

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. ~~pm~~ on January 31, 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:

Bill Abbott, Public Affairs Manager for Boeing Military Airplane Co.,  
Wichita  
Dennis Schwartz, President, Kansas Rural Water Association, Seneca  
Bill Anderson, Director of Public Affairs, Water District No. 1,  
Johnson County  
George Barbee, Executive Director, Kansas Consulting Engineers  
Representative Leroy Fry

The committee held a hearing on SB 515 which would extend the maximum period of time for exemption from property taxes for freeport property from two to five years.

The chairman recognized Bill Abbott, Boeing Co., who had requested the bill and who told the committee that retaining aircraft in storage in excess of two years would mean jobs for Kansans. Attachment #1

Senator Mulich moved and Senator Allen seconded a motion to recommend SB 515 favorable for passage. The motion passed.

The committee held a hearing on SB 517 which exempts rural water district construction projects from the sales tax.

The chairman recognized Dennis Schwartz, President of the Kansas Rural Water Association, who expressed strong support for the bill.  
(Attachment #2)

Bill Anderson, representing the Johnson County Water District, told the committee he believed their water district should be included in the bill as well as the rural water districts, that all water districts should be exempt from the sales tax.

George Barbee, Executive Director of Kansas Consulting Engineers, told the committee that it was generally understood in the industry that the rural water district projects were exempt from paying this tax but a recent ruling on this matter mandates that the projects are subject to the tax. He noted an example of the impact on a current project and urged the committee to act favorably on SB 517. (Attachment #3)

The chairman recognized Representative Fry who reported to the committee that indirectly we are taxing water.

Dennis Schwartz told the committee that it might be appropriate to include public water districts organized under a different law.

The chairman requested the staff to research the various types of water districts and report back to the committee with a fiscal note.

The chairman adjourned the meeting at 11:30 a.m. The committee will meet on February 1 at 11:00 a.m.

ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
JAN, 31	Marglyn Lybbert	<del>Fr Co.</del> Ottawa, Ks	Fr. Co.
	Lama Lutha	Ottawa Kans	Fr. Co.
	CHARLES MARY	" "	Co. Comm
	CHARLES H. CLARK	" "	FRANKLIN COUNTY
	Bill ARBOTT	Wichita	Boeing
	George Barber	Topeka	U.S. Consulting Engne
	Bob Wootton	Topeka	Gov. office
	Don Cleckes	TOPEKA	KARI
	Ship Martin	Topeka	PUD
	Janice Marcum	"	"
	Bill Anderson	Mission	Water Dist # / of So Co
	CHARLES J CAIRNIE	TOPEKA	Gov's FELLOW / KWO
	Elmer Rennebaum	Seneca	Kansas Rural Water
	Dennis F. Schwartz	Topeka	Kansas Rural Water Assn.
	D. Hanzlick	Topeka	HS WDMs
	M. Hawco	"	cap. Journal
	DORIS NAGEL	"	Budget
	Rep. Elroy King	"	Legs
	Charles Bruner	Uniontown	
	Glen Heiser	Commissioner	Waboursee city
	Bill EDDIS	TOPEKA	REVENUE
	Connie M. Goode	Ellsworth	COUNTY Treasurer
	Don Zvolanek	"	Appraiser

**BOEING**

Attachment #1

**BOEING MILITARY AIRPLANE COMPANY**

A Division of The Boeing Company  
Wichita, Kansas 67210 • Seattle, Washington 98124

January 31, 1984

Senate Assessment and  
Taxation Committee  
State House  
Topeka, Kansas

Mr. Chairman:  
Members of the Committee:

My name is Bill Abbott; I am the Public Affairs Manager for the Boeing Military Airplane Company in Wichita.

I am appearing today in support of S.B. 515. I wish to thank the Committee for introducing the bill.


We at Boeing find our business is changing and we are now in the used airplane business. In today's commercial airplane market it is necessary to take airplanes in trade for new aircraft -- new 737s, 747s, 757s or 767s -- When we take the airplane in trade we store it on our flight line at Wichita under the provisions of KSA79-201f or "Freeport." As the statute now reads we are limited to storing the aircraft for a maximum of two years and have it exempt from ad valorem taxes. Our projections are that for the next several years we will have from 25 to 50 aircraft in storage. Because of the economic conditions (excess capacity) that exist within the commercial airplane industry we are retaining some of these aircraft in storage in excess of two years -- we have, in the past six months, transferred three aircraft to Las Vegas, Nevada for storage. Nevada has an unlimited Freeport as does the states of Washington and Arizona.

We would like to retain these aircraft in Wichita, because it means jobs for Kansans -- we have approximately 150 employees that maintain the systems of the aircraft while in storage. We have an additional 400 to 900 employees, depending on the number of aircraft involved, that do modification work on the aircraft when we sell it to a new owner. If we store the airplane in another state, these jobs go with the plane. It is not a question of retaining the airplanes in the warehouse and paying taxes on it; because of the mobility of the planes they can be flown to any location in the world and stored. When we do this we export jobs.

Our research indicates we are the only company in the state that has products in storage in excess of two years -- we feel that changing the statute to a maximum of five years will allow us to retain these jobs in Kansas.

Mr. Chairman, I respectfully request the passge of S.B. 515.

Respectfully,

  
William T. Abbott

Atch. 1  
1/31/84



KRWA

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE

STATEMENT OF SUPPORT FOR SENATE BILL 517

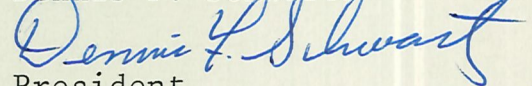
Mr. Chairman and Members of the Committee,

On behalf of the membership of the Kansas Rural Water Association, I wish to express to you our strong support of Senate Bill 517.

Almost all rural water construction and expansion is financed with borrowed money. Current cost of construction materials as well as the cost of interest, makes the final cost of water to a rural water user considerably more than it would seem. It has been reported to us that in one case of a district under construction in Central Kansas, the 3% sales tax alone on construction materials mortgaged over a period of 40 years will amount to over \$1.00 per month per user. In another case, a water tower for a local rural water district would call for sales tax of about \$7,000.00.

At the present time, all political subdivisions of the state as well as many other public organizations listed in K.S.A. 1983 Supp. 79-3606 are exempted from paying sales tax on materials used for construction and expansion projects. We feel it is only equitable that rural water districts be included in the exemption of sales tax on construction materials. Passage of this bill will be greatly appreciated by all patrons of rural water in the State of Kansas.

Dennis F. Schwartz



President

Kansas Rural Water Assoc.

1/31/84

Kansas Rural Water Association  
320 1/2 Main Street  
Seneca, Kansas 66538  
(913) 336-3760

Atch. 2  
1/31/84

GEORGE BARBEE, EXECUTIVE DIRECTOR — 803 MERCHANTS NATIONAL BANK — 8TH &amp; JACKSON, TOPEKA, KANSAS 66612 — PHONE (913) 357-1824

STATEMENT  
TO THE  
SENATE COMMITTEE ON  
ASSESSMENT & TAXATION

Mr. Chairman and members of the committee, my name is George Barbee, and I am the Executive Director of the Kansas Consulting Engineers.

I appear today in support of the amendments proposed in SB-517 which would exempt the sales tax on materials and services for rural water construction projects.

It was generally understood in the industry that the rural water district projects were exempt from paying this tax. However, a recent ruling on this matter mandates that the projects are subject to the tax. Let me give you a little example of the impact of this tax on a current project located west of Salina known as Post Rock.

Post Rock was conceived, designed and funded under the assumption that the district was exempt from this tax. The total project is expected to be \$12 million, but the first phase is the part that is being done now and it is estimated at \$6,800,000 in construction costs. About \$3.7 million is estimated to be materials for the project's construction. Without this amendment, that \$3.7 million would be subject to a 3 1/2% sales tax, which totals \$129,500.

The construction money, including this \$129,500, will come from a Farmers Home Administration loan at 8 3/8% interest for 40 years. This \$129,500 tax would cost an additional \$941.53 per month for 480 months, for a total of \$451,935 when included in the loan.

There are approximately 670 users on this first phase of Post Rock. The necessary rates to pay for this project are expected to be \$52.50 for a typical family of four based on original estimates. These people do not need an additional \$451,935 added to the bill.

But this is just one example of many, and for these reasons and for the obvious economic benefit provided by rural water districts, the Kansas Consulting Engineers urge you to act favorably on SB-517.



AFFILIATED WITH:  
KANSAS ENGINEERING SOCIETY  
NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS  
PROFESSIONAL ENGINEERS IN PRIVATE PRACTICE  
AMERICAN CONSULTING ENGINEERS COUNCIL

Atch. 3  
1/31/84