

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 9, 1984 in room 519S of the Capitol.

All members were present except: Representatives Aylward and King were excused.

Committee staff present:

Tom Severn, Legislative Research Department  
Wayne Morris, Legislative Research Department  
Don Hayward, Revisor of Statutes' Office  
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Bill Edds, Department of Revenue  
Phil Martin, Director of Property Valuation Department  
Representative Homer Jarchow  
Mary Ellen Conlee, City of Wichita  
Chris McKenzie, League of Kansas Municipalities  
Fred Allen, Kansas Association of Counties  
Charles Belt, Wichita Chamber of Commerce

Hearings were held on House Bill 2818 which was sponsored by Representative Homer Jarchow. House Bill 2818 would amend K.S.A. 79-201k by deleting aircraft carrying passengers or cargo for a fee from the property tax exemption for business aircraft. Representative Jarchow testified in support of the legislation. (Exhibit I)

Mary Ellen Conlee, City of Wichita, spoke as a proponent of House Bill 2818.

Chris McKenzie, League of Kansas Municipalities, gave testimony in support of House Bill 2818. (Exhibit II)

Fred Allen, Kansas Association of Counties, testified that his association supports House Bill 2818 under Article 5 of their platform.

Charles Belt, Wichita Chamber of Commerce, testified in opposition to House Bill 2818. He stated that the Chamber was of the opinion that the absence of a property tax on business aircraft has brought additional air business into Wichita and has resulted in additional jobs. The Chairman requested that Mr. Belt obtain more information on the increased employment in the City of Wichita due to the absence of property tax on business aircraft.

Bill Edds of the Department of Revenue, stated that the Department's primary concern might be a possible violation of the Tax Equity and Fiscal Responsibility Act (TEFRA) should House Bill 2818 be enacted. (Attachment III) He also stated that he was not convinced that the Kansas Constitution would even allow something like this bill.

Phil Martin, Director of the Department of Property Valuation, stated in answer to a question that aircraft owned by regularly scheduled commercial airlines are taxed for the time on the ground.

Don Hayward, Revisor of Statutes' Office, testified that he was of the opinion that this bill would create no constitutional problem as it was similar to legislation currently in place in other states.

The Chairman then called for discussion on House Bill 2609 which enacts a new section to provide an inheritance tax credit, up to \$5,000 for donations of art to a Kansas museum.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,  
room 519S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 9, 1984

Representative Vancrum made a conceptual motion to reduce the credit to 20 percent of the value of the donated art work, up to a maximum credit of \$5,000, and if the inheritance tax credit is claimed, the donor of the art work would not be able to claim a charitable deduction for such contribution on his or her Kansas income tax return. Representative Rolfs seconded the motion.

Representative Miller made a substitute motion that House Bill 2609 be tabled. Representative Wagnon seconded the motion. The motion failed, 8-9.

The Chairman then called for the vote on the original motion to conceptually amend House Bill 2609. The motion carried.

Representative Rolfs made a conceptual motion to amend House Bill 2609 so the decision to donate the art work and claim the credit would have to be made within one year from the date on which the distributee received the art work. Representative Vancrum seconded the motion.

Representative Leach made a substitute motion to table House Bill 2609 as amended. Representative Miller seconded the motion. The motion failed 9-9.

Representative Miller made a substitute motion to report 2609 adversely. Representative Wagnon seconded the motion. The motion failed.

The Chairman then called for a vote on the original motion to conceptually amend House Bill 2609. The motion carried.

Representative Rolfs made a motion that House Bill 2609 be reported favorable for passage as amended and Representative Spaniol seconded the motion. The motion carried 10-8.

The meeting was adjourned.



STATE OF KANSAS

HOMER E. JARCHOW  
REPRESENTATIVE, NINETY-FIFTH DISTRICT  
SEDGWICK COUNTY  
2121 WEST DOUGLAS  
WICHITA, KANSAS 67213



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
MEMBER ASSESSMENT AND TAXATION  
COMMERCIAL AND FINANCIAL  
INSTITUTIONS

FEBRUARY 9, 1984

MR. CHAIRMAN - MEMBERS OF THE COMMITTEE

HOUSE BILL NO. 2818 HAS BEEN INTRODUCED TO SOLIDIFY THE INTENT OF LEGISLATION PASSED IN THE 1982 SESSION RELATIVE TO THE EXEMPTION OF BUSINESS AIRCRAFT.

SENATOR GARR HAS ADVISED ME THAT THE INTENT OF THE ORIGINAL EXEMPTION DID NOT INCLUDE AIRCRAFT CARRYING PASSENGERS OR CARGO FOR A FEE.

HOUSE BILL NO. 2818 WAS DEVELOPED BY MYSELF PRIOR TO MY BEING AWARE OF THE CITY OF WICHITA REQUEST OF THE DELEGATION. THE DELEGATION CHAIRMAN TOLD ME TO PROCEED WITH MY BILL.

ATTACHED FIND A COPY OF THE CITY OF WICHITA REQUEST ON AIRCRAFT EXEMPTION. THEIR RECOMMENDATION IS ON THE BOTTOM OF THE PAGE. ALSO ATTACHED IS A COPY OF THE EXEMPT AIRCRAFT REPORT PREPARED BY THE SEDGWICK COUNTY APPRAISOR.

THE BILL IS JUST TO REPEAL THE SUB CLASSIFICATION OF "AIRCRAFT CARRYING PASSENGERS OR CARGO FOR A FEE".

I WOULD BE GLAD TO RESPOND TO ANY QUESTIONS.

*Homer E. Jarchow*

EXHIBIT I

2/9/84

City of Wichita, Legislative Item IV-1 (1984)

SUBJECT: AIRCRAFT EXEMPTION

PROBLEM

The City of Wichita was seriously impacted by recent legislation concerning the assessment and taxation of business aircraft. The removal of "business aircraft" from the tax rolls resulted in a loss of \$19,073,810 of assessed valuation. This exemption has had a significant impact upon the property tax base of the City. Based on anticipated 1983 tax rates, the \$19 million worth of property would have generated over \$700,000 in tax revenues. As the City Commission was committed to not increasing the City's mill levy for other classes of properties, the exemption resulted in cutting back on the level of services which the City provides to its citizens.

According to the sponsors of the aircraft exemption bill, initial legislation never intended the exemption to apply to commercial aircraft. However, the State Department of Revenue along with the State Board of Tax Appeals, two agencies responsible for interpreting and enforcing the law, determined that the actual wording of the law did include commercial aircraft as well as aircraft which would commonly be called "business aircraft."

RECOMMENDATION

The City of Wichita supports anticipated legislation to eliminate the entire business aircraft exemption, or, at least, amend it to clearly exclude commercial aircraft from the tax exemption.

EXEMPT AIRCRAFT REPORT  
July 19, 1983

Market value (100%) of all aircraft, including commercial airlines is as follows:

1980	-	\$29,462,820
1981	-	\$35,941,350
1982	-	\$36,570,670
1983	-	\$63,618,933

The following is a breakdown of commercial airlines 100% and 30% and all other aircraft 100% and 30%:

	<u>COMMERCIAL</u>		<u>ALL OTHER AIRCRAFT</u>	
	<u>100%</u>	<u>30%</u>	<u>100%</u>	<u>30%</u>
1980	\$7,382,290	\$2,214,680	\$22,080,530	\$ 6,624,160
1981	\$6,533,183	\$1,959,955	\$29,408,167	\$ 8,822,450
1982	\$5,963,970	\$1,789,191	\$30,606,700	\$ 9,182,010
1983	<u>\$8,656,080</u>	<u>\$2,596,820</u>	<u>\$54,962,853</u>	<u>\$16,488,860</u>

New or different aircraft added in 1983:

	<u>100%</u>	<u>30%</u>
	\$29,593,000	\$8,877,900

Deleted aircraft for 1983:

	<u>100%</u>	<u>30%</u>
	\$ 5,722,200	\$1,716,660

Added 70 new aircraft in 1983.

Deleted 73 aircraft in 1983.

Added 3 new commercial airlines:

American Airlines	\$2,342,110
Texas International	\$ 100,000 - est.
Northwest Airlines	\$ 250,000 - est.

Gates Learjet added \$11,315,180 to aircraft list in 1983.



**League  
of Kansas  
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL/112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565

TO: The House Assessment and Taxation Committee  
FROM: The League of Kansas Municipalities  
DATE: February 9, 1984  
SUBJECT: House Bill 2818

By action of its convention of voting delegates, the League of Kansas Municipalities strongly endorses the provisions of HB2818. It is the belief of the League that in granting the 1982 property tax exemption for farm machinery and business aircraft that the legislature did not intend that the exemption be extended to aircraft used for passengers or cargo. For that reason, we would appreciate your serious consideration of HB 2818.

Sincerely,

Christopher McKenzie  
Attorney/Director of Research

CM:gs

EXHIBIT II

2/9/84

M E M O R A N D U M

To: House Committee on Assessment and Taxation      Date: February 9, 1984

From: Kansas Department of Revenue      Re: House Bill 2806

The provisions of House Bill 2806 appear ambiguous in many areas. The major concern of the Department is in regard to how H.B. 2806 interfaces with the Kansas Enterprise Zone Act which also provides a sales tax refund for manufacturing machinery. The Department would anticipate that it may be faced in some instances with two claims for refund of the sales tax for these purchases if this legislation should be enacted; one under H.B. 2806 and one under K.S.A. 1983 Supp. 79-3641. The Department strongly recommends that the bill be clarified to allow only one such refund claim.

The Department respectfully requests that significant terms of Section 1, subsection (b) should be clarified. For example, does a part-time or seasonal position qualify as a "new employee position"?

The Department requests that Section 1, subsection (c) be more specific as to the qualifying refund conditions. Subsection (c) provides that refund claims would be submitted six months after the new employee is hired. The Department requests that the bill specify the refund conditions if the new employee positions are initially created and filled but are not filled at the time of the refund application or at the end of the six months. Would there be a recapture of the refund if the new positions are eliminated after the refund is granted?

The bill states that the refund should be made within sixty (60) days after the refund claim has been submitted to the Director of Taxation. The Department requests that provisions similar to those established by K.S.A. 79-3641, the refund of sales tax under the Enterprise Zone Act, be adopted for House Bill 2806. In order to adequately verify the claims, process the requisite documentation and produce the refund warrants for mailing, the Department requests that it not be bound by statute.