CURRENT ASSESSED VALUATION</u>	<u>\$ EXEMPTED</u>	<u>% EXEMPTED</u>
#406 Wathena (500)	\$6,558,970	\$1,026,885	15.66%
#425 Highland (310)	6,257,160	1,200,595	19.19%
#420 Troy (450)	5,569,540	957,495	17.19%
#433 Midway-Denton (235)	7,660,651	1,390,270	18.15%
#451 Baileville (300)	6,369,536	1,231,677	19.34%

1-26-83

KANSAS  
ASSOCIATIONOF  
SCHOOL  
BOARDS5401 S. W. 7th Avenue Topeka, Kansas 66606  
913-273-3600

## Testmony on SCR 1604 and Senate Bill 47

Mr. Chairman and members of the Committee, we appreciate the opportunity to appear before you today to express our views on a matter of critical importance to our members. My name is John Koepke and I am the Associate Executive Director of the Kansas Association of School Boards. Of the 306 Unified School District boards of education in the State of Kansas, our organization has a membership of 301, as well as the boards of several cooperatives, vocational technical schools and community colleges.

As many of you are aware, the exemption of farm machinery and business aircraft from property taxation by the last session of the legislature will cause large property tax rate increases in many school districts next year. These increases do not take into account any increase in budget. It is apparent therefore, with some school districts facing increases as high as 20 mills with no increase in budget, that many of these school districts will find it impossible to fund their authorized budget in 1983-84. The inevitable result will be an erosion of the quality of education in these districts.

At the same time, our members are expressing increasing concern at the failure of the Legislature to act on constitutional amendment which would provide for the classification of all property for tax purposes. We believe that such an amendment is imperative if we are to avoid the massive tax shifts which would occur if reappraisal were to be ordered either by the courts or the legislature.

Atch. 2

With those factors in mind, we believe that the amendment before you, SCR 1604, and its companion legislation, SB 47, is an appropriate first step toward the classification of all property. It has the additional benefit of avoiding the large property tax increases which would be necessitated if farm machinery and business aircraft were to be left off the tax rolls for this coming fiscal year.

We would urge you however, not to consider this measure as an end to the need to consider further classification of property. Such consideration cannot be avoided much longer. We would also urge you to consider a lengthier depreciation schedule in SB 47, one that retained some residual value for all such property as long as it remained in use.

We thank you for your attention to our concerns.



1-26-83



# KANSAS ASSOCIATION OF COMMUNITY COLLEGES

Columbian Title Bldg., 820 Quincy • Topeka 66612 • Phone 913-357-5156

Edwin J. Walbourn  
Executive Director

Statement by Edwin J. Walbourn, Executive Director,  
Kansas Association of Community Colleges to the  
Senate Assessment and Taxation Committee, concerning  
SB-47 and SCR-1604 -- Wednesday, January 26, 1983

Mr. Chairman, Members of the Committee:

I appear here today representing the Kansas Association of Community Colleges in support of SB 47 and SCR 1604. As you are aware, our community college districts, except for one instance encompass a county in territory. We have long been aware, especially in the rural areas, of the inequities of the former taxing situation in regard to farm machinery. Our rural areas have made that plain to us. However, the action last year in exempting fully farm machinery has made other problems which will only fully be recognized by our taxpayers when the new tax bills are received this fall.

The recent exemptions have reduced the assessed valuation in our districts in a range from 1 percent to 15 percent. In order to operate with the same budget, not figuring any increases for our next fiscal year starting July 1, the general fund tax rates for these colleges will have to increase from one-half to five mills. I might point out that this is not considering the four percent reduction in state funds that we have recently experienced. Our colleges are in a unique situation. Historically, and it is true today, as economic conditions get worse, community college enrollments increase. This is true nationally and it is true in Kansas. Last fall, our enrollments increased six percent and this spring, if early enrollment indicators hold, the increase will be again about the same. In some instances, enrollments are even higher than last fall enrollments. Thus in a time of decreasing revenues, in the community colleges the need increases. On top of a built in increase of the tax levy just to maintain present services, we are faced with other increases for increased enrollments. Increasing student tuition does not solve the problem for to increase the costs for the students who are there because of unemployment or reduced incomes does not help solve the problem. It tends to deny access to students. The way the situation stands now, we must shift the tax burdern to fewer persons, for a higher rate during a time of economic distress.

(Cont.)

Atch. 3

There are other aspects besides the general fund. Most of the taxing districts have outstanding general obligation bonds. Since these are on a schedule, fixed payments must be made. This means that with a reduced evaluation, again the shift is made and the tax levy to retire the bonds automatically increases.

In addition, some of our tax levies, such as vocational education, capital outlay and others are fixed at a maximum rate by statute. With a two mill levy limit for vocational education, reduced evaluation reduces automatically the amounts which can be raised under that mill limit. The same situation faces the colleges with the one-mill building fund limit.

It would seem to us that the two propositions under discussion today offer a good compromise for all concerned. On the one hand it would make more equitable the tax liability for both the rural and urban area. Secondly, while there would be an impact of reduced evaluation, it would not be as severe as it is presently. If the blow could be lessened by half, it would be beneficial to our group, and to the taxpayers as a whole. We urge your favorable consideration of these measures.

EJW:am

# Kansas Association of Counties

*Serving Kansas Counties*

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

Testimony Before the  
Senate Assessment and Taxation Committee  
January 26, 1983

Senate Bill 47 and  
Senate Concurrent Resolution No. 1604

Mr. Chairman and Members of the Committee:

The Kansas Association of Counties, as stated in its official statement of policy adopted by conference action at the annual meeting in Wichita on the 16th day of November, 1982, opposes the granting of the farm machinery, business aircraft or any other exemptions that further erode the ad valorem tax base and recommend a study of existing exemptions in an attempt to arrive at a uniform and equitable method of taxation. The Association supports a "sunset" concept on all existing exemptions and opposes the passage of legislation without the opportunity for public input at committee hearings.

We would like to express to you our appreciation for the opportunity to provide testimony and communicate our position to you regarding SCR 1604 and Senate Bill 47. Because these two proposals address what appears to be the development of a uniform and equitable method for handling farm machinery, equipment and aircraft, we support these two pieces of legislation. We encourage this committee to act favorably and recommend passage of the bills.

Should you have any questions, the representatives of the Association will be happy to attempt to respond.

Respectfully,

Fred D. Allen  
Steven R. Wiechman