

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATIONThe meeting was called to order by Chairman Paul "Bud" Burke at
Chairperson11:00 a.m. ~~pm~~ on March 14, 1983 in room 526-S of the Capitol.All members were present ~~except~~:Committee staff present: Wayne Morris, Research Dept.
Tom Severn, Research Dept.
Don Hayward, Revisor's OfficeConferees appearing before the committee: John Blythe, Kansas Farm Bureau
Senator Jack Steineger

The hearing on SCR 1607 and SCR 1619, which deal with classification of property, was continued.

The chairman called on John Blythe, KFB. He said the Farm Bureau supports classification to prevent an unfair shift of taxes to any class of property. He described a policy statement of the Farm Bureau which:

- (1) Supports complete reappraisal.
- (2) Expresses concern for unfair shifts of taxes to agricultural land and residential property. He believes agricultural land should be appraised according to the procedures of income capitalization.
- (3) Classification of real and personal property in order to prevent an unfair shift of taxes to any class of property. Also he indicated their support for the exemption of livestock and the continued exemption of farm machinery.

He suggested some amendments to SCR 1619 and said he had some problem with understanding the treatment of motor vehicles in both Resolutions. He said if classification is the only method of assessment to avoid unfair tax burdens, they will work with the committee and legislature to achieve a fair procedure of classification. He answered questions from the committee members. He indicated the updated figures show that agricultural land pays 18% of the property tax - 13.4% real property; 4.9% personal property, for a total of 18.3%. PVD figures for farm machinery are 3.7% of the total and livestock 1.4%, for a total of 5.1%. (Attachment #1)

The chairman recognized Senator Steineger, one of the main sponsors of SCR 1607, who gave the background as to his objective in sponsoring this Resolution. The provisions of the law say all property is to be taxed on a "uniform and equal" basis but it is common knowledge that various classes are assessed at various rates. The tax structure was developed on what was perceived to be equitable principles, and this was good until the 4-R Act came along which forced railroads into federal court. No one had seen fit to challenge assessments until the 4-R Act came along. The railroad and utility people had no quarrel with the tax structure in Kansas. Faced with the problem of the 4-R suit and other pending lawsuits which can be successful, it seems that perhaps the guideline should be insofar as possible to maintain the status quo when talking about a constitutional amendment. He said we have a taxing structure that has worked and he hopes the classification amendment does not become a vehicle for special interests to come in and get special treatment under this guise. He said the proposals differ in minor ways, but will call upon good thinking on the part of this committee. He would encourage the committee to do as little as needed to be done in order to protect what has been perceived by everyone to be an equitable taxation system with the various classes paying their proportionate share. Just don't let this become a vehicle for special interests and do as little as possible so as to maintain the status quo. He said he would like to see no tax shift at all. When asked by the vice-chairman about intangibles tax being the biggest shift of all, he responded that the people locally did vote on the intangibles tax.

The chairman adjourned the committee until 1:30 p.m. to meet in Room 529-S.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
MARCH 14	Lance Huber	Wichita	Daniels
	BRYAN WHITEHEAD	KCK	BRAR
	Dan Seeburg	Hannover KS	BMAWE
	Linsbarger	Topeka	UPI
	J. Stewart	"	WREN
	John Blythe	Manhattan	KFB
	Mike Beam	Topeka	KCA
	Tim Underwood	Topeka	KAR
	Janet Stubbs	"	HBAK
	Blaylock	Topeka	SWB
	John Callull	Topeka	Kansas Railroad Assoc.
	Ron Calbert	NEWTON	U.I.U.
	Ray D. Shenkel	Shawnee	K.C.P. & L.
	Chip Wheelan	Topeka	Leg. Policy Group
	Ruth Walker	Topeka	Bill Board
	Rich Dame	Hoisington	BLE
	Leroy Jones	Overland Park	B.L.E.
	FERD MEYER	TOPEKA	KPI & L
	D. WAYNE ZIMMERMAN	TOPEKA	THE ELECTRIC CO'S ASSOC. OF KS.
	Robert Gardner	Wyandotte County	Wyandotte Co.
	Chip Martin	Topeka	PVO
	JANICE MARCUM	"	"
	ROB McNEELY	"	KIN
	Jim Showood	"	KSN
	Tom Caches	"	KACI
	JERRY CONRAD	"	KGE

#1

STATEMENT TO THE
SENATE COMMITTEE ON ASSESSMENT AND TAXATION

RE: SCR 1607 and SCR 1619
March 14, 1983
Topeka, KS

by
John K. Blythe, Assistant Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and members of the Committee:

We are pleased to have an opportunity to speak on behalf of our members regarding the issue of classification of property for taxation purposes.

We have appeared before this committee on previous occasions to discuss taxation issues. I would first like to present our Farm Bureau Policy statement regarding the Appraisal, Assessment and Taxation of Real and Personal Property. Although I am not going to read this policy statement, I will discuss each paragraph.

Appraisal, Assessment and Taxation
of Real and Personal Property

Reappraisal of property subject to the ad valorem property tax in Kansas should be addressed by the Legislature in 1983. We believe legislation should be enacted to begin the process of reappraisal, and we further believe the new values determined by the reappraisal process should be implemented in all 105 Kansas counties at the same time. The legislation should contain provisions for frequent updating of appraisals.

Procedures should be developed to insure against an unfair shift of taxes to agricultural and residential property.

We believe livestock should be exempt from property taxation in Kansas. There are 35 states that presently exempt livestock. Kansas should be added to this list of states so that we can maintain the leadership position in livestock production.

Voters approved an amendment to the Kansas Constitution to allow the Legislature to develop use-value appraisal of agricultural land in Kansas. We believe this Constitutional provision should be implemented.

We firmly believe that the income capitalization approach to value is sound and is an equitable method of appraising real property for tax purposes. Statutory or constitutional language should require that all properties valued under use-value, (the income capitalization approach), should have a common capitalization rate based on economic, interest rate and money market factors.

The first paragraph indicates our support for a complete reappraisal.

The second paragraph relates to our concern for unfair shifts of taxes to agricultural land and to residential property. We believe, and have testified before this committee, that agricultural land should be appraised according to the procedures of income capitalization. We believe that this method of appraisal is sound and is an equitable method of appraisal. We state this in the last two paragraphs of our policy. We also believe that the income capitalization approach to value, using actual or potential income, could be used to determine the value of residential property. We all know that the capitalization of income is the overriding factor in the appraisal of utility property. Many of you have heard the former appraiser of Shawnee county, George Schnellbacher, testify before this committee that income is considered in the appraisal of some commercial properties such as apartment houses and others. Therefore, we believe the use of income capitalization could be expanded to include residential property.

Still another approach to taxation of real and personal property is classification. That is the subject of the two Concurrent Resolutions we are discussing today. Both of these Resolutions were drafted in an effort to prevent an unfair shift

of taxes to any class of property.

Our policy statement in the third paragraph indicates our support for the exemption of livestock and the reason for doing so. Both Resolutions speak to the livestock exemption.

Another policy statement, which we have related to this committee earlier this session, indicates our support for the continued exemption of farm machinery. Our members, for years, have stated in their policy the unfairness of the farm machinery taxation system and have referred to the larger amount of property taxes paid by farmers and ranchers.

We will make the assumption that the committee will work their own Resolution, SCR 1619, and we will make some suggested amendments. But the same suggested changes would apply as well to SCR 1607.

The amendments we suggest for SCR 1619 would consist of the following language: *"all farm machinery and equipment regularly used in farming and ranching and for other agricultural purposes,* should be inserted in two place in SCR 1619; first in line 0042 following the word purposes and again in line 0143 following the word purposes. In addition, we would suggest striking from line 0133, line 0135 and lines 0137 and 0138 the following words *"and farm machinery and equipment".*)

Mr. Chairman and members of the committee, we do have some trouble understanding the treatment of motor vehicles in both Resolutions. In SCR 1607, you would assess some motor vehicles at 30%, some motor vehicles at 20%, and on still others the legislature may determine the assessment rate. In SCR 1619 some motor vehicles would be assessed at 15% while others would

would be assessed at 30%. I believe that the committee should discuss this item to determine its justification.

If it is the determination of this committee and the entire legislative body that classification is the only method of assessment to avoid unfair tax burdens, we will work with this committee and members of the legislature to achieve an equitable and fair procedure of classification.