

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

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

11:00 a.m. ~~pm~~ on March 10, 1983 in room 526-S of the Capitol.

All members were present except: Senators Chaney, Hayden and Johnston

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

Conferees appearing before the committee:

Stephen E. Holsteen, Office of the Governor
John Koepke, Kansas Association of School Boards
Dee Likes, Kansas Livestock Association
Bryan Whitehead, Brotherhood of Railway and Airline Clerks

The committee held a hearing on SCR 1607 and SCR 1619 which propose to amend the state constitution to permit the classification of property for taxation purposes.

The chairman called on Stephen Holsteen, Governor's Office, who said he will be speaking generally to the subject of classification and not to either resolution specifically. He said that while reappraisal is necessary, the application of reappraisal values without the ability to assess different classes of property at differing rates would create a larger problem than it would remedy and would result in a massive shift of property taxes to farmers and homeowners. (Attachment #1) He stated the Governor would veto the reappraisal bill without a classification amendment. Mr. Holsteen answered questions from the committee members.

The chairman indicated that he was surprised the Governor had taken the position that should the committee fail to take the step of passing a classification amendment he would veto SB 275, the reappraisal bill. He said we are going to have reappraisal and we should have a plan.

Steve Holsteen said the Governor believes that without classification to protect the homeowners and farmers, there will be large property tax increases and tax shifts. The chairman said the reappraisal bill doesn't permit a shift, just gathers the information. It takes another legislative action to put these values on the books. The reappraisal bill will give us the information to create a classification amendment that truly prevents major shifts. The more information we have, the better classification amendment we can write.

The vice-chairman said that without a legislative plan for reappraisal a court could order all property to be assessed at 30 percent of its fair market value and order taxes levied against that value. He said that would increase by 5 or 6 times the assessed valuation of homes and farms and all sorts of property.

Steve Holsteen said the Governor believes if we have that information it is very easy for someone to go to court and win an order of mandamus action and implement those values overnight - that is the bottom line concern.

John Koepke, KASB, spoke in support of classification (Attachment #2).

Dee Likes, KLA, noted that under SCR 1619 land devoted to agriculture is appraised by "use value" and valued at 20 percent and all other agricultural land at 6 percent. (Attachment #3)

Bryan Whitehead, BRAC, and also representing the United Transportation Union, the National Association of Retired and Veteran Railroad Employees and the Kansas State

Atch. #

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 526-S, Statehouse, at 11:00 a.m.~~p.m.~~ on March 10, 1983

Federation of Labor, AFL-CIO, spoke in support of a constitutional amendment to classify rural and urban residential property for tax purposes at 10 percent or less of their fair market value. He said he cannot support railroads being assessed at less than 30 percent and he believes agricultural investment property should be at 30 percent. He said he would advise thousands of voters to reject any other classification amendment.

The chairman adjourned the meeting at 12:05 p.m. and said hearings will be continued on classification on Monday, March 14, at 11:00 a.m.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
MARCH 10	Frederic T. Rooney	Box 67, Minneda, Ks. 67865	██████████
	Patrick T. Rooney	Box 67, Minneda.	
	Bandu Johnson	Topeka	KTWU
	Henry Cullen	Topeka	KTWU
	RN Wilson	Wichita	KTVH
	Dee Liles	Topeka	KLA
	B. Cunnshaw	"	CHFO
	Mike Beam	Topeka	KCA
	BRYAN WHITEHEAD	KCT	BRAC
	Jack M. Glotblin	Pittsburg	UJU
	Leroy Jones	Overland Park	B.L.E.
	Clay Miller	Topeka	SPCL
	Ford Meyer	Topeka	HP&L
	Pat Hulbert	Topeka	Kans. R.R. Assoc.
	Janet Sticks	"	WBAK
	Tim Underwood	"	KAR
	Lene Tucker	Hutchinson	KAR
	D. WAYNE ZIMMERMAN	TOPEKA	THE ELECTRIC CO'S ASSOCI. OF KS. THE EMPIRE DISTRICT ELECTRIC COMPANY
	TERRY L. OLIVER	Columbus	
	Roy D. Shenkel	Shawnee	K.C.P.&L.
	Chip Wheelen	Topeka	Leg. Policy Group
	Jeanellens Knight	Topeka	Governor's Office
	Michael Travers	Topeka	S.P. Trans Co.
	Jim Rippe	Linn	
	Dale Peterson	Clyde	Wash. Co. F.B.
	Bryce L. Tobyrne	Clyde	Wash. Co. F.B.
	Sharon T. Rooney	Minneda	
	John Kuepfer	Topeka	K.A.S.B.
	RON CALBERT	NEWTON	U.I.U.

STATE OF KANSAS



OFFICE OF THE GOVERNOR
State Capitol
Topeka 66612

John Carlin Governor

Testimony To
Senate Assessment and Taxation
By
Stephen E. Holsteen
March 10, 1983

Mr. Chairman and Members of the Committee:

The general property tax, which in fiscal year 1982 accounted for 83.7 percent of all local government tax revenue, is the largest and often the most inequitable tax paid by Kansans. Pending court actions seeking reappraisal of real property, federal intervention to reduce property taxes for selected industries and continuing legislative efforts to grant special tax exemptions to certain classes of property in piecemeal fashion all underscore dissatisfaction with the present system. They highlight the urgent need for comprehensive measures to correct the current property tax situation.

Legislative efforts to begin the reappraisal process for real property are already well under way this Session. Although this action is necessary to cure many of the present inequities in our property tax structure, the application of reappraised values without the concomitant ability assess different classes of property at differing rates would, however, create a far larger problem than it would remedy. To do nothing but reappraise would result in a massive shift of property taxes to homeowners and farmers. The consequences for these property owners, as well as for local governments, including our elementary and secondary schools, would in many instances be devastating.

We are all aware that court-mandated reappraisal of all tangible property is, at some point, inevitable. The time for side-stepping this issue has past. We must have a constitutional amendment for property classification and the time for legislative action is now.

Moreover, it is essential that the issue of class exemptions and differing class assessment values be addressed in a comprehensive way. Only through a constitutional amendment permitting classification can we achieve a rational comprehensive adjustment of our property tax system that will enhance the equalization process, that will protect homeowners and farmers from massive property tax increases, that will permit other essential assessment changes to be made and that will avoid placing a basic, fundamental policy decision squarely in the hands of the courts.

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Senate Assessment and Taxation Committee
Page Two

As a matter of high priority, the Governor would urge that this committee recommend passage of a constitutional amendment to establish certain limited property classes for purposes of property taxation. In this regard he would urge two basic guidelines:

First and foremost, assessment ratios for agricultural land and residential real estate should be set at levels that avoid tax shifts to these classes of property;

Second, any exemption or reductions in assessment ratio for certain selected classes should be very closely and critically scrutinized for potential shifts in tax burden to other classes. We need only look to the projected mill levy increases caused by the farm machinery exemptions to understand the necessity of this test being applied to any potential exemptions.

Essentially, the goal of a classification amendment should be to deal with the inequities in our current tax system without major shifts between classes. Any amendment or classification scheme which alters the status quo in a manner which advantages one class to the detriment of another should be rejected.

The Senate has already taken the first step towards reappraisal. This Committee should be assured that failure to take the second step of passing a responsible classification amendment to protect the homeowners and farmers of this State from massive property tax increases will result in a veto of Senate Bill No. 275 should it pass the House.

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KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS



5401 S. W. 7th Avenue Topeka, Kansas 66606
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Testimony on SCR 1607 and SCR 1619
before the
Senate Assessment and Taxation Committee
by
John W. Koepke, Associate Executive Director
Kansas Association of School Boards
March 10, 1983

Mr. Chairman and members of the Committee, we want to express our appreciation for the opportunity to present the views of the school boards of Kansas on this topic of vital interest to the financing of public education. As you know, nearly half the cost of elementary and secondary education in Kansas is borne by local property taxes levied by the 306 unified school district boards of education. Any action which affects that property tax base has grave implications for public school financing.

With that in mind, our members have expressed deep concern over the property tax shifts which have been projected to occur between classes of property if reappraisal of property in Kansas were to be imposed, either by a court order or through legislative action. We are also dismayed by the results of studies undertaken by the Property Valuation Department which show wide disparities in assessment within property classes in the same taxing jurisdiction. The disparities demonstrate the need for some remedial action.

As a result of their study of these factors, our members have reached the same conclusion as the 1981 Interim Committee which studied the subject. Our Delegate Assembly has overwhelmingly adopted a policy statement endorsing the concept of a constitutional amendment which would provide for the classification of property in Kansas with assessment percentages for each class specified in the amendment. This

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would be designed to prevent annual legislative battles over which classes of property should be assessed at what level.

The Committee should also be aware that enactment of any such amendment needs to take into consideration the changes in district wealth in the school finance formula that would occur as a result of any classification amendment, so that adjustments can be made to allow for those shifts. We believe that the correlation between a classification amendment and the school finance formula has not received the attention it deserves to this point.

A classification amendment also offers the opportunity for the legislature to deal in a comprehensive manner with the proposed and existing tax exemptions such as livestock, farm machinery and merchants and manufacturers inventories and to resolve those issues in a conclusive fashion.

If Kansas schools are to continue to be supported in any major portion by the property tax, then the concerns which are mounting regarding that tax base must be addressed. We believe that the resolutions before you offer the best vehicle to begin addressing those concerns. We believe that they should be addressed by legislative action rather than court fiat. We thank you for the opportunity to address our concerns, and I will be happy to answer any questions.



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Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

Statement of the
KANSAS LIVESTOCK ASSOCIATION
to the
Senate Committee on Assessment & Taxation
Senator Bud Burke, Chairman
with respect to
SCR 1607 and 1619
Classification
presented by
Dee Likes
Executive Secretary, Feedlot Division

March 10, 1983

Mr. Chairman and members of the committee, I believe all of you recognize KLA's continuing interest in this matter. Because we have appeared before this committee on several previous occasions to discuss classification I will try to not repeat each and every detail relative to this issue. KLA has been supportive of certain types of classification proposals. In a nutshell, the reasons are because: a) we prefer to adopt a specific solution to guard against an increase in agricultural taxes in case of reappraisal and to constitutionally phase out taxation on livestock; and b) it appears to us that Kansas already has a de facto classification system.

We currently classify different types of property by statute and practice in order to determine its value. As long as we continue this practice, Kansas will have inequities in the property tax system. Generally, those who support our current constitutional language as interpreted by the courts to mean uniform assessment and equal taxation are those who enjoy an extremely advantageous classified appraisal method. If it's acceptable to classify the appraisal method, which is the first factor of the property tax formula, why is it not just as acceptable to classify the assessment rate, which is the second factor in the property tax formula?

Admittedly, there are several alternatives on how to resolve the effects or the tax shifts which would result under reappraisal. Three alternatives are: 1) appraise or value all property on the same basis or, to put it another way, find a common denominator such as a capitalized income stream on which to value all property; 2) adopt use-value appraisal for agricultural land and an exemption circuit breaker or some other alternative for homeowners; 3) adopt a classification system which puts into the Constitution specific classes and rates such as these two proposals.

Attch. 3

KLA could support any of these alternatives or a combination of two or more, depending on the specifics. The problem is that alternative #1 and alternative #2 have been around for several years but as yet have not been able to sprout wings.

Therefore, we are resolved to work for an equitable classification amendment to the Constitution or possibly a combination of classification and other factors.

Let's look specifically at SCR 1607 and SCR 1619. It appears to me that SCR 1607 closely approximates the proposed classification amendment from the 1982 session, HCR 5030, as it was originally introduced. It appears that SCR 1619 is essentially the same as a later amended version of HCR 5030. HCR 5030 was changed following the House committee's discussion of some rather sophisticated computer printout information. Although I understand current information of this type is not again available, I'm assuming the staff will be able to provide to the committee the best data they can compile as to the effects of the various assessment rates upon the relative tax burdens of the major classes of property contained in these two resolutions. Frankly, it would be nice to have such information available so that we could use it in order to help us determine the assessment rates we can support in the classification proposal. Basically what we consider to be the bare minimum in a classification proposal is that we have assessment rates on the ag land valued by use-value appraisal and on the other agricultural land which approximate status quo for agricultural real property taxation. The tax on live-stock should either be constitutionally exempted or phased out such as the five year plan contained in SCR 1607 and SCR 1619.

Additionally, we certainly support the adoption of amendatory language which specifically includes farm machinery and equipment in the list of constitutionally exempt property.

Frankly, classification may be the only politically practical way to resolve the current property tax problem. We believe the classification of assessment rates is really no different than classification for appraisal. From a taxpayer's point of view it's the bottom line that really counts. KLA doesn't pretend to have all the answers and we certainly don't want to suggest that we're experts, but we support working toward a solution during the 1983 legislative session and we will certainly attempt to cooperate with this committee in order to find one that is mutually acceptable.



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

AFL-CIO — CLC

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Kansas City, Kansas, March 6, 1983

TESTIMONY OF

BRYAN K. WHITEHEAD

KANSAS LEGISLATIVE DIRECTOR

FOR THE
BROTHERHOOD OF RAILWAY AND AIRLINE CLERKS

IN SUPPORT OF

A PROPOSITION TO AMEND SECTION 1 OF ARTICLE
11 OF THE CONSTITUTION OF THE STATE OF KANSAS
(CLASSIFICATION OF REAL AND PERSONAL PROPERTY)

PRESENTED AT PROPONENT HEARING

BEFORE THE
SENATE ASSESSMENT AND TAXATION COMMITTEE

STATEHOUSE

TOPEKA, KANSAS

MARCH 10, 1983

Thank you, Mr. Chairman, and members of the Committee, my name is Bryan Whitehead and I am the Kansas Legislative Director for the Brotherhood of Railway & Airline Clerks representing over 8,000 working and retired employes of the transportation industry in Kansas.

Today, I am authorized to testify on behalf of the Kansas Legislative Department of the United Transportation Union which has over 7,000 members residing in Kansas. And, I will also represent the Kansas Legislative Committee of the National Association of Retired and Veteran Railroad Employes which has over 3,000 members residing in the major railroad terminal cities of Kansas.

My testimony is also submitted on behalf of the Kansas State Federation of Labor, AFL-CIO, which has an affiliate membership of over 70,000 wage-earner taxpayers residing in Kansas.

We rise, Mr. Chairman, in support of a constitutional amendment to classify rural and urban residential property for tax purposes.

Over twenty years legislative experience as an elected representative of wage-earner, homeowner taxpayers has made me stubborn in my opposition to the proposition of classification.

In my view, the problems of taxation of motor vehicles, which has plagued the Legislature for years, and the shift of a disproportionate tax burden to automobiles is a persuasive argument against classification. And, I remind you that the motor vehicles owned by the taxpayers I represent are necessities of their lives not luxuries.

Moreover, I submit that the current statewide intangibles tax mess is an even more persuasive argument against classification. And, to compound the inequity, repeal or reduction of the intangibles tax shifts property tax from wealth measured as investment income to owners of resident property.

Impacting in November of this year, classification by exemption from taxation will also shift over \$50 million in property tax from owners of farm machinery and airplanes to resident property owners.

Whether by judicial or legislative mandate, reappraisal is imminent in Kansas and that is the prevailing argument in support of classification. It becomes a "necessary evil" as a defense against a massive tax shift from other classes of real and personal property to resident property.

So, persuaded against my will (and I'm of the same opinion still), I have studied all of the Senate and House Concurrent Resolutions proposing various classes and subclasses and variable assessment percentages. And, I will address my remarks to SCR-1619.

Although I am personally in favor of "percentage of value" being assessed at 100%, I will yield to the arguments which support assessment at 30%.

In Class 1, Mr. Chairman, I cannot support railroads being assessed at any percent less than 30%. I am aware of the 4-R Act provision but I submit that it is a simple solution to move all of the subclasses in (B) to (A) and all will be assessed at 30%, including railroads to comply with the 4-R Act. Certainly there will be one very positive result - the railroads will not be able to go to the courts for authority to withhold payment of their property tax while homeowners all over the state have to pay more!

Accordingly, agricultural investment property whether appraised at fair market value or use value should also be in ^{sub}class (A) at 30%.

Consequently, Class 1 would have only two subclasses: (A) Rural and Urban Residential Property assessed at 10%, or less; and (B) All other Real Property not used as rural or urban residential property assessed at 30%.

Class 2 Tangible personal property could have as many subclasses as the Legislature determines but I cannot support an assessment of less than 30% of taxable value for any subclass except (D) Mobile homes used for residential purposes assessed at 10%, or less.

I do not support the value taxable "phase out" of (B) Inventories of merchants and manufacturers and livestock. And, I submit, Mr. Chairman, that this constitutional provision will kill the resolution in electorate referendum whenever it is submitted. If sponsors and proponenots insist that the "phase out" be submitted for a vote, then

I suggest that it be separated from the classification question and submitted as a separate constitutional amendment.

As a reluctant political consideration of Class 3 Commercial and industrial machinery and farm machinery and equipment, I will support the appraisal and depreciation schedule but not the 15% assessment. They should all be assessed at 30% as long as they have taxable value.

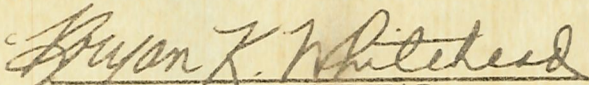
Prior to any election next year, the Kansas taxpayers will have felt the full impact of the tax "shift shaft" before they vote. They will know exactly how much their residential property tax and motor vehicle tax has increased as a result of repeal of the property tax on farm machinery, airplanes, and intangibles wealth.

If a constitutional amendment to further classify real and personal property is submitted to the electorate next year, does anyone really believe that any proposition to decrease anyone's property tax, or to exempt or "phase out" any property's taxable value, at the expense of increases in residential property tax has any chance to prevail at the polls?

Both before the Legislature and at the polls next year, the taxpayers I represent will support a 10%, or less, assessment of rural and urban residential property and a 30% assessment of all other real and personal property. We will actively oppose the proposition of SCR-1619 and SCR-1607.

I respectfully urge your favorable consideration of the amendments I have suggested.

This opportunity to present testimony on this most important and controversial issue is appreciated, Mr. Chairman. If I have failed to make my position clear, or raised any questions, I will certainly try to respond. Thank you.


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