

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 30, 1984 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 Office

Conferees appearing before the committee:

Tom Boyd, Vice President/Manufacturing, Hackney and Sons, Inc., Independence
Robert D. Graham, President of Acme Foundry, Inc., Coffeyville
Kenneth G. Bristow, Vice President and Manager of Custom Castings, Inc.,
Coffeyville
Joe L. Levy, Attorney for Parmac, Inc., Coffeyville
J. Robert Lewis, Division Controller, Automotive Controls Corporation,
Independence
Raymond Caldwell, Montgomery County Commissioner, Independence
Jim Gilpin, Iola State Bank, Iola
Joe Betzen, J.B. Supply Co., Iola
Ron Seufert, Division Manager, Midland Brake, Inc., Iola
Ron Gaches, KACI

The committee held a hearing on SB 467 which pertains to the use of trending factors in the preparation of personal property valuation guides.

Tom Boyd, Hackney and Sons, testified that his plant, a subsidiary of Hackney headquarters in North Carolina, is a very competitive business which built their Kansas plant in 1972. At that time, the business climate was good, with taxes which compared favorably to those in North Carolina. Now the Kansas tax load is 40% greater, and they can stand for no more property tax escalation. (Attachment 1)

Bob Graham, Acme Foundry, told the committee that trending factors used to establish a market value of their equipment caused their 1983 taxes to be over 150% of the prior year's amount. (Attachment 2)

Kenneth Bristow, Custom Castings, said their company began operations in 1981 in the hope of providing a service to a distressed industry and creating a few jobs for the unemployed in Montgomery County. As a result of the imposition of trending factors, they are now faced with an increase of 28.8% in personal property tax. (Attachment #3)

Joe Levy, Attorney for Parmac, Inc., a manufacturing company located in Coffeyville since 1919, stated the implementation of trending factors on their present inventory will increase their taxes about \$40,000 for 1984. (Attachment #4)

Bob Lewis, Automotive Controls Corporation, said the increase in taxes caused by applying the trending factors will have a direct bearing on business they do in Kansas. They have filed a protest with the State Board of Tax Appeals on their 1983 tax statement, but their main concern is that the \$38,695 tax increase due to trending factors (a 40.4% change over what previous methods used would be) is not short term. This amount will escalate every year if the use of trending factors is not changed. (Attachment #5)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 526-S, Statehouse, at 11:00 a.m. ~~xxx~~ on January 30, 1984

Ray Caldwell, Montgomery County Commissioner, stated the effect of the trending factors is a loss of industry and a loss of jobs. They have lost two major industries and 400 jobs in the last two months due to this unfair method of valuation. He said the present situation has negated the fine work done by the people in industrial development at the state and local level and almost totally destroyed their ability to attract new industry and thus broaden their tax base. (Attachment #6)

Jim Gilpin, Iola, said his purpose here today is to provide a petition protesting Kansas' decision to drive industry and jobs to friendlier states through use of trending factors in evaluating equipment and machinery for ad valorem tax purposes. (Attachment #7) He handed out an editorial opinion from the Iola Register protesting trending factors. (Attachment #8)

Joe Betzen, J. B. Supply Co., speaking in behalf of absentee owners, Gates Rubber Co., said their company would never locate another plant in Kansas. Inc. Magazine rated Kansas high in people, labor and location as a place to start business, but the terrible tax system is penalizing business and industry.

Ron Seufert, Division Manager of Midland Brake, also stated that the low wage rate and high productivity of the people of Kansas is negated by increasing taxation. He said if taxation is not controlled, new business will not locate in Kansas.

Ron Gaches, KACI, told the committee the Kansas business community needs help in resolving these problems. Many exemptions have benefited certain classes of property from sharing in the burden of supporting local and state services. He stated the need is to move forward to reappraisal. He said the property tax law problem is a clear threat to the Kansas business and proposed several options. (Attachment #9)

The chairman reported that he had a request to introduce a bill amending the Kansas income tax act to exclude amounts received as social security and railroad retirement benefits from adjusted gross income.

Senator Mulich made a motion that such a bill be introduced and referred back to the committee. The motion was seconded by Senator Allen and passed unanimously.

The chairman adjourned the meeting at 12:05 p.m. The next meeting of the committee will be held at 11:00 a.m. January 31.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
JAN. 30	Phil Martin	Topeka	PUD
	Janice Martin	"	"
	Christy Young	Topeka	Greater Topeka Chamber
	Walter Lynn Hillmer	Topeka	Hillmer Luth. Ship
	Kenneth G. Gustava	Coffeyville	Linton Coatings Inc
	Harold Sprunger	Coffeyville	Chamber of Commerce
	Robert D. Gulyn	Coffeyville	Acme Foundry Inc
	Jack Brooks	Coffeyville	Acme Foundry Inc
	Jim Glesin	1000 State Bank Topeka, Ka	Topeka Chamber of Commerce Mid-America Inc
	Robert Lewis	1300 W. Oak Independence, Ks	Automotive Control
	Henry H. Kingman	Topeka	P.V.D.
	Wayne Reed	Independence	Mayor
	David Hanzlick	Topeka	HS W O M
	Steve Barnett	Independence	Individual
	Joe A. Betzen	Topeka	J.B. Supply Co.
	Ron Seufert	Topeka	Midland Brake Inc
	Paul Clark	Independence	Mont Co.
	Cathy M. Smith	Shannon Co	Shannon Co.
	J. G. M. Donk	Topeka	Ks St Atty Gen Office
	Allen Johnson	Independence	Swanson Electric Co.
	Winnee Bron	Independence	Emerson Electric Co.
	Jim Tighe	St. Louis, Mo	Emerson Electric Co.
	D. Patterson	Independence	
	Katherine Ihmssen	Independence	
	Larry Wright	Coffeyville	
	R. R. Jensen Jr.	Independence	J I INC.
	Robert L. Campbell	Coffeyville	Monroe Foundry
	Clarence Wilch	Topeka	WILCH MFG. INC
	Charles H. Clark	Ottawa	Franklin Co.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
JAN 30	Raymond Cardwell	Coffeyville	Montgomery Co. Comm
	Joe L. Leary	"	Parma, Inc
	Bob Fallis	Topeka	Fallis Bros.
	Robert Mac	Topeka	Jim Hank Ford Dealers Assoc
	Frances Kastner	Topeka	Ks Food Dealers
	Ruby Voss	Topeka	Ks Limestone Assoc
	Richard M. Latman	Coffeyville	Acme Foundry & W.
	Jim Latman	Coffeyville	Major Circle Mfg. Co.
	Joe Figgins	Topeka	Kansas Assoc of Sch. Bd.
	Paul Blenthal	Coffeyville	Funk Mfg
	Chris Shober	Mayetta	Kans NFO
	B. G. Shober	Coffeyville	PARMAC PARMAC INC
	WALTER CALLAHAN MR	COFFEYVILLE	FUNK MANUFACTURING
	Bill Lanham	INDEP	INDEPENDENCE STAGE B.
	Kristen Jensen	INDEP	J.I. Inc
	Mrs. Wayne Reed	indep	visitors
	Angela Gode	Independence, KS	City Commissioner
	Charles H. Nicolay	Topeka	Ks Oil Marketers Assn
	Tom Cochet	Topeka	KACI

1

Tom Boyd

Attachment #1

KANSAS TAXATION POLICIES: SENDING THE WRONG SIGNALS TO BUSINESS

A scheduled presentation to the Kansas Legislature's Special Committee on Assessment and Taxation. Monday, January 30, 1984 at 11:00 a.m./Topeka, Kansas.

Good morning gentlemen. My name is Tom Boyd, and my present position is that of Vice President of Manufacturing for Hackney and Sons, Inc. Hackney and Sons is a subsidiary of Hackney Industries, Inc., and both are headquartered in Washington, North Carolina. I am a twelve-year resident of the state of Kansas, having moved here from North Carolina in 1972 to open a new manufacturing plant for Hackney and Sons in Independence, Kansas. The manufacturing facility in Independence is Hackney and Sons (Midwest), Inc., and it is now the largest operating unit of the company. Prior to moving to Kansas, I was Plant Manager of the sister company of Hackney and Sons (Midwest), which is Hackney and Sons (East), in Washington, North Carolina.

I fully realize that the thrust of these hearings is to address "trending factor" legislation. Although our company is quite disturbed about trending factors and their implications, my remarks will address taxation from a broader perspective, as relates to business and industry in Kansas.

I do not wish to engage in debate as to whether we should cut costs or raise taxes. I think the answer is an appropriate measure of both. What's important to me is what's important to my business, your business, and our state --- WE MUST STAY COMPETITIVE!

Having personally managed both of these manufacturing operations on an independent basis, and now being responsible for both operations, I feel qualified to relate to you our concerns over recent shifts in taxation policy within the state of Kansas which are sending some very disturbing signals to not only our firm, but every business currently operating in the state of Kansas, as well as those who might be considering locating here.

I would begin by telling you that we selected the state of Kansas as a place to do business, because we judged it to have a most favorable business climate as we analyzed and drew comparisons in the late sixties. Industrial Revenue Bonds proved quite attractive as a means of financing expansion for our privately held company. The Bonded Warehouse provision, commonly known as the Freeport Law, was an attractive feature of taxation policy, in that a substantial portion of our finished goods inventory is ultimately destined for out-of-state delivery. The state sales tax compared competitively, and the ad valorem tax rates, while higher than North Carolina, were not overwhelmingly so.

When we broke ground for our facilities in the Spring of 1972, there were approximately 2.1 million people residing in the state of Kansas. Today there are only a few hundred thousand more. I believe the 1980 Census revealed somewhat under 2.3 million. Simply stated, the state enjoyed very little to no

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1/30/84

growth in the last decade. Of course, we all know what has happened to the price of maintaining our highways and supporting our educational systems; these being two vital elements of major importance, when considering state funding arrangements. With the cost of services and construction going up and the population nearly stagnant, this can only mean one thing to a property owner or business when the state chooses to center revenue generation in the "arena" of inventory, personal property, and real estate taxes. The same number of people will be paying more and more.

Since we all know there is no "free lunch", ultimately the cost of taxation is passed along to the consumer. In the case of a landlord-tenant relationship, the rent goes up. In our case, the price of our products go up. This is what concerns us most about our future in Kansas, and why we are here today. We operate in an extremely competitive marketplace where a few hundred dollars can make or break a contract. At this point, I would like to graphically show you why we are so concerned about the state's recent moves to single-out industry and business for additional tax revenues, which is a policy of focusing on a small base, and "escalating" the rates. We feel that it is a far better policy to broaden the base and lower the rates.

I would call your attention to Exhibit #1 which is a comparison of the taxes paid by our North Carolina operating unit and our Kansas operating unit for calendar year 1983. The comparison assumes identical sales volumes and operating inventory levels; all numbers are realistic and consistent with current operational records. It is important to recognize that both of our manufacturing plants are located in rural communities with population bases approximating 10,000 people. Our plant facilities are both approximately 150,000 square feet in size, and both are located within the city limits of their respective communities.

As you can see, the valuation for plant buildings and equipment in Washington, North Carolina is \$1,230,000. In Independence, Kansas our buildings are still tax-exempt under the provisions of the Revenue Bond financing program, and will continue in this status for approximately four more years. The \$437,945 of Kansas valuation represents plant equipment, exclusive of the real estate holdings and buildings. In spite of the Kansas valuation being approximately one-third of the North Carolina valuation, our Kansas tax load is 40% greater. In attempting to compare "apples with apples", we would call your attention to our estimate of what we would have paid in additional taxes during 1983 if our buildings had been on the tax rolls as they will be four years from now. You see our estimate to be \$103,000; but adding this number to our current taxes and then comparing the total with the North Carolina total, you see that we estimate the difference in taxes to be \$122,000 versus \$13,500. A tax dollar difference of almost nine times on operations that are almost identical in size, scope, and output.

Let's now look at property taxes on inventory. Subjecting the entire \$2,570,000 of North Carolina inventory to the North Carolina rates and valuation structure yields a tax load of \$28,270. While subtracting \$778,000 of the Kansas finished goods inventory excluded from taxation by the Kansas Freeport Law, and then factoring the inventory by thirty percent, we still pay \$77,835

in taxes. In other words, on an inventory valuation in Kansas which is one-fifth the North Carolina valuation, we end up paying almost three times as much tax.

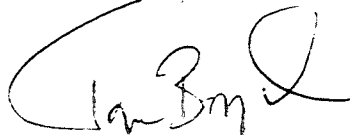
Hopefully, you can see why we and other businesses of Kansas are alarmed. You can see why the principles of our firm have begun to focus on recent moves in Kansas Taxation Policy as a considerable negative. These costs end up in our price list; and ultimately, it will be our customers who will tell us when we can no longer afford to conduct business in the state of Kansas.

When we made our decision to locate a manufacturing plant in Kansas, we did so based on the signals which the state was sending to business at that time. For the first six to eight years of our existence in Kansas, we could not have been more pleased with our decision. In the past four to five years, we have seen a shift in the "business climate" which can be linked to shifts in taxation policy, and a seemingly prevalent attitude that there is no limit to how much tax burden business can absorb without adverse affect.

Well gentlemen, I'm here today to convey a message. There is a limit, and I'm convinced we've reached it. In fact, I think we have gone past the limit. I think the only reason that you haven't heard the cries before now is because it takes a while for the policies to envelop the state and to sink in. The message which I'm hearing my colleagues espouse is that we can stand no more property tax escalation; that it is time to turn away from this taxation principle and to consider a more equitable arrangement such as advancing the State Sales Tax rate. A sales tax spreads the base, and can be administered for effectively no increase in cost, and is founded on the "ability-to-pay" principle. A small increase in the state sales tax rate would more than adequately cover the funds that are raised by selective taxes such as the Severance Tax and others which have been considered. It would also eliminate the necessity of "administrative interpretations" of existing tax statutes which are openly discriminatory, such as "trending factoring".

I firmly believe that the way to put our state on a growth track is to send positive, not negative messages to industry. To encourage existing industries to expand and others to consider moving into our state, bringing with them jobs and new dollars. I respectfully encourage you to consider a recommendation which will move us toward corrective action.

I sincerely appreciate your patience in allowing me the opportunity for these expressions, and I stand ready to address any questions which you may have.



D. Thomas Boyd
Vice President/Manufacturing
HACKNEY AND SONS, INC.



Designers/Manufacturers of TRANSPORTATION SYSTEMS

400 HACKNEY AVENUE WASHINGTON, NORTH CAROLINA 27889 PHONE 919/946-6521

HACKNEY INDUSTRIES

REPLY TO: Hackney and Sons (Midwest), Inc.
300 Hackney Avenue
Independence, Kansas 67301

Tax Comparison

ASSUMPTIONS:

	<u>NORTH CAROLINA</u>	<u>KANSAS</u>
1. Sales Volume	\$15,000,000	\$15,000,000
2. Net Income (Before Tax)	\$900,000	\$900,000
3. Average Inventories (at reported values)		
Raw Materials	\$1,270,000	\$1,270,000
Finished Goods	1,300,000	1,300,000
	<u>\$2,570,000</u>	<u>\$2,570,000</u>
4. Property Valuations	\$1,230,000	\$437,945
Note - Includes all buildings and equipment in N.C./ex- cludes all buildings and some major fixtures in Ks.		
5. State Income Tax Rates	6%	6 3/4% (after first \$25,000)
6. State and Local Sales Tax (in operating cities)	4 1/2%	3 1/2%
7. Property Tax Rates	\$1.10/\$100	\$14.48/\$100

TAX FACTS: (North Carolina at stated valuation while Kansas factors stated valuation by 30% to arrive at taxable valuation)

1. Income Taxes	\$54,000	\$60,188
2. Inventory Taxes	\$28,270	\$77,835
3. Property Taxes	<u>\$13,530</u>	<u>\$19,024</u>
TOTALS	\$ 95,800	\$157,047 **

** Estimate building valuations will add \$100,000 in taxes in approximately 4 years. (Under N.C. regulations, building valuation would add only \$26,000)

MANUFACTURING SUBSIDIARIES

EFFECT OF TRENDING FACTORS ON 1983 PROPERTY TAXES
OF ACME FOUNDRY, INC.

I am Robert D. Graham, President of Acme Foundry, Inc., of Coffeyville, in Montgomery County, Kansas. Our Company manufactures gray iron castings. We were founded in 1914, and now employ approx. 200 people, with sales averaging \$8 and \$12 million annually. We market our product nationally.

During 1982 and 1983, our company's sales reflected the decline in the national economy, and it was only due to drastic cost-cutting measures during this period that we were able to maintain a break-even status. Many foundries across the country were closing at this same time.

In 1983 the Montgomery County Assessor used trending factors to establish the market value of our equipment for tax purposes. As a result, our taxes for 1983 ballooned to over 150% of the prior year amount, while our sales were dropping to less than 50% of 1981 figures. Because of this, our management made a concerted effort to determine the validity of trending factors in establishing the true market value of foundry equipment.

We believe we can now demonstrate that the trending factor multipliers (shown as Exhibit #2 herein) under the 15-year economic life category, which are used for most foundry equipment, are grossly in error and are not applicable for use in determining the fair market value of used foundry equipment in the present day marketplace. We also believe that use of the Consumer Price Index (CPI) distorts these multipliers upward and results in taxable value figures far in excess of the equipment's actual value, and significantly above the prices this type of equipment is currently bringing in today's marketplace.

We attach a letter (designated Exhibit #1) from Mr. James Hudock, of Universal Machinery and Equipment Company, a reputable Used Foundry Equipment Dealer in Reading, PA. In our letter of inquiry to Mr. Hudock, we had referred to the hypothetical example of a piece of used foundry equipment, now 5 years old, purchased new in 1978 at a price of \$100,000.00. The Trending Factors indicate this piece should now have a fair market value of \$94,000.00. In Paragraph 4 of his letter in reply, Mr. Hudock referred to this item and indicated its value would probably be closer to \$60,000 - \$75,000, depending of course on its condition.

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Mr. Hudock also enclosed a listing from a foundry liquidation sale (Exhibit #3) of the assets of Alloy Steel Castings Company, of Southampton, PA. Under "Blast Cleaning Equipment" on that list, it will be shown that a 1978 Wheelabrator (5 years old) and its related equipment, is listed at \$60,000.00. He later advised us by phone that this equipment had not as yet sold and has now been "down-priced" to \$50,000.00. This is the same equipment shown as Items 1, 2, and 3 on the Purchase Order copy of Alloy Steel Castings Co., (Exhibit 4 herewith) purchased new in 1978 at a total price of \$146,059.00.

The trending factors indicate that the item above should have a fair market value of \$137,295.00 (94% of its cost when new), and yet it is currently priced at \$50,000., or only 34% of its purchase price, and has not sold.

Furthermore, on the back of the Foundry Liquidation Sale sheet (Exhibit #3, P.2) are listed several British Molding Machines. The manufacturer was contacted to determine the cost when new of the machines, and Mr. Hudock advised us by phone that each was sold at the following prices:

<u>Item</u>	<u>Age</u>	<u>New Price</u>	<u>Selling Price</u>	<u>% of New Pr.</u>
1	1976	\$22,000.00	\$4,500.00	20%
2	1976	22,000.00	4,500.00	20%
5	1978	5,800.00	2,000.00	34%

Items 1 and 2 were sold for \$4,500.00 (20% of their new price) while the trending factors indicate they should have sold for \$19,360.00, or 88%. Item 5 sold for \$2,000.00 (34% of its new price) and the trending factors place its value at \$5,452.00, or 94%. In all cases, the trending factors set the values of this equipment much higher than the prices it is bringing on the open market.

In summation, we believe that present taxable values as determined by the trending factors are far in excess of realistic fair market values for this type of equipment today, and have thus imposed unfair additional taxes on an already heavily economically burdened industry. Furthermore, it would appear to be a foregone conclusion that decisions by new industry whether to locate in Kansas will be negatively impacted by the effect of the tax burden imposed by the trending factors.

We therefore urge this committee to recommend to the legislature the elimination of trending factors as a method for determining taxable values of equipment, in favor of a fairer, more equitable and reasonable method.

Thank you.

**UNIVERSAL MACHINERY AND EQUIPMENT COMPANY**

1630 North 9th Street • P.O. Box 873 • Reading, Pa. 19603

Telephone (215) 373-5103 • Telex 83-6430

October 4, 1983

Acme Foundry, Inc.
1502 Spruce Street
P.O. Box 908
Coffeyville, Kansas 67337

Attention: Mr. R.D. Graham, President

Dear Mr. Graham:

I read your letter of August 24, and would like to help you and other foundries in Kansas. However, to answer your questions is a rather complex and lengthy explanation.

First, we both know that the useful life on a piece of foundry equipment depends on the individual piece as well as its foundry application. For instance, a shot blast machine is self destructive. A brand new machine will be destroyed within one or two years if it is not maintained. If it is maintained, the machine will operate for 20 or 30 years.

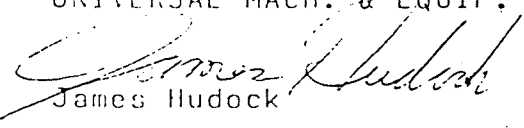
I assume that a foundry operating at full capacity would replace equipment approximately every 15 years. If the equipment is in use after 15 years I would agree on a residual value of approximately 25%. Again, this is an estimate and cannot be true of every machine. A few machines after 15 years may belong in your scrap pile!

I totally disagree, as an across the board example, of a piece of equipment purchased in 1978 for \$ 100,000.00 and today has a value of \$ 94,000.00. If this example is true for the taxing authorities I have not encountered this in the past twelve years of buying and selling foundry equipment. My figures would be close to \$ 60,000.00 - \$ 75,000, assuming a new piece is selling for \$ 150,000.00 in 1983. The bottom line for establishing any value on equipment is the type and condition.

Enclosed are a few examples of purchase price vs. selling price. I hope they are of some use to you. If you require the services of our company to value equipment we are available for \$ 250.00 per day, plus expenses.

Yours very truly,

UNIVERSAL MACH. & EQUIP. CO.


James HudockJH/mw
Encls.

1983
TRENDING FACTORS

Purchase Year	Economic Life						15 Years	20 Years	25 Years	30 Years	Purchase Year
	3 Years	5 Years	7 Years	10 Years	12 Years	15 Years					
1983	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1983
1982	.63	.73	.78	.82	.83	.84	.85	.86	.87	.87	1982
1981	.39	.62	.72	.80	.83	.85	.86	.90	.91	.91	1981
1980	.11	.49	.66	.79	.83	.88	.94	.96	.99	.99	1980
1979		.35	.60	.79	.87	.94	1.01	1.06	1.10	1.10	1979
1978		.14	.49	.74	.84	.94	1.04	1.11	1.14	1.14	1978
1977			.33	.66	.79	.92	1.05	1.12	1.18	1.18	1977
1976			.15	.56	.72	.88	1.04	1.14	1.20	1.20	1976
1975				.45	.65	.84	1.04	1.15	1.22	1.22	1975
1974				.34	.59	.83	1.07	1.22	1.32	1.32	1974
1973				.20	.49	.79	1.09	1.27	1.39	1.39	1973
1972					.36	.70	1.04	1.23	1.38	1.38	1972
1971					.21	.60	.98	1.21	1.35	1.35	1971
1970						.50	.93	1.18	1.36	1.36	1970
1969						.38	.88	1.18	1.37	1.37	1969
1968						.25	.81	1.14	1.36	1.36	1968
1967							.71	1.07	1.34	1.34	1967
1966							.62	1.03	1.29	1.29	1966
1965							.51	.94	1.24	1.24	1965
1964							.39	.88	1.17	1.17	1964
1963							.28	.77	1.11	1.11	1963
1962								.67	1.04	1.04	1962
1961								.60	.96	.96	1961
1960								.40	.89	.89	1960
1959								.41	.82	.82	1959
1958								.30	.74	.74	1958
1957									.67	.67	1957
1956									.60	.60	1956
1955									.50	.50	1955
1954									.41	.41	1954
1953									.32	.32	1953

HOW TO USE: 198 3 COMMERCIAL PERSONAL PROPERTY STATEMENT

PROPERTY LISTING FOR <u>Doe Company</u>						APPRAISER'S USE		
List and describe all items of machinery, equipment, and supplies which are owned, such as: office machines, furniture, counters, shelving, bins, carts, tools, loaders, plant equipment and all other personal property fixtures and machinery. Add supplemental pages as required.						Substitution of a computer printout is acceptable if the property is grouped by type, purchase date, and original cost.		
"Appraiser's Use" columns to be completed by county appraiser using appropriate Kansas Appraisal Guide for personal property valuations.								
ITEM-CONDITION-AGE	Purchase Date	Cost	Economic Life	Trending Factor	Market Value			
1. Billing Machine (good) 4	6/1978	7,421. x	5	.14	= \$1,039.00			
2.								
3.								
4. Benches and Counters (good) 13	7/1969	18,642. x	15	.38	= \$7,084.00			
5.								
6.								
7.								
8.								
9.								
10.								



Kansas DEPARTMENT OF REVENUE

March 16, 1983

State Office Building TOPEKA, KANSAS 66625

TO: All County Appraisers
FROM: Philip W. Martin, Director, Division of Property Valuation
RE: 1983 Trending Factors - Economic Life Guidelines

The following amendments to the 1983 Miscellaneous Personal Property Guide, Pages 4 thru 6, are issued for your use in the 1983 tax year:

Economic life definition: the estimated period within which an asset may be used profitably.

Banks:

Most bank personal property is either office equipment or merchandising type, therefore, use those schedules for that equipment.
Drive-thru, walk-up facilities 10 yrs
Vaults 20 yrs

Merchandising:

Shelves, gondolas, display fixtures, material handling equipment for retail or wholesale sales, and other basic equipment used in the routine retail or wholesale sales facility 10 yrs
Refrigeration display equipment and storage equipment used for or designed for use in merchandising facilities, wholesale or retail 10 yrs

Office Furniture and Equipment:

Whether used in an office setting, in a retail or merchandising facility, or in most manufacturing and service situations including file cabinets, desks, chairs, bookshelves, book racks, and other property intended for the use of the staff and employees of the facility (non-electric) 10 yrs

Office Machines:

Including electric typewriters, calculators, adding machines, and non-computer electronic equipment 5 yrs
Computer equipment - from the guide 5 yrs

Manufacturing:

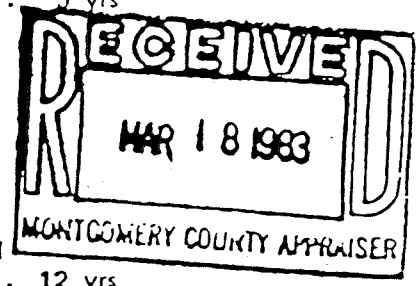
Office furniture is to be handled the same as for merchandising unless the environment is especially damaging to the equipment.

Most General Manufacturing:

Machines and equipment NOT including short-lived dies, jigs, forms, etc., and NOT including hand tools 12 yrs

Foundries and Other Heavy Manufacturers:

Machines and equipment, NOT including molds, dies, jigs, etc., and not including hand tools 15 yrs



Handwritten mark resembling the number 6



UNIVERSAL MACHINERY AND EQUIPMENT CO.
1630 North 9th Street • Reading, PA 19603

• QUALITY EQUIPMENT SINCE 1939 •

BULK RA
U. S. POSTAGE
PAID
PERMIT NO. 201 CLEVELAND, OHIO

EXHIBIT # 3, P. 1

FOUNDRIY LIQUIDATION SALE

ALLOY STEEL CASTINGS, SOUTHAMPTON, PA

★ Late Model Equipment - Well Maintained ★

— AIR COMPRESSORS —

Air Compressor, Rotary Type Two Stage, 350 CFM Fuller, Size C70LP, 870 RPM, 100 PSI, Serial No. 8494-A, 70 HP G.E. Motor, Heat Exchanger, After cooler and manzel forced lubrication, age 1976, Rebuilt 1983.

Air Compressor, Rotary Type Two Stage, 350 CFM; Fuller, Size C70LP, 880 RPM, 100 PSI, 15135-B, 75 HP, 230/460 V. Heat Exchanger, After cooler, and manzel forced lubricator, age 1981.

Air Compressor Rotary Type, Two Stage, 350 CFM, Fuller, Size C70LP, 75 HP, 880 RPM, 100 PSI, 15356-A Heat Exchanger, After cooler and manzel forced lubrication, age 1979.

Air Compressor, Fuller, Rotary, 2-stage, 200 CFM Type C40411, Serial No. 7171, 1160 RPM, 40 HP.

— BLAST CLEANING —

PRICE \$ 60,000:

Wheelabrator 96" single door swing table, age: 1978, Mag. liners, Serial No. A131374 Dual scrubbers, 10-ton per hour, Sand Reclamation System inc. Dynamic air sand transporter, (2) 30 HP shot wheels, 52" work height.

Wheelabrator 48" Swing Table, 15 HP motor, Serial No. A99255 - single door.

Wheelabrator, 20 x 27 Blast Cleaner, Serial No. A52802, rubber belt, 2 years old belt.

Wheelabrator Tumblast, 22 Super (New in 1968), Rebuilt 1978, Serial No. A123329, with skip hoist, Mag. flytes.

Wheelabrator Sand Blast Cabinet, No. 1B, 48" lg. x 24" wide.

— CORE EQUIPMENT —

Shalco U-180 Shell Core Machine, Gas Fired, Serial No. 3868GL, 440 volt, feed hopper, Rebuilt in 1980.

B. & P. SF6BA Shell Core Machine, Serial No. CSC62076204, Manual Feed.

B. & P. SF6CA Shell Core Machine, Serial No. CSC64456510, Manual Feed.

B. & P. CBDH4 Flexiblow Core Machine, Serial No. 3915808.

Redford Cartridge Type Core Blower, Bench Model.

— CRANES & HOIST —

Jib Crane, Free Standing, 360°, W/2 ton electric hoist, trolley type, floor operated, 20 ft. jib arm.

Jib Crane, Free Standing, with 1-ton electric hoist, Shaw Box, pendant operated, monorail type with trolley.

2 — Electric Hoist, 6000 Lb. capacity Monorail type, Pendant Operated.

3 — Electric Hoist, 2-tons, Shaw Box Pendant Operated, Monorail type with trolley.

2 — Electric Hoist, 1-ton capacity, Shaw Box Pendant Operated, Monorail type with trolley.

Electric Hoist, 1-ton capacity, Budget floor operated (old style) Monorail

Electric Hoist, 1/2 ton capacity, Shaw Box Pendant Control, Monorail type, with trolley mounted on jib crane, free standing, 360°.

Electric Hoist, 500 lb. capacity, Lone Star floor operated, Monorail trolley.

Air Hoist, 1-ton capacity, Floor control, chain lift.

— DUST COLLECTORS —

Wheelabrator Pulse Jet, Size 90, Model 108, Type 10, 1,260 sq. ft. Cloth, 10,483 ACFM at 8:32 to 1 ratio. Blower is 30 H.P., Serial No. 131374. Dimensions 8' - 6" wide x 8' - 0" deep x 23' - 4" high. Age: 1977.

American Air Filter, 13,600 CFM, Size 10-120-1650, 2 Hoppers, 50 H.P. Fan, 10' - 0" wide x 9' - 0" deep x 25' - 0" high. 220 Cu. Ft. Hopper capacity, New Bags 1980.

Dust Collector, Pangborn Type CD1, Serial No. 2CD1-5194, 2-hoppers 24" wide x 5' long x 10' high.

Dust Collector, A.A.F., Self contained. Approximately 300 - 500 CFM, single hopper 28" x 30" x 8' high, Age: 1967.

— FURNACES —

Inductotherm 500 KW, Induction Melting Unit VIP, Powertrac, Serial No. 773150024511, 450KW, 529 KVA, 665 amps, 460 volt, 3 phase, 60 cycle, 1250 V. capacitor, 1200 cycle operation. Age 1978.

1 — Inducto Furnace Box - 1000 capacity, Serial No. 112081080, Hoist tilt, front trunion pour.

1 — Inducto Furnace Box, 2000 Lb. capacity, Serial No. 71002580, Hoist Tilt, Front trunion pour.

1 — Spare Coil, 1000 lb. capacity.

1 — Water Cooling System, control by Towermatic, No. 125, includes a BAC cooling tower and a Marly aqua tower rated 75 tons.

BAC Cooler - Model VNT30D - Serial No. 768264, double fan unit, belt No. A71, Marly Aqua Tower, Serial No. 4633526, Belt B124.

PRICE \$ 7,500.

Ajax Induction Melting Unit, 250 KW, 400 HP, vertical motor/generator, 4160 volt, water cooled 2-bearing.

1 — Inductotherm Furnace Box, 1500 lb. capacity, Serial No. 580487310, Rear Hoist Tilt, Front Trunion Pour.

1 — Inductotherm Furnace Box, 1500 lb. capacity, Serial No. 12484981, Rear Hoist Tilt, Front Trunion Pour.

Heat Treat Oven, 48" wide x 72" long, Surface Combustion Co., Model LO 4872, Serial No. BX34481-1, 2300° Max., 600° Min., Cat. #MODL04872, gas fired, 14-burners, 6 top 8 bottom, refractor is in excellent condition. 36" floor of oven to top of arch, counterweight door with Honeywell circular chart recorder and Honeywell temperature control.

Heat Treat Furnace, Car Bottom Type, Inside dimensions 5' wide x 10' long. Car is 58" wide, counterweight door. Total 12-burners, 6 burners, each side. Burners are combination gas/oil type. Blower and controls

— LABORATORY —

Sand Str Machine, Dietert #405, Motorized. Electric er, Dietert, #338899. Ro-Tap Machine, Serial No. 22509, Tyler Industrial Products. Electric Permeter, Dietert, #338898. Lab Oven, 5" x 4" Inside, Temco, Elec., 115 volt. Sand Rammer, Dietert, No. 315. Moisture Teller, Dietert, Speedy Type. Dietert Balance, Analytical Balance, 0 - 10 Grams.

— MACHINE SHOP —

Swing Frame Cutoff, Fox, 20" dia. wheel, 15 HP. Swing Frame Cutoff, Fox, 24" dia. wheel, Model 4C, Serial No. 7754246, 15 HP. Swing Frame Grinder, Fox, 20" dia. wheel, 20 HP. Swing Frame Cutoff, 20" dia. wheel, 15 HP, Model 6CR, Serial No. 8733960, 14,200 SFPM, recently rebuilt. Double End Stand Grinder, 7" dia. wheels, 17" centers, 230 V., 3/4 HP motor. Double End Grinder, 18" dia. wheels, 51" centers, direct drive unit, 10 HP. Double End Grinder, 12" dia. wheels, 41" centers, direct drive, 5 HP. Double End Grinders, Bench Type, 8" dia. wheels, 14" centers, 230 volt, 1 HP motor. Double End Grinder, 8" dia. wheels, 18" centers, 3/4 HP, Bench Type, 208 V. Do All Band Saw, Model 7S3620, Serial No. 31672447, 440 volt, 3 phase, 60 cycle, Adjustable Table, 15 HP, One speed. Drill Press, Walker Turner, Model 711, 1/2 HP, 208 volt, 18 x 24 table. Drill Press, Delta. Lathe, South Bend, 48" bed. Wilson Hydraulic Press, 60-ton capacity, Age: 1956. Model 376, Serial No. 2970. Table Saw, Rockwell, #3435, Serial No. 1309706, 38 x 48 table, 12" dia. Jaw.

— MOLDING MACHINES — \$4500.00 Ea.

1. BMM Molding Machine, Type CZ, jolt squeeze pin lift, Model V1990, Serial No. DH4440, 30 x 40 table, Age: 1976, 1500 lb. jolt cap., 12 1/2" draw. 2. BMM Molding Machine, Type CZ, jolt squeeze pin lift, Model V1990, Serial No. DH4438, 1500 lb. jolt cap., 30" x 40" table, Age: 1976, 12 1/2" Draw. BMM Molding Machine, CK, jolt squeeze, 20 x 55 table, 750 lb. jolt cap., Serial No. DH5236, Age: 1977. BMM Molding Machine, CK, jolt squeeze, 20 x 25 table, 750 lb. jolt cap., Serial No. DH2800. 3. BMM Molding Machine, QCK, jolt squeeze, 20 x 25 table, 750 lb. jolt cap., Serial No. DH5704, Age: 1978. Osborn 712 PJ, stationary jolt squeeze pin lift. \$2,000.00 B. & P. Hydraulic Rol-A-Draw, 4025H, 10 HP, hydraulics, Serial No. HRD2126405, Rebuilt in 1979

— PALLET SYSTEM —

Royer 2-Station Pallet System, Serial No. MD4276225, 42" rail width, 45' long, 30 x 72 pallet cars, Total 38-cars with 2-air operated pallet lifts.

— PLANT SERVICES —

1 — Lot Roller Conveyor, 40 ft., in 10 ft. sections. 18" Dia. Rollers, 3" Centers, 2 1/2" Dia. rollers, above rail. 1 — Lot Roller Conveyor, 40 ft. in 10 ft. sections, includes 4 - 90 turns, 15 1/2" wide rollers, 3 1/2" centers above rail, 1 1/2" dia. rollers. 120 ft. Heavy Duty Roller Conveyor, 36" wide x 3 1/2" Dia. rollers above rail, 6" centers, 6" rail, 22" height. 1 — Lot Roller Conveyor, Buschman Mfg. Company, 18" wide, 3" Roller Centers above rail, 2 1/2" Dia. rollers, 3" Rail w/support legs - adjustable, approximately 25 - 10 ft. sections, 2 - 90° turns, 2 - 24" long pivotal transfer rollers.

Floor Scale, Toledo, Model 2191, 1600 lb. capacity, Serial #4129, 0 - 1' lb. scale, Platform is 38 x 46". Toledo Floor Scale, Model 2191, Serial No. 3636, Capacity 1600 Lbs., 1000 Lbs. in 1 lb. grad. pit type, 38 x 46 weight capacity. Scale, Portable, Fairbanks-Morse, 100 Lb. capacity, 18 x 20 platform. Modern FA9 Pouring Device, 24" hand wheel, 24" lift, with trolley. Modern, FA9 Pouring Device, 1500 lb. capacity. Tape Embosser, Roover, 135 tape size.

— SAND CONDITIONING —

B. & P. 50A Speedmuller, Serial No. 2986705 forced cooling with overhead batch hopper, Newwaygo 10 ft. dia. plate feeder and multitrol controls. Continuous Sand Mixer, CE Cast, Model CEL 1000, Single trough, 500 to 1000 lbs. min., 3 - Pumps, Age: 1981. Unit has Enviro-Cone. Continuous Mixer, Omega 1, 200 to 300 lb./min., 4 KW, rating on motor, single auger 1976. Carver 3GF Mixer, 800 lb. capacity, 15 HP, 36" dia. x 6' high.

— SAND HANDLING/TRANSPORT —

Royer, 3-Station Overhead Sand System, SU-16, 20 cu. ft. hoppers, 8' ctrs. on hoppers, air gates. Overall length is 30'; overall width is 6'. Serial No. C78733, Age: 1978. 2 HP drive, 18" wide distribution belt, air plows. 2 — Station Royer Overhead Sand Hoppers, Air Gates, 50 cu. ft. serves molding machines, Inv. #3621 & 3620 with overhead 18" wide x 22' long distribution belt with air plows, 20' long x 6' wide support structure. Royer Sand Distribution Belt, 20" wide x 52' long, Serial No. C76656, Trough Style, 3 HP Motor. Royer Sand Distribution Belt, 18" wide through belt, 3 HP, Serial No. C78782, 30" centers on rollers, 50 ft. long. Belt Conveyor, Trough type, Royer 24" wide x 60' ft. long, 40" Ctrs. on rollers, Serial No. C76679, 5 HP, Drive. Belt Conveyor, Trough Type, 24" wide x 24' long, 3 HP drive. Oscillating Pan Conveyor, 36" wide x 22' long, 17 ft. straight section, 5' is 5° incline. Simplicity Serial No. 324 - PAA3 - 1854, 7" sides, Age: 1976. Newwaygo Hand Sandy (without overhead sand hoppers). Elevator is 17 ft. high. Serial No. EHS3085, Shop No. 14614, 18" x 30" casing. Unit includes sand hopper for feed. 2 — Shakeouts, 4' x 6', Simplicity. Vibrating Screen, 3' x 6' Simplicity, Age: 1976. Serial No. 236 M702220, Double deck, 2 HP. Sand Storage Bin, Free Standing, 8' wide x 6' deep, 8' high straight section, with single hopper. Sand Hopper, Free Standing, Single Hopper, with air gate, 40 cu. ft. capacity. Bucket Elevator, Newwaygo, 45' high, Serial No. EL839, Shop No. 14614, 22 x 40 casing, 9" x 6" x 5" bucket. Sand Transporter, Newwaygo Dri-Veyor, Serial No. PNP579, Shop No. 14614, Chamber capacity is 2 cu. ft., Hopper capacity is 4 cu. ft., Transport up to 18,000 lbs. per hour. Pneumatic Sand Transporter, Dynamic-Air 900 FPM sand speed. COMPACTION TABLE, CARVER MODEL 500 - 5000 Vari-Load, Serial No. 2540, New 1977. MOLD HANDLER, Cleveland Products, Model H-15, 1500 Lb. Cap., Ser. 22600, Handles Molds 36" to 48", New 1977.

— WELDERS —

Welder, Westinghouse, 400 Amp., D.C. Welder, Air Products, 300 Amp. Welder, Westinghouse, 400 Amp. Welder, Hobart, 400 Amp., Model R400. Welder, Miller, SR300, 300 Amp. Welding Rod Oven, Electric, 18" dia. inside x 24" long, Temp. 100 - 500° F., 1000 watts, 120 V. AC. Arc Air Station, 10 ft. diameter.

TERMS OF SALE

- 1. All equipment offered subject to prior sale, or other disposition, and all sales are final. 2. All machinery and equipment being sold on an "as is—where is" basis. Rigging and loading costs to be borne by the purchaser. 3. All sales are on a CASH basis. Payment in full must be made in advance of removal. 4. The description of items in this brochure are believed to be correct. However, we make no warranty or guarantee, expressed or implied, as to the accuracy of the information contained herein, or the condition of the items being sold. 5. Selling agents will assist in obtaining services of qualified riggers for loading and transportation, if desired.



UNIVERSAL MACHINERY AND EQUIPMENT COMPANY

1630 North 9th Street • P.O. Box 873 • Reading, Pa. 19603 Telephone (215) 373-5103 • Telex 83-6430



RECEIVING COPY

PURCHASE ORDER
DUNS 00234567

RESIDUARY OF FISCHER & PORTER
STEEL CASTING COMPANY, COUNTY LINE ROAD SOUTHAMPTON, PA 18966
TEL 610-255-1505 CABLE FISHPORT 1 TELEY 845 215

PAGE 1 OF 1 PURCHASE ORDER NO. **A-22544**

DELIVERY REQUIRED BY **12 SEPT. 77** SHIP VIA **TRK.**

PPD ALLOWED SHIP POINT FACTORY DESTINATION OTHER SEE BELOW

WHEELABRATOR-FRYE INC.
390 REED RD.
BRIDGEMAN, PA 19008

SHIP TO
COUNTY LINE ROAD
SOUTHAMPTON, PA. 18966

SUBJECT TO PENNA SALES TAX PENNA SALES TAX EXEMPT CERTIFICATE NO 09-10721

QUANTITY	QUANTITY/PART NUMBER	DESCRIPTION	ACCOUNT CODE	PRICE
			530-438490 101-43902	
1		96" WHEELABRATOR SWING TABLE	\$ 146,059	92,692.00
1		10 TPH SAND RELAXATION SYSTEM		39,124.00
1		1 ULTRA-JET DUST COLLECTOR		14,233.00
1		SET 3/8" MANGANESE CABINET LINERS		10,705.00
1		SET LONG LIFE IN LINE WEAR PLATES		834.00
1		SHOT ADDING UNIT		814.00
1		SET RECOMMENDED SPARE PARTS		759.45
1		ENGINEERING SERVICE		1000.00
ALL PER TERMS & CONDITIONS OF W/A REP. PROPOSAL NO. 771-TLE-1431(9)				
CONFIRMING TO TED FARCETT & MICHAEL KEEGAN				
				WILKINS/JB

DIRECTOR OF PURCHASING BUYER
 ALL PAPERS AND ALL SHIPMENTS TO BE PREPAID COPY OF BILL MUST ACCOMPANY INVOICES INVOICE IN TRIPLICATE TO ATTENTION ACCOUNTS PAYABLE DEPT., SOUTHAMPTON, PA COPY OF FREIGHT BILL REQUIRED FOR ALL FREIGHT CHARGES

IMPORTANT THIS ORDER IS SUBJECT TO ALL TERMS AND CONDITIONS SPECIFIED ON REVERSE SIDE.

PLEASE ACKNOWLEDGE THIS ORDER WITH PRICE AND DELIVERY

NOTE: ANY INQUIRIES SHOULD BE REFERRED TO BUYER LISTED ABOVE (215-674-6700)

22544

3
CUSTOM CASTINGS, INC.

Attachment #3

(316) 251-3633

P. O. Box 711

Coffeyville, Kansas 67337

November 28 1983.

Attention: The Special Committee on Assessment and Taxation - State of Kansas.

Subject: Trending Factor used to value Machinery and Equipment.

Gentlemen,

I am Vice President and Manager of Custom Castings Inc., P.O. Box 711, Coffeyville, Kansas, a small Grey and Ductile Foundry. My company commenced operations in August 1981 in the hope of providing a service to a very distressed industry and by no means least, to provide a few much needed jobs of the unemployed in Montgomery County!

Apart from being victims of a depressed economy, we have been subjected to substantial increases in Electrical and Natural Gas rates, that have contributed to significantly increased operating overhead.

To add to the crippling effects that we have felt these first two years, we are now faced with an increase of 28.8% on our Personal Property Taxes; a direct result of the imposition of Trending Factors to our Personal Property Valuation!!

Gentlemen, to suggest that foundry equipment of any kind, has an economic life in excess of five to seven years, is absolutely ludicrous! I question, with some 28 years of Foundry experience, the competency of the person or persons who had the audacity to suggest an economic life for Foundry equipment, of fifteen years!

I believe that I am speaking for every operating Foundry in the U.S.A., let alone Kansas, when I state that most equipment in any Foundry will literally self destruct in five to seven years of operation, because of the environment in which it operates! This is even after excessive maintenance costs and replacement parts have been incorporated. Unhappily, these claims can be substantiated by most every Foundry in the country!

Gentlemen, we use sand as a fundamental part of our daily operation. Sand, when conveyed pneumatically, can eat through $\frac{1}{2}$ inch thick hardened steel in a matter of hours, due to its abrasive nature! One grain of sand can ruin a bearing, we handle millions of grains each day and much of our equipment contains expensive bearings of one sort or another!!

One might ask why anyone would want to be a part of such an industry, the answer is simple, necessity! Not to ourselves but to the

1/30/84 ALH.3

market place! The Foundry industry is the sixth largest in this country and its products touch each of us every single day. Without castings, we would not enjoy the convenience of the very things we depend upon to live e.g. automobiles, refrigerators, washing machines, etc. There would be no farm implements, construction equipment, heavy machine, tools, etc.

We do not object to taxation, provided it is realistic and fair. We do object, and strongly, to the Trending Factor, because it fails to recognize "fair market value," particularly if those responsible for enforcing it continue to insist on this "15 year economic life."

A few telephone calls, directed at Used equipment dealers, will substantiate in many cases, the five to seven year life we claim. For your convenience, we have appended a xeroxed list of such dealers.

Also, appended is copy of a letter from "Inductotherm Corp" that is a good example of depreciation of equipment. The equipment mentioned is twelve years old and cost approximately \$100,000.00 new. Using the Trending Factor, that places the current market value at \$60,000.00. The appended letter states categorically that the furnaces we are using are obsolete and the current power system may have a trade-in value of \$8,000-\$10,000.!!

In order to build our foundry, we purchased 95% of our equipment in "used condition" in a private sale, from R.B. Industries, Inc., Pleasant Hill, Mo., at a total cost of \$70,000!

Implementation of the Trending Factor for computing Personal Property Taxes, particularly in these times of economic depression in the Foundry industry, will prove catastrophic! Competition in our industry is currently vicious and every cent counts. This increased tax burden will inevitably drive our overhead and consequently our pricing, higher. As one might expect, if we cease to be competitive, we will ultimately be forced out of business. By contributing to this condition, the State will come out the loser, what taxes may have been available, now become non-existent!!

On behalf of the forty one Foundry or Foundry related companies in the State of Kansas, I urge this committee to reconsider this form of taxation. If Industry, as a whole, in the State can be represented by that in Montgomery County, the State of Kansas could lose up to 25% of its revenue from Ad Valorem taxes by forcing those industries either into bankruptcy or to move to other, more sympathetic locations from which to operate!!

Respectfully submitted,



K. G. Bristow

CAST METALS FEDERATION

SUITE 501, 918 16th STREET, N.W. • WASHINGTON, D.C. 20006
(202) 833-1316

WALTER M. KIPLINGER, JR.
Vice President - Government Affairs

July 22, 1983

Mr. Ken Bristow
Custom Castings, Inc.
P.O. Box 711
Coffeyville, Kansas 67337

Dear Ken:

The Treasury Department in 1977-79 studied useful lives of foundry machinery and equipment to determine whether or not guideline depreciation lives under the Asset Depreciation Range System (ADR) should be revised. (See attached release.)

Treasury concluded that the ADR guidelines for the foundry industry should be reduced from 18 years to 14 years.

Currently, very few foundries use the ADR system, but instead, either negotiate an average composite life with Internal Revenue Service, or justify lives somewhat shorter than the 14 year guidelines.

At the time (1979) we were glad that Treasury separated us from the steel industry in ADR guidelines. Prior to 1979 any industry pouring hot metal was in the same class.

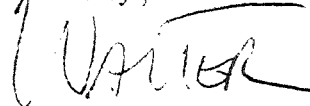
The distinction relative to the use of sand in foundry operations - and the abrasive, corrosive effect of sand had much to do with changing Treasury's minds. They now appreciate the fact that the foundry industry is separate and distinct from basic steel.

Also enclosed here are page marked CMF Position Papers offering rebuttal language on ADR.

I have no equipment cost figures.

Hope this helps you.

Sincerely,


Walter M. Kiplinger, Jr.

WMK:lpb

CLASS OF PROPERTY	DATE	COST/BASIS	PER.	MTH	PCT.	DEDUCTION
5 YEAR PROPERTY	<i>OF ACQUISITION</i>	<i>NEW</i>	<i>MARKET VALUE</i>			
WHELLABRATOR	08/01/81	1980 30,280.12	2000	5	SL 20.0	6,056.02
2-INDUCTOTHERM FURN.	08/01/81	1971 30,280.12	9000	5	SL 20.0	6,056.02
5-TON VIBRA-MILL	08/01/81	1976 22,710.99	8000	5	SL 20.0	4,542.20
20-TON BUCKET ELEVAT	08/01/81	1976 1,514.55		5	SL 20.0	302.91
20-T.SAND STOR TANKS	08/01/81	1975 2,270.00	✓	5	SL 20.0	454.00
5-TON SAND HOPPER	08/01/81	1975 379.54	✓	5	SL 20.0	75.91
2500# MANUAL LIFT	08/01/81	1976 379.54	✓	5	SL 20.0	75.91
STAHL AUTOCAST MOLD	08/01/81	1968 304.35	✓	5	SL 20.0	60.87
HYD.LIFT TABLE CONVE	08/01/81	1976 379.54	✓	5	SL 20.0	75.91
HYD.LIFT &TILT TABLE	08/01/81	1976 379.54	✓	5	SL 20.0	75.91
CARVER SAND ;MIXER	08/01/81	1976 1,514.55	✓	5	SL 20.0	302.91
SETCO 30"SNAG GRINDE	08/01/81	1977 1,514.55	✓	5	SL 20.0	302.91
DYNAMIC AIR COLLECTO	08/01/81	1976 755.47	✓	5	SL 20.0	151.09
UNLOADER #1830	08/01/81	1977 9,083.68	4500	5	SL 20.0	1,816.74
GARDNER DENVER COMP	08/01/81	1968 755.47	✓	5	SL 20.0	151.09
BRIDGECRANK & WRIGHT	08/01/81	1973 454.72	✓	5	SL 20.0	90.94
HITACHI 1-T. HOIST	08/01/81	1978 150.36	✓	5	SL 20.0	30.07
VARIOUS SMALL ITEMS	08/01/81	1974 2,875.12	✓	5	SL 20.0	575.02
COIL	08/01/81	OK 2,616.00	✓	5	SL 20.0	523.20
SAND HEATER	08/01/81	OK 7,970.50	✓	5	SL 20.0	1,594.10
HEATING	08/01/81	OK 5,127.14	✓	5	SL 20.0	1,025.43
COOLING FANS	08/01/81	OK 388.60	✓	5	SL 20.0	77.72
TRANSFORMERS & ETC.	08/01/81	OK 42,670.70	✓	5	SL 20.0	8,534.14
DIGA LAB (DIGITAL EQPT)	08/01/81	OK** 6,269.43	✓	5	SL 20.0	1,253.89
FURN & FIXTURES	08/01/81	OK 574.09	✓	5	SL 20.0	114.82
LEASEHOLD IMPROV.	08/01/81	10,952.00		5	SL 20.0	2,190.56
AIR RECEIVER	03/31/82	1968 103.50	✓	5	15.0	15.52
CABINET	04/01/82	1973 164.22	✓	5	15.0	24.63
22" BRIDGE CRANE	03/31/82	1968 98.33	✓	5	15.0	14.75
600# LADDLE	03/31/82	1975 465.75	✓	5	15.0	69.86
ROOF FANS	03/31/82	1966 155.25	✓	5	15.0	23.29
FLASKS	04/01/82	1972 200.00	✓	5	15.0	30.00
GRINDER	04/01/82	OK 166.44	✓	5	15.0	25.27
CHART RECORDER	04/01/82	1976** 563.95	✓	5	15.0	84.59
TECH T.P. SYSTEM	04/01/82	ERPT. 500.00	✓	5	15.0	75.00
FLASKS	05/01/82	1974 600.00	✓	5	15.0	90.00
WELDER	07/01/82	OK 250.00	✓	5	15.0	37.50
SAW	08/01/82	✓ 246.69	✓	5	15.0	37.00
WHEELABATOR & VIBR	09/01/82	OK* 355.47	✓	5	15.0	53.32
W/B & BUST COLLECTOR	09/01/82	✓* 1,056.83	✓	5	15.0	158.52
OVERHEAD RELAY MAGS	09/01/82	✓* 177.12	✓	5	15.0	26.57
BLOWER E ENDS ;& OUT	09/01/82	✓* 512.73	✓	5	15.0	76.91
CARVER MIX	09/01/82	✓* 3,463.40	✓	5	15.0	519.51
BENDICATOR	09/01/82	✓* 234.03	✓	5	15.0	35.10
METER	12/01/82	✓* 375.00	✓	5	15.0	56.25
BATTERY CHARGER	12/01/82	✓* 92.09	✓	5	15.0	13.81
CEILING FANS	05/01/82	✓* 378.69	✓	5	15.0	56.80
DOOR	05/01/82	✓* 303.15	✓	5	15.0	45.47
ELECTRICAL	08/01/82	✓* 6,261.81	✓	5	15.0	939.27

* Elect. Instal. Costs

** THESE ITEMS ELECTRONICALLY OR COMPUTED CONTROLED.

CLASS OF PROPERTY	DATE	COST/BASIS	PER.	MTH	PCT.	DEDUCTION
CEILING FAN	12/01/82	OK 137.61	5		15.0	20.64
ELECTRICAL	12/01/82	OK 229.92	5		15.0	34.49
TOTALS		199,645.45				39,074.36

3

FOUNDRY LIQUIDATION

Farrell-Cheek Steel Co.
706 Lane St.
Sandusky, OH 44870

Major Items Include:

FINISHING ROOM
Osborn 8 ft Double Swing Table

WAREHOUSE
also SCB-9
P CB5, CB 12, CB 15

VACUUM COLLECTORS
any Available to 60,000 CFM

HEAT TREAT FURNACES
Car Bottoms

CHUCKER LINE
International Jolt Squeezers
Pallet Lines
P 75B Speedmuller, 36-54 TPH

MELTING SYSTEM
chromelt 3 Ton Arc, 2500 KVA & 600 KVA

AUTOMATIC MOLDING LINE AREA
complete indexing line and flasks,
rotation Rotary Shakeout, and B & P
5B Speedmuller, 70-105 TPH

FINISHING AREA
P15,000 lb hyd. Rol-A-Draw
Watered Roller Conveyor 46" & 60"

SCRAP CELLANEOUS
Lifts; Flasks; Scales; Cranes;
Hoists; Mobile Yard Crane; Fuller
Compressor, 100 H.P. (3)

MUCH, MUCH MORE
CALL OR WRITE FOR OUR
COMPLETE INVENTORY

SUBJECT TO PRIOR SALE

Call Direct—419/626-5151

**AAA Machinery
& Equipment Co.**
7401 Morgan Ave.
Cleveland, OH 44127
216/883-4000

C & D Equipment Co.
2989 E. 87th St.
Cleveland, OH 44104
216/421-1400

FOR SALE
(1) 23F Simpson mixer with spare gear box. MARSHALL
EQUIPMENT, 616/781-3956.

FOR SALE
"Mas-Matic" flaskless matchplate molding machine (new)
completely automatic, 14 x 22 x 5/5 mold size. Arrangements
can be made for schooling and set-up of operation. Price
negotiable. Contact A. S. MASI, 713 Arbuckle Rd., Erie, PA
16509.

LIQUIDATIONS

For Thorough Assistance In
Liquidating Excess Equipment
Call

C & D EQUIPMENT CO.
216/421-1400

ROTOLOFT SPECIALS

- 1—Osborn 3191 Rotolift complete w/
Matchplate Handling
- 1—Tabor Mdl. 376 (new 79) (Rotolift Type w/
Matchplate Handler), Max. Flask 36 x 52 x
12 x 12—Used Only 6 Months

NO-BAKE SPECIALS

- 1—B & P 2000# Rollover Draw, 20" Draw
- 1—B & P Rol-A-Draw, Mdl. 2522-H. (1977),
2500 lb cap, 22" Draw
- 1—B & P Rol-A-Draw, Mdl. HRD-12032H,
12,000# cap., 32" draw, New 1970

AIR COMPRESSOR SPECIAL

- 1—Sullair Mdl. 25-150L—Screw, 150 H.P.,
New 1982, Package Unit

- 1—Max Swing Cut-Off, 10 H.P., 16" Wheel
- 1—Dependable 100 Shell Core, Gas, Manual
- 1—BMM Mdl. BT-7 Mold Machine
- 1—Do-All V-26 Contourmatic Band Saw
- 1—Whiting Ladle, 5000 lb Geared, Teapot
- 1—Whiting Ladle, 10,000# Geared, Lip Pour
- 1—Whiting Ladle, 20,000# Geared, Lip Pour
- 1—Whiting Ladle, 25,000# Geared, Lip Pour
- 1—Simplicity Oscillating Conveyor, 24" W x 8"
D x 65" w/Shakeout Deck
- 2—Osborn, Mdl. 716JPSL, Automatic
- 2—Osborn Mdl. 722, automatic Whisperam—
Like New Condition

- 1—Ajax Coreless Solid State, 1000 KW, 1000
Cycle—New 1977
- 1—Inductotherm 400 KW Coreless Tri-Line—
(2) Furnaces 1500 & 2000, Water-Cooled, All
Hydraulics
- 1—Inductotherm 600 KW V.I.P. Coreless, (1)
500#, (2) 1000#, (3) 2000# Solid State
- 1—Brown Boveri 1000 KW Coreless, Still In-
stalled—1974 Unit, 7000# Furnace
- 1—Hunter Auto Mold Machine, HMP-10, 1975
- 1—Leco Carbon Sulfur Determinator
- 1—A.R.L. Spectrograph—Brass, Iron, Steel
- 1—Simplicity 4' x 10' Shakeout, Mdl. BG
- 1—Simplicity 6' x 10' Shakeout, Mdl. DE
- 1—Robins 5' x 6' Shakeout, Portable
- 1—Robins 8' x 10' Shakeout, Mdl. MF11
- 1—B & P 70A Speedmuller
- 4—Setco Dbl End Grinder, 30", Var. Speed
- 1—Setco Sgl End Grinder, 30", Var. Speed
- 1—Hanchett Tub Grinder, 53" Wheel
- 1—Wheelabrator 3 cu. ft. Rubber Belt
- 1—Wheelabrator 5 cu. ft. Rubber Belt
- 1—Pangborn 6GN, 6 cu. ft. Rubber Belt
- 1—Wheelabrator 11 1/2 cu ft—Steel Belt
- 1—Pangborn 12GN, 12 cu. ft.
- 1—Wheelabrator 70 cu. ft. Super
- 1—Simpson 1UD, 4 T/Hr, Sand Muller
- 1—Simpson 2UD—15 T/Hr Muller
- 1—B & P Mulbaro, Portable, 300 lb Batch

Write or Call For Stock List
Specialists In
Appraisals—Liquidations
**McINNES EQUIPMENT
CO. INC.**
P. O. Box 97, Leeds, AL
35094
205/640-6900

FOR SALE
40" Continuous Wheelabrator with oscillating conveyor feed
system. CONNECTICUT FOUNDRY, 203/629-2516.

FOR SALE
Matchplates and patterns (aluminum and wood) for orna-
mental cast furniture, approximately 60. (1) 18 x 21 aluminum
flask, (1) 22 x 26 aluminum flasks, jackets and bottom boards.
Electrical supplies. Call Larry, 206/466-7949.

FOR SALE
14 x 19 Hunter, great condition, bought new 1975, used 5 years,
production for single shift only, in storage since 1981. Could be
seen on location. LOUIS MESKAN BRASS FOUNDRY
INC., 2007-13N. Major Ave., Chicago, IL 60639,
312/237-9231.

DISAMATIC 2013 MK1
With new AMC—year 1970, completely rebuilt in 1978 under
Disamatic control with latest improvements. Has not been
used since. Crated for overseas shipment. Ready to go. LE
CREUSET OF AMERICA INC., P.O. Box 675, Yemassee,
SC 29945.

FOR SALE
40 H.P.M. 2500 States Engineering ringmuller with automatic
controls to 6-station molders hopper system, 1000 lb capacity
each with indicators. 10 H.P. belt conveyor 29" W x 35" L. 20"
bucket elevator. Newco Shakeout, very good condition. Best
offer—subject to prior sale. Phone: 206/787-8880, Attn: R.
E. Gould or J. D. Horton.

**SHALCO HUTCH SHELL
MOLDING MACHINES**
Shalco Model 3040 MM shell molding machines. Shalco bond-
ing machines with glue tables. Shalco automatic feed hoppers
for 3040 machines. Shalco dust hoods. All this equipment is in
"as new condition," used less than one year. NEWARK ALU-
MINUM CASTING, Newark, OH, 814/344-1735.

INDUCTION MELTING EQUIPMENT
100 KW, 3000 HZ, M.G. unit, 480 volt, 3 phase, reconditioned;
asking \$14,500. 100 KW, 3000 HZ, Inductotherm solid state,
480 volt, 3 phase, reconditioned; asking \$18,000. Many other
used and reconditioned melting systems. Warranty and start-
up services available. We recondition and manufacture fur-
naces, coils, and power leads. INDUCTION TECHNO-
LOGY CORP., 5362 H Bolla Ave., Huntington Beach, CA
92649, 714/895-1400.

CERTIFIED APPRAISALS LIQUIDATIONS—AUCTIONS

AAA MACHINERY & EQUIPMENT CO.
7401 Morgan Ave., Cleveland, OH 44127
216/883-4000 Telex: 980131

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veyors—Shell Core Machines—Wheel-
abrators—Grinders and Much More.

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buy individual items or complete plants.
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ANDERSON FOUNDRY SYSTEMS
P.O. Box 2459
Glenn Elynn, IL 60137
312/469-8370

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West Virginia Malleable Co.

Major Items:
(2) Wheelabrator 7 cu ft Super Tumblasts
Demag 5.5 Ton Crane, 36" 10 1/2" Span, Magnet
American Air Filter 42,000 CFM Dust Collector
Inductotherm 2250 kW Coreless Induction Fur-
nace
Conveyors—Belt Steel Apron, Oscillating
Overhead Sand System—24" x 120", 9-Station
States & Carver Sand Mixers
Newaygo Pallet Line
Sand Silos, Scales, Tote Boxes, Forklifts
MUCH, MUCH MORE

Send for Our Complete Inventory List
AAA Machinery & Equipment Co.
7401 Morgan, Cleveland, OH 44127
216-883-4000



INDUCTOTHERM CORP.

A SUBSIDIARY OF INDUCTOTHERM HOLDINGS, INC.

10 INDEL AVENUE RANCOCAS, NEW JERSEY, USA 08074 (609) 291-0000 FAX (609) 683-9392

July 21, 1983

Mr. Ken Bristow
Custom Castings Inc.
P.O. Box 711
Coffeyville, Kansas 67337

Dear Ken:

It certainly was a pleasure speaking with you, and I hope that our conversations were useful for your future planning. At the present time, you now are operating the 200 KW TRI-LINE which operates at 230 KW using 280 KVA, having a melt rate of 700 pounds per hour or 2.5 pounds per KVA.

As we discussed, the new solid state POWER-MELT systems have proven to show an increase in efficiency that more than justifies a good return on investment. The 350 KW POWER-MELT system we talked about will operate at 350 KW using 395 KVA, and having a melt rate of 1400 pounds per hour, or 3.54 pounds per KVA. In other words, the new solid state system has an increase in efficiency of approximately 30%.

The approximate cost of the new POWER-MELT is approximately \$70,000, and assuming that the TRI-LINE is in relatively good shape, I would estimate the trade-in value to be \$8,000-\$10,000.

As an added consideration, we also discussed upgrading your furnaces to the new Dura-Line furnaces, which not only replaces your existing asbestos furnaces but will improve overall refractory and furnace life. The new furnaces are approximately \$10,000. Doing it in this fashion would give you a complete upgrade of equipment, and I am sure an R.O.I. that you should consider.

As an added note, your district manager is Don Miller (318-929-3852), or you can reach any of us in Rancocas at our toll-free number (800) 257-9527. I hope, Ken, this is the information you were looking for. If we can help any further, please give us a call.

Very truly yours,

INDUCTOTHERM CORP.


Paul B. Cervellero
Vice President, Sales

PBC:pn

Encl: Bulletin 95, 10-42, Reprint

071T

September 5 1983

Montgomery County Appraisers Office,
P.O. Box 507,
Independence, Ks. 67301



Attention: Mr. Teery Brown, County Appraiser.

Subject: Personal Property Tax Assessment - 1983

Handwritten notes: 10/10/83, 10/10/83, 10/10/83, 10/10/83

Dear Mr. Brown,

Further to our meeting last Tuesday, August 30 1983, regarding the above subject, we reviewed our list of equipment and can confirm that what was actually reported to your office was the date we aquired the equipment! This in many instances does not reflect the actual age of that equipment!

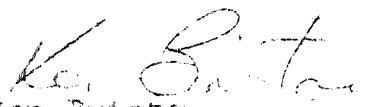
Appended is an update of the original list that does reflect alongside the date of aquisition, the actual age of that equipment, thereby allowing correct appraisal. The same updated list also reflects those pieces of equipment that are either computer or electronically controlled.

Also appended is a copy of a letter which makes reference to the second item on the above list i.e. " 2 INDUCTOTHERM FURN ". At the time we originally submitted our appraisal, we estimated the cost of those furnaces. The appended letter indicates clearly that the " trade in" value of that equipment is "\$8000 - \$10,000". This being the case, we would appreciate you revising the submitted price downward to \$9000 instead of the \$30,280.12 shown, The former being a more realistic figure according to the makers.

We are also advised by Wheelabrator Frye, the maker of the first item. that the current market price for a four year old machine, in good condition, is approximately \$20,000, perhaps this could also be revised.

Thank you for your help in this matter. We look forward to receiving our revised assessment in the near future.

Yours sincerely,
CUSTOM CASTINGS INC.,


Ken Bristow
V. Pres/Manager.

Copies: Larry Wright C.P.A.
File.

HALL, LEVY, LIVELY, VIETS & DEVORE

Attachment #4

ATTORNEYS AT LAW

815 UNION

P. O. BOX 9

COFFEYVILLE, KANSAS 67337

CLEMENT H. HALL
JOE L. LEVY
JACK L. LIVELY
JON R. VIETS
THOMAS A. DEVORE
MONTI L. BELOT

TELEPHONE
AREA CODE 316
251-1300

January 19, 1984

Senate Assessment and Taxation Committee
State Capitol
Topeka, Kansas 66612

Re: Senate Bill 467

Gentlemen:

We are submitting this information in support of Senate Bill 467, which proposes to eliminate the use of trending factors to value business machinery and equipment for personal property taxes. Appearing for Parmac are R. L. Shadwick, Controller, and Joe L. Levy, attorney.

We represent Parmac, Inc., of Coffeyville, Kansas, a manufacturing concern, which has been located in Coffeyville since 1919 and is engaged in the manufacturing and production of energy related products. Some two years ago, the employment consisted of 300 persons and was doing a business of \$3,000,000.00 per month. We now have 50 employees and are doing \$250,000.00 per month. Parmac's 1983 personal property taxes were \$250,000.00, approximately one month's gross sales.

The trending factors concept was not implemented until 1983 in Montgomery County, Kansas. Obviously, this came at a very inopportune time as Coffeyville and Montgomery County had the highest unemployment rate in the State and the bottom had dropped out of energy oriented manufacturing business.

As you are probably aware, Phillip W. Martin, the Director of the Division of Property Valuation, has a great deal of authority in establishing guidelines for the application of trending factors, even though the final decision of the application rests with the County Tax Assessor. All property is to be appraised uniformly and equally at its fair market value in money as defined in K.S.A. 79-503 and assessed at 30% thereof. "Fair market value" means the amount in terms of money that a well informed buyer is justified in paying, and a well informed seller is justified in accepting for a property in an open and competitive market, assuming that the parties are acting without undue compulsion (K.S.A. 79-503 a). The statute further provides that sales in and of themselves shall not be the sole criteria of fair

ALC 4
1/30/84

January 19, 1984
Page Two

market value but shall be used in connection with costs, income, and other factors, including but not limited by way of exclusion: "(d) depreciation, including physical deterioration or functional, economic, or social obsolescence". This portion of the statute is relevant to Parmac's type of equipment in view of the rapid change in technology.

Mr. Martin's office, by letter to all county appraisers on March 16, 1983, for the purpose of establishing trending factors-economic life guidelines, suggested that machines and equipment, not including short lived dies, jigs, forms, etc., and not including hand tools have an economic life definition of twelve years. In the past, we have been subjected to a straight line depreciation schedule of five years with the bottom being 20% of the assessed valuation. Increasing the amount of years allowable to depreciate the economic life on manufacturing plant equipment from 5 to 12 years and with the use of trending factors will more than double the base. For instance, a piece of equipment purchased in 1980 and having an economic life based upon five years would have a market value of 40% of its cost; whereas, on a twelve year economic life, it would have a market value of 83% of its cost. Assuming you are on a five year straight line depreciation, your base has been reduced to 40%, yet under trending factors on a twelve year life, your increasing the base to 83% with nine years remaining on the schedule. The same piece of equipment purchased in 1978 would, under the straight line method, be valued at 20%. Under the twelve year trending factors method, it is valued at 84%, which is 4 times the old method.

The use of the acquisition cost of a piece of machinery is not a realistic approach to the problem, nor does the application of the economic life ultimately determine the fair market value of the property. As an example, in April of 1983, Parmac sold various pieces of equipment and machinery by public auction, which was well advertised and was well represented by equipment buyers, compatible manufacturers, and representatives of other manufacturing concerns. Based upon prices received at the sale, Parmac has overlaid the current market value to its equipment and machinery as listed for assessment purposes (dated November 4, 1983) and determined that the fair market value is overstated by \$1,100,000.00 or \$48,236.84 in excess taxes. Our appeal is pending on this matter before the State Board of Tax Appeals.

The acquisition cost of all the property was \$1,858,000.00. The sale brought \$811,000.00; thus, indicating the fair market value of the property. The property was assessed at \$829,000.00 on the trending factors method by the county assessor. Obviously, this is a standard by which the local assessor could place a

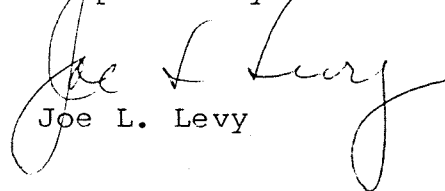
January 19, 1984
Page Three

fair market value on comparable machinery and equipment still remaining in the Parmac plant rather than following the acquisition cost and then applying the economic life of twelve years. The assessor immediately has the benefit of comparable sales, and a determination could be made by him pursuant to the factors to be considered in determining fair market value pursuant to K.S.A. 79-503a.

Without going to great length and burdening you with figures, Parmac, based upon the 1983 trending factors, is of the opinion that the implementation of trending factors on its present inventory equipment and machinery will increase its taxes approximately \$40,000.00 for 1984. Using the 1983 method has increased the market value 28%.

On behalf of Parmac, Inc., of Coffeyville, we respectfully request that you take appropriate action to dissolve the trending factors concept and allow the county assessor to determine the fair market value of the property.

Respectfully submitted,


Joe L. Levy

JLL:das



Automotive Controls Corporation

1300 WEST OAK - INDEPENDENCE, KANSAS 67301 - TELEPHONE 316-331-1000

An Echlin Company

January 30, 1984

To: Kansas Senate Committee on Assessment and Taxation
January 30, 1984
Topeka, Kansas

Regarding: Use of Trending Factors in Assessing Machinery and Equipment

Submitted By: Automotive Controls Corporation (ACC)
Division of Echlin Inc.
1300 West Oak Street
Independence, KS 67301
Represented by: J. Robert Lewis, Division Controller

Testimony

Our intent is to show the unfavorable impact of applying "Trending Factors"

A. Background

1. Automotive Controls Corporation is one of three Echlin companies located in eastern Kansas.
2. Total employment in the three firms is 1,700 people.
3. The investment in machinery and equipment is \$27,186,000.

B. Automotive Controls Corporation's Position

1. ACC supports the KACI's position
"Historical cost less depreciation over economic life."
2. ACC believes that the application of trending factors is not uniformly applied.
 - a. After a field trip to ACC by the Division of Property Valuation (letter attached), some reclassification was done. Was this change made statewide for like equipment?
 - b. ACC does not have enough data to challenge the "Trending Factor Table". We are relying on expert testimony for that.

C. 1983 Tax Impact

1. Due to trending factors, ACC's 1983 personal property taxes increased \$38,695, a 40.4% change over what previous methods used would be.

*Attch. 5
1/30/84*

2. This is not a 1983 to 1982 calculation.
3. The total value of property used in the calculation is the same for both methods.
4. The previous method was a five year straight line depreciated method on historical cost to a minimum of 20% of historical cost.
 - a. Technically obsolete equipment would be included at the calculated value.
5. A copy of the protest filed with the State Board of Tax Appeals is attached to show the claimed amount and how it was calculated.

D. Summary

Our concern is that the \$38,695 tax increase is not short term, but long term. This amount will escalate every year if the use of trending factors is not changed.

Attachments: 3 Letters regarding 1983 taxable valuation from Kansas
Department of Revenue
1983 Trending Factors Table
ACC's Protest (Including calculations)
KACI Position



Kansas
DEPARTMENT OF REVENUE

March 16, 1983

State Office Building
TOPEKA, KANSAS 66625

TO: All County Appraisers
FROM: Philip W. Martin, Director, Division of Property Valuation
RE: 1983 Trending Factors - Economic Life Guidelines

The following amendments to the 1983 Miscellaneous Personal Property Guide, Pages 4 thru 6, are issued for your use in the 1983 tax year:

Economic life definition: the estimated period within which an asset may be used profitably.

Banks:

Most bank personal property is either office equipment or merchandising type, therefore, use those schedules for that equipment.

Drive-thru, walk-up facilities 10 yrs
Vaults 20 yrs

Merchandising:

Shelves, gondolas, display fixtures, material handling equipment for retail or wholesale sales, and other basic equipment used in the routine retail or wholesale sales facility 10 yrs

Refrigeration display equipment and storage equipment used for or designed for use in merchandising facilities, wholesale or retail 10 yrs

Office Furniture and Equipment:

Whether used in an office setting, in a retail or merchandising facility, or in most manufacturing and service situations including file cabinets, desks, chairs, bookshelves, book racks, and other property intended for the use of the staff and employees of the facility (non-electric) 10 yrs

Office Machines:

Including electric typewriters, calculators, adding machines, and non-computer electronic equipment 5 yrs

Computer equipment - from the guide 5 yrs

Manufacturing:

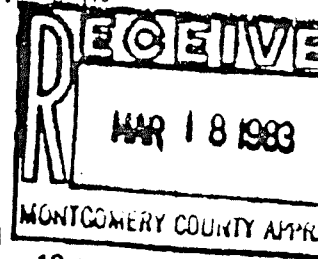
Office furniture is to be handled the same as for merchandising unless the environment is especially damaging to the equipment.

Most General Manufacturing:

Machines and equipment NOT including short-lived dies, jigs, forms, etc., and NOT including hand tools 12 yrs

Foundries and Other Heavy Manufacturers:

Machines and equipment, NOT including molds, dies, jigs, etc., and not including hand tools 15 yrs



Other

Hand tools include non-powered tools, and small electrical tools, small hand saws, etc. DETERMINE VALUE AS OF January 1.

Smaller machines, electronic diagnostic and testing machines, sprayers, larger hand drills and hand electric tools, air-powered hand tools, etc. 5 yrs

Floor jacks, frame-straightening machines, jack stands, larger air-powered forms and devices, paint-drying equipment, compressors, pumps, etc. 10 yrs

Large hydraulic and pneumatic lifts, electric, or other large hoists, etc. . . . 15 yrs

Jigs, forms, dies, molds, patterns, etc. 5 yrs

These lives will apply for any repair facility, automotive, farm machinery, or any other mechanical repair establishment.

Laundromats

Commercial 5 yrs

Apartment 7 yrs

Professional Services

Professional and scientific equipment used in dental and medical offices, veterinarian practices, beauty shops, barber shops and similar 10 yrs

Accountants, attorneys, counselors, psychologists, and other services which have little other than office equipment, use same schedule as merchandising...

Furniture 10 yrs

Electronic equipment 5 yrs

Service Stations

Pumps, fuel dispensers 10 yrs

Tanks 15 yrs

Retail equipment 10 yrs



Kansas
DEPARTMENT OF REVENUE

State Office Building
TOPEKA, KANSAS 66625

MEMORANDUM

TO: All County Appraisers

FROM: Philip W. Martin, Director
Division of Property Valuation

DATE: August 10, 1983

SUBJECT: 1983 Trending Factors - Economic Life Guidelines

On March 16, 1983, the Division mailed an amended economic life guideline. This amendment was recommended by the Kansas County Appraisers' Association after meeting with the regional vice-presidents and after the polling of the membership as to the recommendations.

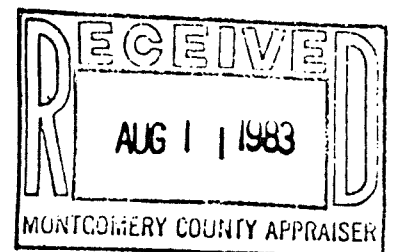
Attention is directed to the general manufacturing schedule which lists an economic life of 12 years. Inadvertently deleted from the general manufacturing schedule was computer assisted machinery variously known as CNC and NC and tape driven, which should have been included as follows:

CNC, NC, Tape: New - 7 years
Used - 5 years (based on acquisition year)

Economic life guidelines clarifying cable television were mailed May 2, 1983. Any other economic guidelines that may be rumored have not been approved by this Division.

We hope this will clarify any misunderstanding in this area. Please let us know if we may be of further service.

PWM:bkh





Kansas
DEPARTMENT OF REVENUE

State Office Building
TOPEKA, KANSAS 66625

August 18, 1983

Terry V. Brown
Montgomery County Appraiser
Courthouse
Independence, KS 67301

Re: Automotive Controls Corp.
Independence, Kansas
Field trip of 8-16-83

Dear Terry:

Concerning the above, we recommend that you segregate the fixed assets into the following categories and economic lives:

<u>Category</u>	<u>New</u>
Electronics	5 yr.
Lab Equipment*	10 yr.
*electronic	5 yr.
Office	10 yr & 5 yr.
All other manufacturing equipment	12 yr.

On equipment purchased used, we suggest using an economic life set at one-half or two-thirds the category for the same equipment new.

When you have completed this return we would appreciate receiving a copy of the printout and a summary of the market value for 1983 and a summary of the 1982 return. Please indicate inventory figures and revenue bond valuations separately.

Thank you for your cooperation in this regard.

Sincerely,

A handwritten signature in dark ink, appearing to read "John R. Cooper".

John R. Cooper
Supervisor, Personal Property
Division of Property Valuation
(913) 296-2365

JRC:jd

cc: Director

RECEIVED
AUG 22 1983

1983
TRENDING FACTORS

Purchase Year	Economic Life									Purchase Year
	3 Years	5 Years	7 Years	10 Years	12 Years	15 Years	20 Years	25 Years	30 Years	
1983	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1983
1982	.63	.73	.78	.82	.83	.84	.85	.86	.87	1982
1981	.39	.62	.72	.80	.83	.85	.88	.90	.91	1981
1980	.11	.49	.66	.79	.83	.88	.94	.96	.99	1980
1979		.35	.60	.79	.87	.94	1.01	1.06	1.10	1979
1978		.14	.49	.74	.84	.94	1.04	1.11	1.14	1978
1977			.33	.66	.79	.92	1.05	1.12	1.18	1977
1976			.15	.56	.72	.88	1.04	1.14	1.20	1976
1975				.45	.65	.84	1.04	1.15	1.22	1975
1974				.34	.59	.83	1.07	1.22	1.32	1974
1973				.20	.49	.79	1.09	1.27	1.39	1973
1972					.36	.70	1.04	1.23	1.38	1972
1971					.21	.60	.98	1.21	1.35	1971
1970						.50	.93	1.18	1.36	1970
1969						.38	.88	1.18	1.37	1969
1968						.25	.81	1.14	1.36	1968
1967							.71	1.07	1.34	1967
1966							.62	1.03	1.29	1966
1965							.51	.94	1.24	1965
1964							.39	.88	1.17	1964
1963							.28	.77	1.11	1963
1962								.67	1.04	1962
1961								.60	.96	1961
1960								.40	.89	1960
1959								.41	.82	1959
1958								.30	.74	1958
1957									.67	1957
1956									.60	1956
1955									.50	1955
1954									.41	1954
1953									.32	1953

HOW TO USE: 198 3 COMMERCIAL PERSONAL PROPERTY STATEMENT

PROPERTY LISTING FOR <u>Doe Company</u>						APPRAISER'S USE		
List and describe all items of machinery, equipment, and supplies which are owned, such as: office machines, furniture, counters, shelving, bins, carts, tools, loaders, plant equipment and all other personal property fixtures and machinery. Add supplemental pages as required.								
Substitution of a computer printout is acceptable if the property is grouped by type, purchase date, and original cost.								
"Appraiser's Use" columns to be completed by county appraiser using appropriate Kansas Appraisal Guide for personal property valuations.								
ITEM-CONDITION-AGE				Purchase Date	Cost	Econ Life	Trending Factor	Market Value
1.	Billing Machine	(good)	4	6/1978	7,421. x	5	.14	= \$1,039.00
2.								
3.								
4.	Benches and Counters	(good)	13	7/1969	18,642. x	15	.38	= \$7,084.00
5.								
6.								
7.								
8.								
9.								
10.								

THE STATE OF KANSAS



BOARD OF TAX APPEALS

1030-S, STATE OFFICE BUILDING

Telephone 296-2388 AC-913

TOPEKA, KANSAS 66612

Charles B. Joseph, *Chairman*
Rex R. Borgen, *Member*
Dallas E. Crable, *Member*
John P. Bennett, *Member*
Robert C. Henry, *Member*

December 29, 1983

J. R. Lewis, Controller
Automotive Controls Corp.
1300 W. Oak
Independence, Kansas 67301

RE: Docket No: 5100-83-PR
Key No. or
Description:
Trending Factor
Commercial Personal Property
Montgomery County

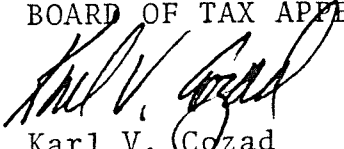
Dear Mr. Lewis:

This is to advise you that your Application for Refund of Taxes Paid Under Protest was received, docketed and marked as filed by the Board of Tax Appeals on December 20, 1983.

In due course, depending on the number of filings and other workload of the Board, the Board will fix a time and place for a hearing on your application. The Board will notify you, in writing, of the time and place of said hearing.

Very truly yours,

BOARD OF TAX APPEALS


Karl V. Cozad
Attorney & Secretary

KVC/ct

cc: County Treasurer
County Appraiser
(See K.S.A. 79-2005, as amended)

**BEFORE THE STATE BOARD OF TAX APPEALS
OF THE STATE OF KANSAS**

IN THE MATTER OF THE PROTEST OF

Automotive Controls Corporation

Docket No. _____

For taxes paid for the year(s) 1983 in Montgomery County, Kansas.

**APPLICATION REQUESTING A REFUND OF TAXES PAID UNDER PROTEST
(K.S.A. 79-2005.)**

Comes now the protestant having paid taxes on the following described property: (include tax code number found on tax statement)

Manufacturing Equipment

Tax Bill 36509

Further, the above stated protestant alleges that he/she has filed this application as the result of:

A. Illegal Tax Levies _____; B. Illegal or Void Assessment X
(Designate by Cross (X) Mark)

A. IF ILLEGAL TAX LEVIES COMPLETE BELOW:

The following table correctly shows: (1) Taxing District in Which the Protested Tax was levied; (2) Nature of Tax Protested; (3) Rate levied (in mills); (4) Rate of Levy Protested (in mills); (5) Assessed Valuation of Protestant's Property in said Taxing District; (6) Amount of Alleged Illegal Tax Extended Against Protestant's Property (full year), and (7) The Amount Actually Paid under Protest and for which Refund is asked.

(1) Taxing District	(2) Fund	(3) Rate Levied (mills)	(4) Rate Protested (mills)	(5) Protest Valuation	(6) Amt. of Tax (full value)	(7) Amt. Paid

B. IF ILLEGAL OR VOID ASSESSMENT COMPLETE BELOW:

The following table correctly shows: (1) Appraised Value (100% value) (2) Taxpayer's Claimed Value; (3) Illegal or Void Valuation; (4) Amount of Tax Full Year; (5) The Amount Actually Paid under Protest and for Which Refund is Asked.

(1) Appraised Value (100%)	(2) Taxpayer's Claimed Value	(3) Illegal* Valuation	(4) Amt. of Tax (full year)	(5) Amt. Paid
* 4,051,061.00	2,886,155.00	1,164,906.00	134,565.00	19,347.50

⁽¹⁻²⁼³⁾ * See Attached Supplement

The taxes actually paid under protest, for which refund is asked herein, represent the taxes for: Full year _____; First Half X; Second Half _____. (Designate by (X).)

Further, protestant alleges that said taxes are illegal and void to the extent and for the reasons set out in the written protest filed with the County Treasurer at the time said taxes were paid, and a copy of said protest was mailed to the governing body of each Taxing District making a levy being protested. A true and correct copy of said written protest is attached hereto and incorporated herein by reference.

WHEREFORE: Protestant prays for an order directing the proper officers of said county to refund to protestant herein the illegal or void taxes protested and, in case the application and protest herein cover only the first half-year taxes, then for further order abating said illegal or void taxes for the balance of said year.

Automotive Controls Corporation
(Protestant or agent)

By J. Robert Lewis
(typed name)

Title Controller
(street)

P.O. Address 1300 West Oak, Independence, Ks.
(city) (state) (zip) 67301

(Phone) (316) 331-1000 (285)
a/c

VERIFICATION

State of Kansas
County of Montgomery } ss.

I do solemnly swear that I am J. Robert Lewis the protestant herein; or am duly authorized to make this affidavit on behalf of said protestant; that I have read and know the contents of the within and foregoing application, including the written protest attached thereto; and that the matters and things therein set out and contained are true and correct, to the best of my knowledge, information and belief, so help me God.

J. Robert Lewis for ACC
(protestant or agent)

Velma M. Morgan
Notary Public

Subscribed in my presence and sworn to before me, this 14th day of Dec, 19 83
VELMA M. MORGAN
Notary Public
MONTGOMERY COUNTY,
STATE OF KANSAS

My Appt. Expires 10/22/84
My Commission Expires:

INSTRUCTIONS

If the tax was not paid under protest, the Board has no authority to order a refund.

A true and correct copy of the written protest that was filed with the county treasurer at the time the taxes were paid MUST be attached to and filed with the application for refund; otherwise, the Board cannot consider the application. That written protest should be a specific set of allegations for they establish the basis for relief and refund. The table of itself is NOT sufficient to lay a foundation for relief.

In making the table under (A) or (B) on the first page of the application, attention is directed to column seven (7) under (A) and column five (5) under (B). In those columns the alleged illegal or void tax for the entire year should be set out regardless of whether the full year taxes have been protested or not. In the column following is set out the amount of tax actually paid under protest and for which refund is made.

Where the application and protest cover only the first half-year taxes, then in the event the protest is allowed and refund ordered, the Board may, in its discretion, issue a further order abating the remaining taxes for the last half.

The original application for refund must be filed with the State Board of Tax Appeals within 30 days after filing the protest and a duplicate filed with the county treasurer of the county involved within 10 days after the filing of such application with the Board. The written statement should be filed with the County Treasurer at the time payment of taxes is made.

READ THE APPLICATION BLANK CAREFULLY BEFORE ATTEMPTING TO FILL IT OUT!

**WRITTEN STATEMENT TO BE FILED
WHEN PROTESTING PAYMENT OF TAXES**

AD-2

To the Treasurer of Montgomery County, Kansas

The undersigned taxpayer protests payment of taxes levied for the year 83 under authority of K.S.A. 1974 Supp. 79-2005.

Name of Taxpayer Automotive Controls Corporation

Address 1300 W. Oak St., Independence, Kansas 67301

Legal Description of Property Manufacturing Equipment

Reason for Protest:

A. Illegal tax levy (levies) _____ B. Illegal or void assessment X

A. Illegal Tax Levies

Tax District	Fund	Rate Levied	Assessed Valuation	Amount of Taxes (full year)	Amount of Taxes Paid	Rate Protested	Exact Amount of Taxes Being Protested

Levy (levies) being protested is illegal because _____

B. Illegal or Void Assessment

Assessed Value	Rate Levied	Amount of Taxes (full year)	Amount of Valuation/Assessment Valid	Amount of Taxes Paid	Exact Amount of Taxes Being Protested
* 1,215,318	11.0724	134,565.00	865,846.00	134,565.00	19,347.50
				Full Year	½ Payment

* See Attached Supplement

Assessed value being protested is illegal or void because of The Application of Trending Factors in Appraising Personal Property.

The taxes actually paid under protest for which refund is asked, represent the taxes for: Full year _____, First half 19,347.50, Second half _____ of _____.

Automotive Controls Corp. Taxpayer By J.R. Lewis J.R. Lewis Controller

P. O. Address 1300 West Oak, Independence, Ks. 67301 Date 12/19/83

I N S T R U C T I O N S

Read K.S.A. 1974 Supp. 79-2005 carefully before starting. Fill out all applicable portions completely. State the grounds on which the whole or any part of said taxes are protested, including any law, any statute, and/or any facts on which you rely. Fill out and present to County Treasurer at the time of paying property taxes. Attach additional sheets as necessary

Approved and adopted by Department of Revenue,
Division of Property Valuation

AUTOMOTIVE CONTROLS CORP.
SUPPLEMENT TO PROTESTED TAX APPEAL
1983 P.P. TAX

	FORM			
1	STATE BOARD OF TAX APPEALS			
2				
3				
4	SECTION 6.			
5	VALUATION PER TAX BILL 36509			1879345
6	TOTAL APPRAISED VALUE PER MG COUNTY	6264478		
7	LESS: INVENTORY	2,213,417		
8	(1) APPRAISED VALUE (100%)	4,051,061		
9	MANUFACTURING EQUIPMENT BASED			
10	ON TRENDING FACTORS	(1)		
11				
12				
13				
14	PREVIOUS METHOD FOR APPRAISAL			
15	DEPRECIATED VALUES			
16				ASSESSED
17	YEAR OF ACQUISITION	TOTAL	VALUE	VALUATION
18	1982	815880.63	80%	652704.50
19	1981	995755.75	60%	597453.45
20	1980	403022.96	40%	161209.18
21	1979	5718366.11	20%	1143673.22
22		7933025.45		2555040.35
23				
24	LEASED EQUIPMENT PER			
25	STATEMENT FROM MG Co.	950000.00		331115.00
26		8883025.45		2886155.35
27				
28	TAXPAYERS CLAIMED VALUE			(2)
29				
30				
31	(4) AMOUNT OF TAX FULL YEAR			
32	TAXES DUE TO EQUIPMENT ONLY			
33				
34	MG County APPRAISED VALUE	4051061		
35	ASSESSED VALUATION	30%		
36		1215318.		
37	LEVY	11.0724		
38		134565		
39		(4)		
40				

	1	2	3	4
1	(5) AMOUNT PAID			
2	ILLEGAL VALUATION	11,64,906		
3	ASSESSED VALUATION	30%		
4		349,472		
5	LEVY	11.0724		
6		38,695		
7				
8	1/2 PAYMENT	19,347.50		
9				
10				
11				
12				
13	<u>FORM AD-2</u>			
14				
15	<u>SECTION B</u>			
16				
17	AMOUNT OF VALUATION / ASSESSMENT VALID			
18				
19	ASSESSED VALUE	12,15,318		
20	ILLEGAL ASSESSED VALUE	349,472	(5) ABOVE	
21				
22		8,65,846		
23				
24				
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TAX STATEMENT

OFFICE OF MONTGOMERY COUNTY TREASURER
INDEPENDENCE, KANSAS

PERSONAL
PROP .3650

OR SEND THIS NOTICE WITH YOUR REMITTANCE INDEPENDENCE TWP

TOTAL TAX IF THE AMOUNT IS \$10 OR
MUST BE PAID IN FULL

VALUATION	TOTAL LEVY	GENERAL TAX	INTANGIBLE TAX	GRAIN TAX	TOTAL TAX	HALF PAYMENT	TAXES ARE UP THE FOLLOWING
1879345	11.0724	208088.60			208088.60	104044.30	
<small>THE VEHICLES BELOW ARE IN ERROR, IF YOU FEEL YOUR VALUATION IS IN ERROR-CONTACT THE CO. APPRAISER. PHONE 331-4510</small>		TAX BILL NUMBER	TAXPAYER NUMBER	TOWNSHIP OR CITY	TAX UNIT CODE		INTEREST
		36509	875840	A6 FT	035		TOTAL

** MAKE OF VEHICLE OR LIST OF ADDITIONAL VEHICLES MAY BE OBTAINED FROM COUNTY APPRAISER.

IHC 63 TRUCK
CHEV 74 TRUCK
FORD 64 TRUCK
BEDS & BODIES
MERCH INVENT

MFG. INVENT
LEASED EQUIP

AUTOMOTIVE CONTROLS CP
1300 W OAK BOX 788
INDEPENDENCE, KS 67301

FIRST HALF MUST BE PAID BY DEC. 20 OR FULL AMOUNT COMES DUE PLUS INTEREST.

1ST HALF DUE ON OR BEFORE DEC. 20 1983
2ND HALF DUE ON OR BEFORE JUNE 20 1984

CASH
CHECK BILLIE LEWARK,
COUNTY TREASURER



Issues '84

Kansas Association of Commerce and Industry

500 First National Tower, One Townsite Plaza, Topeka, KS 66603, Phone (913) 357-8321

A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

January 1984

Trending Factors

ISSUE: Should trending factors be used to estimate the fair market value of business machinery and equipment for property tax purposes?

BACKGROUND: Trending factors are multipliers used by county appraisers to estimate fair market value of business machinery and equipment for property tax purposes. The multipliers are developed by the Division of Property Valuation, Kansas Department of Revenue, and can be found in the Miscellaneous Personal Property Guide published annually.

Although published since 1978, the trending factors had not been in general use until a Board of Tax Appeals decision (July 1981) rejected the use of IRS depreciation schedules to estimate fair market value, and ordered the trending factors be used by local appraisers in the valuation of business machinery and equipment. By the 1983 tax year virtually all counties were using trending factors in the appraisal process to some extent.

Trending factors have resulted in higher personal property valuations and higher property taxes for many businesses. Particularly hard hit are capital-intensive manufacturers. While the impact varies from taxpayer to taxpayer, and from county to county, the tax increases have been severe in many instances.

Higher taxes have occurred for two reasons: first, property that had been depreciated to a zero value by the use of IRS depreciation schedules has been returned to the tax roles; and second, use of trending factors has increased the value of much of the property that was already on the tax roles.

KACI POSITION: KACI opposes the use of trending factors to appraise business machinery and equipment because this selective enforcement of the state's property valuation laws is resulting in a discriminatory tax increase on the Kansas business community. To maintain the integrity of the property tax system KACI supports returning property to the tax roles that is still in use but which had been depreciated to zero through the use of IRS depreciation schedules.

Business machinery and equipment should be valued based on historical cost less depreciation over the economic life of the property, at least until all taxable property is reappraised at current fair market value. Property no longer in use because of functional, technological, or economic obsolescence should not be taxed because it has no fair market value as used machinery. The cost to scrap such property frequently exceeds its salvage value.

(OVER, PLEASE)

Legislative and Executive leaders have been unable to move forward with statewide reappraisal of all property despite the fact that most appraised values on residential property, agricultural land, and commercial and industrial real estate are more than a decade old. Compliance with existing statutory requirements to value all property at 30% of fair market value would shift taxes off of business personal property and public utility property onto homes and farms. The current use of trending factors to annually reappraise business personal property, without reappraisal of the rest of the tax base, is shifting the tax burden onto personal property.

On November 28, 1983, KACI testified before the Special Committee on Assessment and Taxation and endorsed two prefilled bills, SB 467 and HB 2644, that would prohibit the use of the trended cost concept in the preparation of state valuation guides. This is at best a short-term solution. In the long-run, equity and fairness can only be restored by statewide reappraisal of all property.

Following statewide reappraisal, valuation of business machinery and equipment based on replacement cost less depreciation, which is what the trending factors are intended to estimate, would be much less onerous. Nonetheless, the trending factors are in need of further refinement. Salvage values are too high for most types of property; unused, outdated equipment should not be subject to tax; and the economic life assigned to many types of equipment should be shortened to more accurately reflect current fair market values for used machinery and equipment.

STATUS: The two prefilled bills that would prohibit the use of the trending factors in the Property Valuation Division's valuation guides are SB 467, 18 co-sponsors, and HB 2644, 21 co-sponsors. Passage of either should ease the dramatic rise in valuations caused by reappraisals based on replacement values. However, property that had previously been depreciated to zero would be returned to the tax rolls if it is still in use, and may be returned to the tax rolls even though it's not in use if it's still on the site.

Two statewide reappraisal bills are carried over from 1983, SB 275 and HB 2155. These bills are the end product of several years debate and compromise regarding reappraisal and should be very acceptable. Neither bill would result in any shifting of tax burden. They authorize statewide reappraisal but expressly prevent the reappraised values from being used to levy taxes without separate authorization from the legislature.

6

COUNTY COMMISSIONERS
MONTGOMERY COUNTY
INDEPENDENCE, KANSAS 67301
January 17th, 1984

Attachment #6

STATEMENT OF THE BOARD OF MONTGOMERY COUNTY COMMISSIONERS
Re: Senate Assessment and Taxation Committee SB-467 Trending factors

On June 1982, Mr. John Cooper, of the department of Property Valuation was placed on the agenda of the Board of Montgomery County Commissioners to relate numerous reasons why Trending Factors would be implemented Statewide.

He stated that most Counties were implementing them, some were ignoring them and some were doing them like Montgomery County and systematically implementing them as Montgomery County was attempting to do.

Our Appraiser, Terry Brown, stated that Mr. Martin explained to him that if he (Terry Brown) would use them on 10%-15% of the businesses for 1982 that it would show good faith and he (Phil Martin) would back off total implementation for the year 1982. County Appraiser Terry Brown took the position of refusing to partially implement them on the Constitutional grounds of unfair and equal and the Board of County Commissioners unanimously agreed this would be unconstitutional.

Trending Factors, per se, are merely a schedule of Decimal Multipliers, broken into Columns for different economic lives. The definition of economic life as defined by the Department of Property Valuation as expressed in the memorandum of March 16th, 1983 is the "estimated period within which an asset may be used profitably", however, based upon my conversations with representatives of local industry and by contacts derived from my efforts at recruitment of industry in the county, this definition does not achieve market value by statutory market value, ie: what a willing buyer will pay a willing seller, neither being under duress, the trending factors as implemented are unconstitutional.

The net affect of the Trending Factors is a loss of industry and a loss of jobs and is counter productive to all the efforts of the Department of Economic Development, Mid America, Inc. and all of us who are involved in trying to hold our existing industries and develop new industries for the State of Kansas.

We, in Montgomery County have lost two major industries in the last two months due to this unfair and unconstitutional method of Valuation. These were large item Products involving the need of expensive machinery and we could not justify the cost of Production, based on this method of Taxation. The net loss of employment was 400 jobs.

Attch. 6

Continued

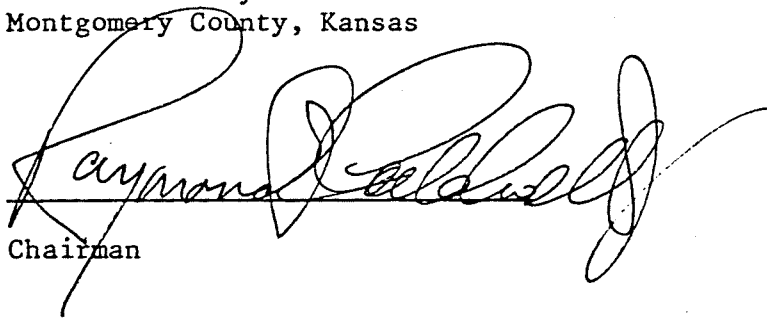
Our observation is that the trending factor decimal system, per se, may be justified as a vehicle, however, it should be up to the individual County Appraisers to determine the exact life of a machine to which this is applied and not a theoretical manual devised by a person in Topeka. It should in no way be applied to the Consumer Price Index, as a lathe in Coffeyville, Kansas has absolutely no relationship to a head of cabbage in Buffalo, New York.

The problem with the system is the entire law which gives the Director of the Department of Property Valuation absolute authority and control. This should be revised statutorily to curb his ability to set up a dominant kingdom as the present Director has done.

I would advise you that the present situation has totally NEGATED all the fine work done by so many hard working folks in Industrial Development at the State and local level and has almost totally destroyed our ability to attract new industry and thus broaden our tax base.

It would be our recommendation that at this point, you would do away with Trending Factors entirely and study the situation and come up with a logical and workable system. Let's work together to enhance our business and industrial community and further attract new industry to our Great State.

Board of County Commissioners
Montgomery County, Kansas



Raymond J. Caldwell

Chairman

PETITION PROTESTING KANSAS' DECISION TO DRIVE INDUSTRY AND JOBS TO FRIENDLIER STATES THROUGH USE OF TRENDING FACTORS IN EVALUATING EQUIPMENT AND MACHINERY FOR AD VALOREM TAX PURPOSES

PRESENTED BY: James S. Gilpin, President, IOLA State Bank, Iola, Kansas
 Ronald Steven Robb, President, IOLA State Bank, Iola, Kansas
 Max V. Snodgrass, President, Snodgrass Dunlap & Co, Iola, Kansas
 Ellis Potter, P.D., Iola, Kansas
 Terry R. Sparks, Iola, Kansas
 Wayne Archer, Iola, Kansas
 Charles J. Readinger, Iola, Kansas
 C. L. Mathews, Iola, Kansas
 Gary Pulliam, Iola, Kansas
 John U. Noonan, Iola, Kansas
 T. C. Brown, Iola, Kansas
 John M. Rae, Iola, Kansas
 Eileen Lynn, Iola, Kansas
 John F. Brooker, Iola, Kansas
 James J. King, Iola, Kansas
 Don Williams, Iola, Kansas
 Charles Norman, Iola, Kansas
 Fred Works, Iola, Kansas
 Norman Painting Co, Iola, Kansas

Whereas the State of Kansas taxes business personal property at a level higher than the other forty-nine states through its use of trending factors, Kansas reduces its competitive advantage and ability to retain and attract job creating industry;

Whereas ten counties, over fifty communities, over 350 businesses and individuals in Southeast Kansas contribute annually \$140,000.00 toward regional job retention and creation through Mid America, Inc., the efforts of this region are now negated by unequal tax treatment of existing and prospective industry;

Whereas the philosophy of levying a major tax on job creating machinery and equipment is counter-productive and short-sighted;

Whereas the present use of trending factors unfairly requires county assessors to make a large number of highly technical decisions;

Whereas the Kansas Constitution requires uniform and equal taxation, the present system is unconstitutional because it taxes personal property at a higher rate than other kinds of property; and

Whereas there is no realistic method for auditing property information provided, honest taxpayers pay more and dishonest taxpayers pay less;

Therefore we the undersigned petition the legislature to (1) change this counter-productive and unfair practice, (2) consider its long term effect on Kansas employment and development, (3) encourage investment by business in job creating machinery and equipment by depreciating personal property without factoring in inflation; and (4) schedule a statewide reappraisal at the earliest opportunity.

* Retail & Service Business with Manufacturers that use extensive personal property

NAME (PRINTED)	ADDRESS/BUSINESS	SIGNATURE
JAMES S GILPIN	IOLA STATE BANK	James S Gilpin
RONALD STEVEN ROBB	IOLA STATE BANK	Ronald Steven Robb
MAX V. SNODGRASS	Snodgrass Dunlap & Co	Max V Snodgrass
ELLIS POTTER, P.D.	Box 847 IOLA KANS	Ellis Potter
TERRY R. SPARKS	STATE FARM INS.	Terry R Sparks
WAYNE ARCHER	ARCHER REAL ESTATE INC	Wayne Archer
CHARLES J. READINGER	IOLA IGA	Charles J Readinger
C. L. MATHEWS	IOLA, (MATHYS - RE)	C L Mathews
GARY PULLIAM	Farmers Ins Group IOLA KANS.	Gary Pulliam
JOHN U. NOONAN	GATES RUBBER COMPANY BOX 606, IOLA, KANSAS 66799	John Noonan
T. C. BROWN	Box 51 Elsmore Kans State Farm Ins.	T. C. Brown
JOHN M. RAE	1115. Washington, Iola KS	John M Rae
EILEEN LYNN	THE IOLA REGISTER IOLA, KANSAS	Eileen Lynn
JOHN F. BROOKER	S. 20 County Route 101 Iola, Kansas	John F Brooker
JAMES J. KING	R1 Moran, KS 66755	James J King
DON WILLIAMS	509 N Ohio Iola, KS	Don Williams
CHARLES NORMAN	RR3 Iola, Kansas	Charles Norman
FRED WORKS	Immel + Immel, Iola KS	Fred Works
NORMAN PAINTING CO	NORMAN PAINTING CO	Norman Painting Co

1/30/84

John MERRIMAN	7022A 58 W. FIELD	John Merriman
Ronald E. Stout	D. R. Plumbing & Elect Inc 204 W. Washington, ToLa, Ks.	Ronald E. Stout
Jane E. Hultquist	413 S. WASH. TO LA Ks.	Jane E. Hultquist
JAMES E. HILLBRANTH	113 S WASH. TO LA 12	Jane E. Hultquist
James Meckling	Stated C105	James Meckling
Carol Ferguson	Stated C105	Carol Ferguson
Gary L. Dunke	R. Ks / Rio Rio R # 3 ToLa, Ks. 66749	Mary J. Dunke
Don Murray	D. R. Plumbing	Don Murray
Ronald J. Turner	ToLa Bus Depot	Ronald J. Turner
Richard Dewey	Walter Zandy	Richard Dewey
Joseph W. JACKSON	Dick White Realty 15 N State	Joseph W. Jackson
Joe Betzen	J B Supply	Joe Betzen
Bill Mentzer	Miller County Bank	Bill Mentzer
V. Andrew Dunlap	Miller County Bank	V. Andrew Dunlap
Jon P. Kutzmeier	901 N. Chestnut ToLa, Ks.	Jon P. Kutzmeier
Theresa Serrall	RR 2 Harper, Ks.	Theresa Serrall

PETITION PROTESTING KANSAS' DECISION TO DRIVE INDUSTRY AND JOBS TO FRIENDLIER STATES THROUGH USE OF TRENDING FACTORS IN EVALUATING EQUIPMENT AND MACHINERY FOR AD VALOREM TAX PURPOSES

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NAME (PRINTED) ADDRESS/BUSINESS SIGNATURE

NAME (PRINTED)	ADDRESS/BUSINESS	SIGNATURE
THOMAS J. NEVARS	1115 S. WALNUT IOLA KS	Thomas J. Nevares
J. WILLIAM JAMES	520 ALAMOSKA IOLA KS	William James
LINDA C. TROXEL	211 N. 4th - IOLA, KS.	Linda C. Troxel
JUDY S. THOMPSON	R. #1 LA HARPE, KS.	Judy S. Thompson
LANCE E. BALLARD	820 MEADOW BROOK IOLA, KS	Lance E. Ballard
DIANE OSWALT	Rt 2 IOLA KS	Diane Oswalt
FED W. LUCAS	13 W. EDWARDS IOLA, KS	Fed W. Lucas
JOHN A. MASTENSON	423 S. SYCAMORE IOLA, KS	John A. Mastenson
BERRY NELSON	510 2nd St IOLA, KS	Berry Nelson
DEBORAH E. TRUCKER	Rt 2 IOLA, KS	Deborah E. Trucker
SUSAN LOCKE	Rt 3 IOLA, KS	Susan Locke
MARTY CLINE	109 South Street, IOLA, KS	Marty Cline
MARGARET E. BRYSON	Route 2, IOLA, KS	Margaret E. Bryson
EUGENE HARRIS	Rt 2, IOLA, KS	Eugene Harris
ANN M. TEE	1 East Madison, IOLA, KS	Ann M. Tee
DIANE TENPENNY	850 N. SYCAMORE	Diane Tenpenny
LOUISA GIFFORD	Rt 1, IOLA, KS	Louisa Gifford
PAUL J. PORTER	219 N. JEFFERSON, IOLA, KS	Paul J. Porter

Vance A. McLaughlin

CTASCO, Topeka, KS

Vance A. McLaughlin

~~Paul F. Sutherland~~

Paul F. Sutherland

Topeka State Bank Topeka, KS

Paul F. Sutherland

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REGISTER

PERSPECTIVE

OPINION AND ANALYSIS

Kansas has decided to drive industry to friendlier states

Businessmen are pouring into Topeka these days to protest the use of trending factors in evaluating equipment and machinery for ad valorem tax purposes.

There are three valid reasons for attacking the system: It is unconstitutional because it results in taxing this kind of property at a higher rate than other kinds of property. It is susceptible to error because it requires assessors to make a large number of highly technical decisions. And, lastly, it is counter-productive to levy a major tax on job-creating machinery and equipment.

— The Kansas Constitution requires uniform and equal taxation. With the use of trending factors as mandated by the state Property Valuation Division, machinery and equipment is on the book at about 30 percent of market value. Farm land is taxed at about 6 percent of market value. Residential property is valued at about 9 percent. Only state-assessed utilities and motor vehicles bear as high a rate.

It is apparent that assessments made with the trending factors are in violation of the uniform-and-equal requirements.

— Even if the trending factor method could be adjusted to tax machinery and equipment at the level of other property, it is difficult to put the system into effect because it requires assessors to make expert technical judgments which they are not trained to make.

For an example from this business: Many typesetters are computers. The state provides lists of

equipment by industry and type. Each as a different useful life. According to the state, typesetters last 15 years while computers last five years. The assessed valuation for year-old computers is therefore substantially lower than for year-old typesetters of equal initial cost. Question: Which column does a computer-typesetter go in? The state doesn't say.

Each industry and business, one can rest assured, can offer similar examples when the guidelines provided assessors fail to provide the information needed to reach accurate judgments.

— These legal and technical objections to the use of trending factors to increase the tax on business equipment and industrial machinery by several times are important — but they pale beside the basic objection: It is stupid for Kansas to adopt a system which drives business and industry away.

All of a sudden — the use of trending factors became statewide just this year — Kansas seems determined to discourage investment in the state. The property tax now is a major burden and has become an important item in deciding whether to expand a business — or to move it.

Many states don't tax industrial machinery at all because they understand that they put far more dollars into their treasuries by attracting new industries which create jobs than they do by draining existing businesses of their capital.

Kansas would do well to consider their wisdom.

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Legislative Testimony

Kansas Association of Commerce and Industry

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Attachment #9
January 18, 1984
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KANSAS ASSOCIATION OF COMMERCE AND INDUSTRY

Testimony Before the

SENATE ASSESSMENT AND TAXATION COMMITTEE

by

Ronald N. Gaches, General Counsel
and Director of Taxation, KACI

Thank you Mr. Chairman for this opportunity to present the concerns of the Kansas Association of Commerce and Industry regarding the valuation of business personal property for property tax purposes.

KACI members represent a broad cross-section of Kansas businesses; retailers, manufacturers, commercial and financial services, light and heavy industry. The overwhelming majority of our members are small businesses; 86% have 100 employees or less. Despite their broad diversity, they share many responsibilities and concerns.

One responsibility they share is to provide financial support for local government, primarily in the form of property taxes. One concern they share is that fairness and equity have been lost in the application of the property tax.

Note that I refer to the application of the property tax. KACI has gone on record repeatedly in defense of our current property tax laws. The state constitutional mandate for a "uniform and equal rate of assessment and taxation," Article II,

Section 1, and the statutory requirements for fair market valuation and assessment at 30% have been strongly defended by the business community. It is the enforcement of these laws, the current administration of the property tax, that discourages and disappoints the business community.

The wide disparity in assessment levels for various classes of property is well documented. In virtually every taxing jurisdiction in the state the highest assessment levels fall on business property. The solution to these inequities, and the inequities in valuation within classes, is well known. Statewide reappraisal is the essential first step to restoring fairness and equity to the property tax.

The Board of Tax Appeals Order mandating the use of the PVD valuation manuals that contain trending factors based on CPI multipliers has made a bad situation worse. Burdensome and severe property tax increases have been the result of compliance with the Board of Tax Appeals' Order. These tax increases are real. Taxpayer complaints should not be dismissed as the grumblings of a few who don't want to pay their fair share.

Those tax increases have resulted for several reasons, not all of which are directly the result of trending factors. In some instances the increase is due to returning property to the tax rolls that had previously been depreciated to zero. This property belongs on the tax rolls and should be taxed. Some of the increase is due to property being placed on the tax rolls that had never been taxed before. Another portion of the increase is due to higher values on property caused by use of the trending factors.

In some cases, the trended cost values may closely approximate fair market value of the property. But in many cases that is not true and the justification given to this committee for continuing the use of the current trending factors is insufficient to merit their continued use.

The Department of Revenue gave you three reasons for using trending factors. Let's examine each reason. First, "the Constitution requires that like property be appraised uniformly statewide." The valuation manuals result in uniformity, not the use of trending factors. Any valuation methodology incorporated in the manuals will result in a high degree of uniformity.

Second, "Kansas statutes require that all property subject to general taxation be valued at its fair market value in money." The Department has never demonstrated that the trending factors are a good estimate of fair market value. They assert that the income approach is not appropriate and that comparable sales are inadequate and then reach the conclusion that the only tool left is the trending values to estimate replacement cost. But this replacement cost analysis is flawed. Not all new equipment and machinery costs more than the property it replaces. Not all equipment and machinery has increased in cost at the same rate. Almost none of the replacement machinery and equipment on the market is directly comparable with the machinery and equipment that it replaces. Technologies are improved, productivity is increased, durability is enhanced, repair costs are down. Replacement costs are not a fair basis for determining the fair market value of used machinery and equipment. To the extent that replacement machinery and equipment is more productive, faster, quieter, less costly to maintain and update, the value of

older machinery and equipment is pushed down. Old machinery and equipment loses value in the market place as new, better replacements are available. Perhaps this is one reason why sales of used machinery and equipment are hard to find.

And the Department's third reason, "the statutes further require the Director to prescribe and furnish guides to be used for valuing property." The requirement to furnish guides in no way justifies the use of CPI multipliers to estimate fair market value. The guides could use historical costs less depreciation and the statutory requirement to furnish guides would still be met.

The Department quoted the Board of Tax Appeals Order in the Capitol City Rentals case and implied that the BTA has mandated the use of trending factors to insure uniformity and equality. This is not an accurate interpretation of the Order. Let's place the Department's BTA quote within the proper context. The decision reads:

"The Board concludes that the method used by the Shawnee County Appraiser to trend or depreciate those original adjusted cost values to arrive at the proper appraised value of this property is patently improper. The Appraisal Guide issued by the Director of Property Valuation prescribes the method of trending or depreciating these original cost values. K.S.A. 79-1412a Seventh requires the local county appraiser to follow those Guides. This Board has repeatedly held that the only exception is where such adherence would result in a value other than fair market value, and then only where specifically documented. Such is not the case in this proceeding. Therefore the Shawnee County Appraiser's use of the trending factors other than those prescribed by the Director is arbitrary and contrary to the ad valorem tax statutes of this State. The purpose of the Guides prescribed by the Director is to insure uniformity and equality of assessment of personal property, irrespective of its physical location in this State. Disregard of these Guides destroys that goal."

As Mr. Martin suggested on Monday, there is no magic in a trending factor. The Appraiser's error was not in using trending factors other than the ones prescribed in the Guide. The error was in deviating from the Guide without specifically documenting a need for the deviation. As a practical matter, the local appraiser had developed trending factors he believed were more appropriate than those developed by PVD. I find it difficult to fault his intent.

The Department testified at length regarding the manner in which business personal property was valued prior to use of the trending factors. No one can defend the use of IRS depreciation schedules to estimate fair market value or the removal of property from the tax rolls when it is still in use. Those practices are obviously in violation of the requirement of fair market valuation. Curiously, the Department has never challenged the statute that prevents real estate from being valued at its fair market value, nor has the Department challenged the practice of rolling back the value of new real estate to approximate comparable value at the time of the last county reappraisal.

It's obvious that conflicts in the law are to be overlooked when they benefit broad classes of voters. Compliance with the law is expected when the business community is to pick up the tab. The truth is that the taxation of business personal property will remain a problem even after the trending factors are eliminated or changed to make them more acceptable because of the disparity in assessment levels between business personal property and real estate.

Businesses that are capital intensive, that pay high personal property taxes, are never going to think that a 5% assessment rate is fair for agricultural land while

they pay 30% on their personal property. Particularly when the low assessment rate on ag land is coupled with a farm machinery and equipment exemption. The same is true of low assessment rates for residential property, currently around 8%, statewide average.

Solutions to this problem will probably be controversial. It may even require another inconsistent band-aid becoming part of our property tax law. Still, several options are available:

1. exempt business machinery and equipment
2. exempt business machinery and equipment and impose an in-lieu-of tax
3. prohibit the annual reappraisal of personal property until completion of statewide reappraisal, the same protection afforded real estate
4. direct PVD to use a multiplier smaller than CPI, such as the Producer's Durable Equipment, Implicit Price Deflator, in computing the trending factors
5. define fair market value of machinery and equipment in the statutes
6. provide for the separate classification of machinery and equipment
7. prohibit the use of trended cost and replacement cost in preparation of the valuation guides.

Each of these choices has its advantages and its shortcomings. The Department does not appear to be concerned about the growing disparity in the taxation of business property, particularly business personal property, and the rest of the tax base. But we as Kansans should be concerned.

Our property tax problems are a clear threat to the Kansas business climate. Capital intensive industry, including high-tech industry, watches trends in property taxation very closely. The de facto classification system we now have in place is one of the most burdensome of any state's. Most of the states that have legalized classified property tax systems don't place the heavy burden on business personal property we now have in Kansas. It's my understanding that jobs in the Wichita area and the southeast corner of the state have already been lost and others are threatened because of property tax increases.

KACI urges you to give prompt and serious attention to the resolution of these growing property tax disparities. Delaying reappraisal and requiring the business community to further subsidize other taxpayers will cost Kansans jobs we should not have to lose.