

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATIONThe meeting was called to order by Chairman Paul "Bud" Burke at  
Chairperson2:00 ~~xxx~~/p.m. on MARCH 17, 1983 in room 526-S of the Capitol.All members were present ~~except~~:Committee staff present: Wayne Morris, Research Department  
Tom Severn, Research Department  
Don Hayward, Revisor's Office

Conferees appearing before the committee:

The chairman directed the attention of the committee to SCR 1619 which deals with the classification of property for taxation purposes. He said a concern is that we would like to develop as fair a resolution as possible and much of the concern centers around the uncertainty as to exactly what the sales ratios tell us about the values, and particularly as to industrial and commercial real property. Senator Kerr made some suggestions concerning the various kinds of property: 1) to exempt livestock inventory in the bill; 2) tax all machinery, farm and business, on a depreciation schedule and expand the tax base some to take care of tax shift problems; 3) change business real estate category (b) to 12% (now 15%) which would take an amendment.

The chairman said if we appraise this year and the process takes five years to complete, agricultural properties are going to decrease at the end of the 5-year period and there will be a minimum shift back if the figures are accurate. He said he had been concerned for a long time and believes that the greatest inequities involve personal property because so much property never gets reported. He said his preference would be to leave personal property taxed until all of these levels are implemented, then do whatever you wish with "use value". After that goes on the books and reappraisal and SCR 1619 are in place, send another resolution to the people with the option of exempting all personal property. From a philosophical standpoint, it is better to exempt all personal property or leave it all on. Some of the committee members commented that to go back on a depreciation schedule for farm machinery after being exempt for five years would be difficult.

Senator Ehrlich inquired if a 1% sales tax would cover the cost of exempting personal property. He asked about total exemptions and how much sales tax it would take to make up the loss like, for instance, a 1% sales tax. The chairman reminded the committee that the two items can't be put in one resolution, but probably could make them contingent. The personal property exemption would be contingent on whether the one cent sales tax passes. Senator Angell asked if it was possible to have a one cent sales tax contingent upon the passage of a constitutional amendment. Don Hayward said that was possible.

Senator Ehrlich made a conceptual motion to delete all personal property except oil and gas from the personal property tax. Senator Hayden seconded the motion.

The chairman stated that Senator Ehrlich is asking for a one cent sales and use tax increase which would generate approximately \$176 million in revenue, and that we need to know what the valuations are and where the shift occurs.

Senator Kerr stated that this is what we would all like to do, but if interested in getting something done about reappraisal, we need to think how to get a two-thirds vote. He said he thinks it is urgent that we take action toward reappraisal, but it is difficult to get some agreement between the members and the Governor. He sees no way this will go through this year and we need to get back to SCR 1619.

Senator Johnston said there is no way to proportion that one cent sales tax, and we should get back into the rural and urban issue about where taxes are paid and where distributed. It is just not practical and makes the issue more difficult. It is unfortunate the Governor has adopted that stance. Senator Johnston said he thinks nothing will be done until the Court orders the reappraisal.

CONTINUATION SHEET

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room 526-S, Statehouse, at 2:00 ~~xxx~~/p.m. on MARCH 17, 19 83

Senator Hayden said that taking sales tax off prescriptions, broadened homestead exemptions, etc., were bad decisions, partly because of economics; and maybe these need to be put back in one form or another. Suddenly, it became politically feasible to grant exemptions. We can't talk about anything until reappraisal is done, but he thinks we are started on the right course. He thinks personal property should be taken off as it is a terrible waste of manpower and time.

Wayne Morris presented material prepared last year on SCR 5030 based on 1981 valuations which included farm machinery and which summarized the percentage of each of these classes and sub classes. These computer runs would be the basis of the summary sheet. They still have that data base. We can have 1981 assessed valuations run with farm machinery out and all the rest of personal property out except oil and gas, county by county. The chairman inquired what else was needed from Research. Senator Ehrlich inquired about the distribution of the one cent sales tax on the same basis as the L.A.V.T.R.F.

The chairman stated he is hearing concern about the direction we are moving and we need to know what we are doing with the motion to exempt personal property. He asked the staff to analyze what kinds of shifts will occur and what they will be.

Senator Allen said that whatever we do, we are going to have shifts. We have two options, one is to remove everything, or go to "uniform and equal" across the board.

The chairman said we will wait until staff is ready with the figures and more information.

The chairman adjourned the meeting at 3:00 p.m. The next meeting of the committee will be at 11:00 a.m., March 18.

